

A contrastive study of reporting in *The Guardian* and *The Economist*: Metaphors in the transition from Keynesian economics to monetarism.

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Dedicated to the Mahler Symphonies and to all the metaphors they entail

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0. Introduction

0.1 Metaphor in socio-economic discourse

The State (I learn too late) does not exist; Man lives by love, and not by metaphor.

Donald Hall, "The Body Politic,"

Exiles and Marriages (New York: Viking, 1955), 79.¹

This thesis is about figurative language. It may seem somewhat odd for a 'literary' man like myself to indulge in metaphor analysis from a linguistic point of view. In fact, my interest in metaphor was triggered ten years ago by my preoccupation with Proust and Wagner. In Proust's *A la Recherche du Temps Perdu (In Search of Lost Time or Remembrance of Things Past)*, the narrator, after a long period of *ennui*, finally avows his vocation as an artist and recognises the redemptive and creative power of metaphor, which he associates with the nurturing *mémoire involontaire* (spontaneous memory): the virtue of metaphor is its ability to capture the reality of a particular experience, which surpasses the boundaries of individual constraint, and hence, existential loneliness. In *Le Temps Retrouvé*, the final sequel to the pontifical musings of Marcel, metaphor assumes metaphysical power and is recurrently described as 'an epiphany'. Likewise, the self-consciously Jewish-American poet Cynthia Ozick in *Metaphor and Memory* (1989) accredits metaphor with vicarious virtues: "Without the metaphor of memory and history, we cannot imagine the life of the Other".² Similes are like metaphors, but there is one important difference: the comparison is explicit. That is, similes are introduced or signalled by words such as *like* (*run like rabbits*) and *as* (*white as snow*). Metonymy, too, is an important kind of non-literal language. Broadly, cases of metonymy involve part-and-whole relations and associations. Sometimes, the term 'synecdoche' is used to cover cases where the whole entity is referred to by the name of its constituent parts (*Many hands make work light*), or where a constituent part is referred to by the name of the whole (*Scotland have a great chance of winning the game*). Knowles and Moon (2006: 54-55) mention that Kövecses and others use the terms 'vehicle entity' and 'target entity' in analysing metonyms: *the Crown* is the vehicle entity, *the monarchy* is the target entity. Knowles and Moon (2006: 52-53) make the following distinction between metaphor and metonymy: "Traditional linguists would say that at the heart of each metaphor is a similarity drawn between one entity and another: the entities themselves are separate and usually unrelated, and they represent different kinds of things. [...] In contrast, at the heart of

¹ Quoted in Beer and De Landtsheer (2004)

² Quoted in Chametzky's *Norton Anthology of Jewish-American Literature* (2001: 857)

each metonym is a closeness rather than a similarity or correspondence [...]: the two elements in a metonym are essentially part of a single thing, and belong to the same domain”.

Metaphors and metonyms are a form of symbolism, and it is possible to find non-verbal or non-linguistic metaphors and metonyms in media other than language: dance, music, and particularly visual media.³ Classic cinema makes use of stock, conventionalised, metaphors and metonyms to represent events and feelings. Wagnerian critic Deryck Cooke in his comprehensive *An Introduction to Der Ring des Nibelungen* provides a number of lectures demonstrating the use of leading motives or ‘melodic moments of feeling’ in Wagner’s *Ring* cycle, i.e. a patchwork of symbolic musical phrases and their derivatives to denote characters, objects, events and emotions, often with psychoanalytic connotations. Moreover, it is possible to see whole texts as metaphorical: a story that concerns one set of events and people is really a metaphor for another (e.g. George Orwell’s *Animal Farm*). This is what allegory is. At a linguistic level, we can consider idioms from a metaphorical point of view, which often makes it possible to make sense of their idiomatic meanings and to appreciate how these meanings developed (e.g. *bury the hatchet, cost an arm and a leg*).

On the one hand, scholars have studied metaphor mostly from a linguistic or literary point of view and, on the other hand, they have most often studied world politics embedded in so-called ‘facts’. By contrast, *Metaphorical World Politics* (Beer and De Landtsheer 2004) illustrates that metaphors and world politics have appeared together many times in recent history. The blended space that results is metaphorical world politics. This study, too, starts from the assumption that in order to make ‘sense’ of the outside world, categorisation should take place. Among categorisation devices, metaphorisation is one of the more influential. Researchers in Critical Discourse Analysis are aware that ‘common sense’ is problematic as unthematized ideologies are at work in texts. In this respect, Charteris-Black (2004: 28) argues that metaphor analysis should be a central component of Critical Discourse Analysis. In this regard, *Metaphorical World Politics* shows that ‘facts’ are misleading in their compactness, the facts are often meaningless, that metaphors by contrast are energetic processors of meaning, and that facts in world politics are nothing more than weak emulsions of metaphor: metaphor as *energeia*. In this respect, Naomi Klein, writer of *The Shock Doctrine* (2007) claims that, like Susan Sontag, she takes metaphors very seriously and argues

³ cf. Knowles and Moon (2006: 9): “While metaphors are literally impossible or untrue, metonyms are partially true. There is some observable, often physical, connection between the metonym and its meaning, whereas metaphors rely on comparisons of sorts. For this reason, many linguists distinguish carefully between metaphor and metonymy, seeing them as complementary but quite separate. Some, however, see metaphor as a form of metonymy, or having developed out of metonymy. Furthermore, individual phrases or stretches of figurative language can be both metaphorical and metonymic.”

that we should treat HEALTH metaphors with suspicion, especially when they are uttered by those economists and politicians who want to cure us at any cost (cf. infra).⁴ The language of the press too is crammed with metaphors and figurative language to categorise people, events and relations. Because metaphor has the potential to arouse the emotions it is very often used in persuasive language. There is also some support then for the view that metaphor is important in influencing our underlying political and social beliefs. For Schon (1993: 137), there is a close relationship between metaphors and frame restructuring – that is, the perspective that is taken on a social issue is determined by the way it is metaphorically represented. This accredits metaphor with a central rather than a peripheral role in the human and social sciences. The use of metaphor may reflect the ideology of the language user and the rhetorical effect on the reader that is pursued (Eubanks 2000, Rohrer 1995, Zdravko 1995). Metaphors can influence our way of thinking about the economy too. Eubanks in *A War of Words in the Discourse of Trade* (2000) focuses on the conceptual metaphor TRADE IS WAR – a metaphor found wherever people discuss business and commerce – to develop his rhetorical model of metaphor, e.g. *trade war*, *conquering markets* and *defeating the competition* (Eubanks 2000: 31). He argues that metaphor is not just influenced by but actually is constituted by its concrete operation. The metaphors appearing in editorials and ‘financial notebooks’ are rarely value-free. HEALTH, FITNESS and RACE metaphors are frequently used in the discourse of those in favour of a free market. Comparative analysis has shown that these metaphors do occur more often in articles from *The Economist* and *The Financial Times* than in the more left-of-centre *The Guardian* (Boers 1997 and 1999). A good macroeconomic ‘climate’ helps companies to stay ‘healthy’ (i.e. profitable). As long as companies or economies are ‘healthy’, intervention is unnecessary. Long-term state interference may even be damaging in the long run. Companies or economies that become ‘unhealthy’ (i.e. making insufficient profits) require some form of auditing and incentives to improve performance: *a chronic deficit*, *the right economic prescription*, *the market cure*. Closely related to health care is the notion of fitness, which implies a positive bias towards the slim and athletic. Being overweight and fat is valued negatively. In this respect, Boers (1997a: 92) argues that in economic discourse, ‘slimming’ has become a euphemism for laying off workers. Budget deficits, too, need ‘slimming’. Of course, HEALTH metaphors are not ‘liberal’ by themselves. Boers (1997a: 92) mentions that more ‘socialist’ authors could exploit

⁴ cf. *De Standaard* (14.10.07). In *Aids and its Metaphors* (1989) Sontag looks at how the media’s response to AIDS has been inscribed with metaphors of dread, with disastrous consequences. She argues that if illnesses continue to be seen as a plague, a curse, a social or psychosomatic problem, the ill must remain isolated.

the same conceptual metaphors for their own purposes: “They could argue, for example, that regular check-ups at the doctor’s are highly recommended, that slimming too much may lead to anorexia, and so on”. He concludes, however, that preliminary data based on quantitative research support the suggestion that HEALTH and FITNESS metaphors may be more typical of economic discourse advocating free markets. Similarly, the PATH schema is mapped onto economics through the PATH metaphor: ECONOMIC ACTION IS MOTION ALONG A PATH TOWARDS A GOAL (e.g. *steering the economy in the right direction, taking important steps towards sustainable economic growth*). In this respect, Boers (1997a: 95) has shown that the ‘liberal’ press commonly refers to tariffs and quota systems as *trade barriers* and (over)regulation by federal government as some kind of tangle, i.e. *obstacles*, obstructing one’s path. The RACE metaphor is a persuasive way of calling for more flexibility and sacrifices on the part of employees and governments in order to enhance the competitiveness of private enterprises. Boers (1997a: 95) concludes that the RACE metaphor is more typical of the editorials of *The Financial Times* than in those of *The Guardian*. In his study, target domains were mostly limited to abstract entities, such as the economy. However, Boers refrained from investigating the underlying system of evaluation related to any specific target domains, i.e. the exploration of the inner subjectivity of journalists and their perception of specific domains within the socio-economic world.

This thesis investigates how *The Economist* metaphorically frames certain specific target domains (e.g. trade unions, government spending) differently from the more ‘socialist’ oriented *The Guardian*, as typified by their contrastive responses to particular situations and particular ideas during the Thatcher Revolution, 1979-1990. The Thatcher Years in Britain marked the transition from Keynesian demand management to contentious monetarism, the economic centrepiece of the New Right in the 1970s and 80s. Thatcherism and Reaganomics promised to make a clean sweep with socialism, promoting ‘liberal common sense’ and sealing ‘freedom’ as the ‘master’ signifier in the 1980s through a combination of radical economic liberalism and social conservatism. This study, therefore, pursues a quantitative as well as a qualitative comparative analysis of metaphor use in *The Guardian* and *The Economist* during the Thatcher Years, with a view to measuring to what extent the choice of metaphors used by the editors reflects their arguments/ideology against the backdrop of an economic landscape marked by the transition from Keynesianism to monetarism. Thus, this study shows that if HEALTH and FITNESS metaphors are examined in naturally occurring texts they occur as part of a metaphor system, a system that is influenced strongly by the points-of-view of the publications. This study forces those primarily interested in metaphors

to think about applications and implications beyond the text. Others concerned mainly with world politics may consider how metaphors may help to energise and structure political thought and action. The study outlines the general place of metaphor on the map of political economy and highlights the location of specific metaphors on the macroeconomic terrain. It should therefore attract interest from a wide range of scholars in the disciplines of psychology, communication and political science. It should be pointed out, however, that from a psycholinguistic point of view, this thesis performs a very modest service: our experiment “No pain, no gain in a free-market rhetoric: revisited with authentic materials” assesses whether exposure to a particular choice of metaphors may have contributed to readers’ endorsing the editors’ ideology. In other words, our experiment attempts to answer the question whether this metaphorical framing may well have contributed to readers’ thought patterns and consequently may have contributed to a change in public opinion about the socio-economic issues under discussion.

It should be emphasised that this thesis is not an investigation into metaphor theory. This study methodologically adopts a slightly modified form of Lakoff and Johnson’s Critical Metaphor Theory, as expounded in their book *Metaphors we Live by*, first published in 1980. In fact, many contributions in metaphor theory have been written in reaction to CMT: Gibbs (1992a,b,c 1994, 1996), Kövecses (1988, 1990, 2000), Freeman (1993), Lakoff (1987, 1990, 1993, 1999), Turner (1987), Lakoff and Turner (1989) and Lakoff and Johnson (1998). In fact, most researchers combine two complementary theories, e.g. CMT with the interaction theory of metaphorical meaning: Kittay (1987), Steen (1994) and Forceville (1996). In this respect, Gibbs (1992a) claims that theoretical pluralism is expedient, especially when interdisciplinary research preconditions theoretical flexibility: Sacks (1978), Ortony (1979, 1993), Miall (1982), Van Noppen (1983, 1990), Gibbs and Steen (1997), Stefanowitsch and Gries (2006).

CMT deals mostly with conventional figurative expressions (so-called dead or frozen metaphors) and shows that these are actually instantiations of conceptual metaphors which are psychologically very much alive, although we are not usually aware of them. Conceptual metaphors equate two concept areas, as in POLITICS IS WAR. The term ‘source domain’ is used for the often relatively concrete concept area from which the metaphor is drawn: here, WAR. ‘Target domain’ is used for the more abstract concept area to which the metaphor is applied:⁵ here, POLITICS. Conceptual metaphor theory sees the connections between concept

⁵ Renkema (2004: 243) mentions that other researchers use the more traditional terms ‘donor’ and ‘vehicle’ for the source and use ‘tenor’ and ‘recipient domain’ for the target.

areas in terms of ‘correspondences’ or ‘mappings’. It is easy to think of correspondences and mappings in terms of similarities between elements in domains. However, as Knowles and Moon (2006: 33-34) point out, Lakoff and Johnson believe that conceptual metaphors are not based on similarities, but on the correlating elements in source and target domains: if there seem to be similarities, they derive from those correlations, not the other way round. Conceptual metaphor theory uses the term ‘highlighting’ to refer to the selective mapping of source domain features onto target domains: the suppression of other features is termed ‘hiding’. The conceptual metaphor POLITICS IS WAR, then, is the formal statement of any idea that is hidden in a figure of speech that can be inferred from a number of metaphorical expressions and helps to resolve their semantic tension (Charteris-Black 2004: 22). In the 1980 edition of *Metaphors we Live by*, Lakoff and Johnson identify three categories of conceptual metaphors: structural (source domains supplying frameworks for target domains), orientational (involving orientational or spatial concepts, such as up/down and in/out) and ontological (conceptualising vague or abstract experiences as if they have definite physical properties). These conceptual metaphors are then believed to structure the way we conceive abstract domains, including economics (e.g. TRADE IS WAR).⁶ Aristotle (in *Poetics*, Ross 1952: 145 7b) defined metaphor as “giving the thing a name that belongs to something else”. The problem with Aristotle’s definition is that simply moving a word or phrase from one context to another can be done ad hoc: the traditional substitution or transfer model. In this theory, the process of understanding metaphor consists of recognising that a particular word or expression is polysemous (B1 + B2) and being used with a secondary metaphorical meaning (B2), rather than its literal meaning (B1). This secondary meaning substitutes for another word or expression with a literal meaning: B2 is substituted for A. The treatment of polysemous words in current monolingual dictionaries seems to suggest a substitution view of metaphor: metaphorical senses are treated separately from literal ones. In a second approach, however, metaphor is considered as a comparison: A is like B. As Knowles and Moon (2006: 66-67) point out, this view suggests a closer connection between metaphor and simile, and between the different meanings of a word. Central to Lakoff’s view of metaphor, however, is the Invariance Principle, that is: “Metaphorical mappings preserve the cognitive topology (that is the image-schema structure) of the source domain, in a way consistent with the

⁶ ECONOMY IS HEALTH and ECONOMY IS DISEASE are both ‘conceptual metaphors’ that add up to ECONOMY IS A LIVING ORGANISM. In this respect, PATH and JOURNEY metaphors make up the MOBILITY metaphors. The conceptual mappings INFLATION IS A NATURAL DISASTER and INFLATION IS AN UNRULY HORSE constitute INFLATION IS A LIVING ORGANISM, which is a higher level metaphor that explains how several conceptual metaphors are related (cf. Charteris-Black 2004: 16).

inherent structure of the target domain” (Lakoff in Ortony 1993: 215). This means that our image schematic knowledge of the metaphorical target places constraints on the mappings that can occur: “Mappings therefore involve a set of relations rather than single attributes so that what is transferred is a knowledge of a set of properties, their behaviour and interrelationships as they are known in the source domain” (Charteris-Black 2004: 14). Our conceptual metaphors are entrenched culturally and cognitively. They are not surface linguistic entities but rather are conceptual tools that are recruited to form linguistic expressions. In their second collaborative book, *Philosophy in the Flesh*, Lakoff and Johnson have reinforced their epistemological claim even further: “Metaphorical thought, in the form of cross-domain mappings is primary; metaphorical language is secondary” (Lakoff and Johnson 1999: 123). It is obvious that this claim, if validated, has a massive bearing on the study of political discourse. Musolff (2004: 2) puts it as follows: “If our social experiences and conceptualisations are organised in terms of metaphors, then politics, as part of the social domain, must also be perceived and constructed metaphorically”: conceptual metaphor has cognitive effects when it is used in argumentation.

Pragmatic theory itself has tried to take account of metaphor, and one instance of this is in the work of H.P. Grice. Grice suggested that there is a Cooperative Principle, or set of conventions or maxims, which we follow in conversation. The maxims relate to Quantity (giving an appropriate amount of information), Quality (being truthful), Relation (being relevant), and Manner (being clear). Grice comments on metaphor as a violation of these maxims: metaphor as a ‘semantic anomaly’. The operation of the maxim of Relation is the focus of relevance theory, developed by Dan Sperber and Deirdre Wilson (1995), who use the term ‘loose talk’ to describe imprecision in language, and they argue that metaphor is simply one form of this. Although ‘loose talk’ is itself a metaphorical and ambiguous phrase, it refers here not to indiscreet or woolly language, but to language which is flexible and versatile. Meanings are not fixed, but open to reinterpretation, depending on the context, and looseness becomes an important factor in relation to successful communication between speaker/ writer and hearer/ reader: “The relevance theory sees relevance as the key issue in how we interpret utterances, and it is interested in the mechanisms of how we make use of contextual meaning and make inferences in making appropriate interpretations. [...] If A interpreted B’s response literally, it would be irrelevant and nonsensical. A must assume that B means to be relevant and meaningful. A therefore interprets it metaphorically, as an evaluation of what A is talking about” (Knowles and Moon 2006: 69).

It is not surprising that Lakoff and colleagues take a very different approach to metaphor from those just mentioned. As discussed earlier, “they argue that metaphor is an essential part of human thought, and that metaphors relate concepts, not the lexical items – or utterances – which realise the concepts” (Knowles and Moon 2006: 69). It follows from this that metaphor cannot be considered either problematic or aberrant; that it would be pointless to discuss ‘truth’ and ‘falsehood’ in relation to metaphor, since our concepts of truth and falsehood are themselves constructed through metaphor; and that it would be equally pointless to analyse metaphors in terms of the relationship between topics and vehicles, since the real relationship is between the underlying concepts, which consists of correspondences and not similarities. The structure of the source domain is projected or mapped onto a distinct, abstract target domain. The mapping is by definition partial (‘highlighting’), not an identity (Lakoff, 1990):⁷ “In this view, metaphoric projection is unidirectional, going from source to target domain” (Boers and Littlemore 2000: 177-178). On the other hand, writers such as Fauconnier and Turner (1994, 1995, 1998) consider many metaphors as a process of ‘blending’ or ‘conceptual integration’ of domains. This may result in novel ‘mental spaces’ with their own emergent structure; that is, they may include elements that are not intrinsically part of either source or target. Therefore, blending theory tries to explain what happens when we process metaphors, including the inferences that we make, by means of a complex, dynamic model. The interaction between the source and the target generates a new meaning. The new meaning is in the new interaction of relationships.⁸ Knowles and Moon (2006: 73-74) mention that blending theory identifies four spaces in relation to the processing of metaphor: “The two input spaces contain the features that characterise target and source domains, while the generic space contains the general features which are common to the two input spaces. In the blended space, the data from the other spaces blends together: the output of this space is the meaning of metaphor”. Boers and Littlemore (2000: 177) have shown that ‘holistic thinkers’ are more likely than ‘analytic’ ones to blend their conception of the target domain with the

⁷ Beer and De Landtsheer (2004: 9) compare Lakoff’s attempt to create a master list of metaphors to Paul Ricoeur’s syntactical model of metaphor that relies on grammatical structures to serve as clear metaphorical identifiers (Ricoeur 1975: 7): “Paul Ricoeur says that the place of metaphor is neither the name, nor the sentence, nor even discourse, but the copula of the verb *to be*. The metaphorical ‘is’ [...] at once signifies both ‘is not’ and ‘like’.”

⁸ In this respect, Beer and De Landtsheer (2004: 9-10) refer to De Man (1979: 6) when discussing the term combination model, which has semantic, syntactic and pragmatic implications: “Semantically it ignores the myth of semantic correspondence between the sign and the referent and the distinction between the literal and the figural. It suggests that we need to consider not just the (A) and (B) terms of the metaphor individually, but rather the full combined phrase (C) holistically. Syntactically, it suggests that grammatical constructions may provide useful cues, but that these are only part of the entire configuration of the phrase.” As such, the combination model of metaphor shifts away from the semantic, substitutive view of words, and away from syntactical identifiers.

source domain: “[A]nalytic participants are more likely to conceive the two inputs of metaphor as distinct domains and to disembed from them the elements that are most relevant to the analogy. Holistic participants, on the other hand, appear better skilled at rapidly judging gross similarities rather than differences, but less able to ignore irrelevant contexts [from the input domains or from other, related domains]”. One scholar particularly associated with the cognitive approach and with investigations of the psycholinguistic processing of non-literal language is Raymond Gibbs. He makes a crucial point about the ease with which we understand metaphor, metonymy, irony, and other non-literal language (‘tropes’, in his terms). Evidence suggests that conventional idiomatic and metaphorical meanings are processed directly: “Speakers can’t help but employ tropes in everyday conversation because they conceptualize much of their experience through the figurative schemes of metaphor, metonymy, irony, and so on. Listeners find tropes easy to understand precisely because much of their thinking is constrained by figurative processes” (Gibbs 1994: 253 in Knowles and Moon 2006: 70-71).

The case for theoretical pluralism is supported by Boers and Littlemore (2000: 178-179) when they state in the introduction to their *Cognitive Style Variables in Participants’ Explanations of Conceptual Metaphors* that “we propose to conceive the aforementioned theories as complementary rather than mutually exclusive. Each describes a wide range of linguistic and non-linguistic data and, in addition, each appeals to different individuals’ intuitions about the workings of metaphor”. Likewise, this study methodologically adopts a slightly modified form of CMT, complemented by Musolff’s theory of ‘entailment’ to tailor the method to the needs.

It should be noted that, in view of poststructuralist theories about the reflexive problem of infinite metaphorical regress, it may seem futile, even pretentious, to indulge in metaphor analysis, which should be celebrated for its absurdity as much as for anything else. Beer and De Landtsheer (2004: 25) claim that there is “no *degré zéro*, no metaphor-free zone,”⁹ and that “it is hard to avoid Derrida’s conclusion”. It is simply not possible to return to nonmetaphorical ‘proper origin’ in face of ubiquitous *différance*, which fundamentally rejects ‘metametaphorics’. From this perspective, metaphors eventually merge with the infinite web of dynamic symbolic interaction. This study wants to accommodate this view by making a distinction between ‘clear’ and ‘unclear’ instances of metaphorical utterances: while unclear instances are not simply dismissed as ‘nonmetaphorical’, their metaphorical degree is

⁹ cf. Derrida (1982: 228-229)

significantly lower than salient or ‘clear’ instances. Finally, it should be noted that this study recognises the complementary character of qualitative and quantitative research. However, the former gains precedence over the latter:

It is particularly important in corpus-based research to find the right balance between these two modes of analysis: qualitative analysis is necessary in the choice of research questions since these determine what it is that will be searched for in the corpus. It is also [...] a qualitative issue as to what is classified as a metaphor in the first place. [...] Qualitative analysis is also necessary to interpret the pragmatic role of metaphors – for example, as to whether they communicate a positive or a negative evaluation. (Charteris-Black 2004: 32)

Since this study focuses on the bias (either positive or negative) of journalists regarding the socio-economic issues under discussion, Musolff’s theory of ‘entailment’ (2004: 32) provides a useful tool for qualitative research:

An implication of the metaphorical mapping ‘X is WAR’ can only count as an *entailment* if X has already been accepted as the source concept – otherwise, as Lakoff and Johnson themselves point out, it is meaningless. In authentic political discourse, however, there is no guarantee for an unproblematic acceptance; in fact, such an acceptance would be quite untypical, given the fundamentally competitive and controversial character of public debates. Thatcher’s explicit rejection of the [pro-European] *leaving train* metaphor [...] provides a clear example of non-acceptance, which is typical for public disputes. She questions the suggested ‘entailment’ of the TRAIN JOURNEY metaphor (i.e. that it is *important to get on the train before it is too late*) and immediately introduces a new one (i.e. that it is *better not to be on the train if it is going in the wrong direction*). She thus demonstrates that it is perfectly possible to accept a metaphorical mapping (i.e. A POLITICAL PROCESS IS A TRAIN JOURNEY) without subscribing to all its entailments. Lakoff and Johnson’s theory seems to work only as an explanation for those metaphors that become self-fulfilling prophecies: their source implications are confirmed in the target domain by actions that ‘suit the words’, and thus give them a practical political coherence.

Moreover, Musolff (2004: 64-65) argues that “[a] corpus in itself does not provide any direct cues for metaphoricity. It only contains expressions; their meanings have to be interpreted by the linguist”. In his research on analogical reasoning in debates about Europe, he admits that “impressive advances have been made in Artificial Intelligence and computational linguistics research to develop recognition and comprehension systems for figurative language”. In this

research, the emphasis is on developing intelligent programmes that can approximate the metaphor interpreter's work. In this respect, Steen (1994, 1999 and 2002) supports the assumption of the 'machine-detectability' of metaphor and metonymy, which implies that reliable criteria exist for the identification of figurative language use among any language data. For instance, a searching programme like 'CorMet' "examines pairs of salient concepts from the source and target domain and searches for polarized mappings between them. CorMet's results partly corroborate the 'Master Metaphor List' compiled by Lakoff et al. [...] and reveal the relative frequency of certain mappings" (Mason 2002 in Musolff 2004: 65). However, Musolff emphasises that "the random search for decontextualised expressions in very large databases may lead to the non-recognition and omission of important metaphor data in the search". Cameron and Deignan (2003) warn that "if the researcher has not comprehensively pre-identified all forms worthy of study, some may not emerge from the data during the analysis, and an important metaphorical use may be missed" (Cameron and Deignan 2003: 28-30). Musolff (2004: 66-67) therefore argues that only "relatively small, special corpora can play an essential heuristic role" and that irrelevant examples often have to be "sifted out by hand". Since metaphors are context-dependent (e.g. the frequent use of irony), the case for qualitative analysis is further enhanced. Corpus data represent categorisations that rely on two sets of presuppositions, which make up a context that requires a metaphorical interpretation: the topic-related background assumptions (e.g. about economic/political entities and their relations) and the source perspective based on the knowledge of the concept area from which the metaphor is drawn. Musolff (2004: 173) emphasises that metaphors are rarely value-free when he warns that metaphors of public discourse on EU politics are no exception to Thomas Hobbes's verdict:

The analogical relationship of source and target concepts involves not only the transfer of semantic structures but also of emotive and evaluative aspects as integral parts of seemingly self-evident conclusions. Insofar as these conclusions are underwritten exclusively or mainly by presupposed aspects of folk-theory or everyday experience rather than by independently proven facts, they are open to Hobbes's criticism that their persuasiveness is based on false, deceptive analogy.

Musolff (2004: 173) concludes that "our own analyses are not value-neutral either, as they are based on interpretative choices", but he finds comfort in the knowledge that "what distinguishes them from party-political metaphor critique is their focus on explicating the

mechanism of ‘argument-by-metaphor’”, which is exactly what this study purports to do. It should also be noted that many ‘non-metaphorical’ examples taken from *The Guardian* and *The Economist* are included to illustrate the editors’ stance on the complex socio-economic issues. The object of this study is to highlight the contrastive use of metaphors in *The Guardian* and *The Economist* to the extent that they underscore these viewpoints.

Since Boers (1997a) has already made a comparative analysis between *The Guardian* and *The Financial Times* when focusing on their use of HEALTH and MOBILITY metaphors, it is expedient to compare *The Guardian* to *The Economist*. Unlike *The Times*, which was acquired by Rupert Murdoch in 1981 and whose publications were generally supportive of Margaret Thatcher, *The Economist* has always endorsed both the Labour party and the Conservative party in recent British elections, and both Republican and Democratic candidates in the United States. Its advocacy journalism displays dry, understated wit, and precise use of language, often similarly dry and punchy. The common charge raised against comparing a daily newspaper (e.g. *The Guardian*) to a weekly (e.g. *The Economist*) is that the former works up against a stringent deadline and primarily communicates information whereas the latter has more leeway to muse about figurative language and salient expressions. From a linguistic (and stylistic) point of view, the weekly has an edge over the daily. If this idea were validated, the supposedly higher frequency of creative HEALTH and MOBILITY metaphors in *The Economist* would not only reflect its liberal ideology (as in the case of *The Financial Times*), but also its luxury of time. Though there may be some truth in this assumption, the importance of this variable should be qualified since *The Guardian’s* editorial team works in rotation. It should be noted that, unlike the editors from *The Economist*, the names of *The Guardian’s* editors and financial experts are explicitly mentioned in the by-line (it is a longstanding tradition that an *Economist* editor’s only signed article during his tenure is written on the occasion of his departure from his position). While the viewpoints of *The Guardian* and *The Economist* may converge on ethical issues (abortion, gun control, gay rights), they diverge on economic issues. The object of this study is also to give some idea of what makes these newspapers left-wing or right-wing: it is a commonplace idea that *The Guardian* is read by armchair socialists and *The Economists* by economically liberal but socially progressive business people. It is worthwhile then to set the metaphors against these preconceived notions and consider the outcome. If this study encourages an interest in the blending of metaphor and political economy, or even brings a wan smile to the lips of those dismissive of interdisciplinary research, it will have served its purpose.

0.2 About Keynesianism and monetarism

“Only a crisis, actual or perceived – produces real change”

Milton Friedman in his preface to *Capitalism and Freedom* (1982: IX)

The first chapter of this study investigates the use of metaphors in *The Economist* and *The Guardian* during the Winter of Discontent, which spanned the period from September 1978 until April 1979. This dark page of British history marked the transition from Keynesian Economics to monetarism, much to the disadvantage of a Labour government unable to prescribe the right economic remedy. Much debated issues in macroeconomics always boil down to the vexing question of how governments should increase effective demand in the economy with a view to increasing GDP: fiscal policies include increases in government expenditure and reduction in taxes; monetary policies include reductions in interest rates and relaxations of controls on bank advances and hire purchases. In his *General Theory of Employment, Interest, and Money* (1936), John Maynard Keynes (1883-1946) taught that fiscal policy and government economic intervention, particularly through the annual budget, could be used to maintain a high level of economic activity (leading on to full employment, economic growth and constantly rising living standards). In conjunction with the effect of the Multiplier, such actions should bring back full employment. Keynesianism was developed in the 1930s, a period of *deflation* when 1/3 of American money had been ‘burnt’ in the aftermath of the Wall Street Crash and *laissez faire* policies of nonintervention had been proved ineffective. Keynes’s ideas influenced Franklin D. Roosevelt’s view that insufficient buying power caused the Depression. In the 1920s and 1930s, as economic circumstances went from bad to worse in Great Britain (unlike the United States, Britain did not experience prosperity in the 1920s), Keynes increasingly supported a larger government role to macromanage the national economy. The core elements in the Keynesian public policy programme were: government deficit spending, high estate and progressive income taxation, and a major role for national government macromanagement of the economy. Ebenstein (2007: 108) points out that “Keynes’s mature opinion was that monetary policy is of little importance either in macro-managing or in determining at least short-term and intermediate-term changes in aggregate prices”. Monetary policy was downgraded and fiscal policy was put in place. With respect to Keynes’s political sympathies, Ebenstein (2007: 109) writes: “Keynes expressly rejected socialism (common ownership of the means of economic production) and communism (common ownership of all property), favoring instead

government intervention in a free market economy”. Naomi Klein in *The Shock Doctrine* (2007: 54) claims that “[t]he Depression did not signal the end of capitalism, but it was, as John Maynard Keynes forecast a few years earlier, “the end of laissez-faire” – the end of letting the market regulate itself”. In the late 1950s, A.W. Phillips studied Britain’s economy for the previous 100 years and noted that there had been an inverse relationship between the level of unemployment and the increase of money wages. When unemployment was high, wages increased slowly but when it was low, they increased a good deal faster. It was suggested that people would have to settle for a trade-off between levels of inflation and unemployment. In this view, fiscal policy is appropriate when unemployment is persistently high, above the Non-Accelerating Inflation Rate of Unemployment (NAIRU) or Long-Run Phillips Curve: if actual unemployment falls below the NAIRU, the inflation rate is likely to rise quickly. In Britain, Keynesian policies were pursued continuously until the mid 1970s by both Labour and Conservative governments. In the US, Keynesianism was first put into practice by Roosevelt (e.g. the *New Deal*) and in the post-war period it was vigorously adopted by Republican administrations as well. However, Ebenstein (2007: 152-152) mentions that in the 1960s, Ayn Rand and Barry Goldwater, the Republican Arizona Senator who ran for president in 1964 against LB Johnson, rejected the legacy of the *New Deal* and the impending *Great Society* programmes. Barry Goldwater’s *The Conscience of a Conservative* (1960) is a manifesto of ‘libertarian’ ideas in which he advocated fiscal conservatism and minimal government. During the 1970s, the general validity of Keynes’s ideas began to be questioned, mainly as a result of the worldwide inflation that followed the collapse of Bretton Woods and the fourfold increase in oil prices in 1973. In the late 1960s and 70s, the Phillips Curve moved up and to the right as both unemployment and inflation rose together; expansionary fiscal policies merely injected inflation into the economy while economic growth was flagging. Keynesian policies did not seem to work anymore in this dark period of *stagflation*. A new *ism* came into fashion - monetarism. In *The History of Economics*, John Kenneth Galbraith (1987: 274) writes, “the age of John Maynard Keynes gave way to the age of Milton Friedman” from the Chicago School. From the 1950s to 1970s, Friedman (1912-2006) was an economic ‘heretic’ in a period of Keynesian consensus that favoured a government-planned economy fuelled by an expansionary fiscal policy. In fact, Friedman had been one of Goldwater’s key economic advisers in 1964, when he had begun to present a view of economics and society different from that of John Maynard Keynes, John Kenneth Galbraith, Paul Samuelson and Walter Heller. Although Friedman accepted Keynes’s definition of recessions, he rejected the cure. With a (Keynesian) expansionary

fiscal policy, increased government expenditure increases aggregate demand with a multiplier and therefore, real GDP rises. As the demand curve shifts rightward, however, prices rise and the demand for money increases, leading to higher interest rate which decreases interest-sensitive expenditure, thus establishing a new 'equilibrium'. In this respect, Parkin (2005: 631) establishes a link between an excessive expansionary fiscal policy and 'crowding out' of private industry: "Because an expansionary fiscal policy increases the interest rate, it decreases all the interest-sensitive components of aggregate expenditure. One of these components is investment and the decrease in investment that results from an expansionary fiscal action is called crowding out". Therefore, Friedman argued, government should butt out of the business of changing the money supply. It should assign monetary policy a major role and keep the money supply steady, expanding it slightly each year only to allow for the natural growth of the economy and a few other basic factors. Market forces would cause inflation, unemployment and production to adjust themselves automatically and efficiently around this fixed amount of money. Friedman believed that, if left alone, the market would generally perform its magic more effectively than government involvement could ever accomplish. The monetarist rejected the post-war Keynesian orthodoxy: governments should *not* interfere to manipulate the level of demand. A little inflation is *not* acceptable to maintain full employment. Friedman did not think that fiscal policy has much influence on the economy. The target of his opposition was government spending, not government budget deficits. Friedman challenged the effectiveness of the Keynesian multiplier and the federal budget as a fine-tuning device in demand management. In addition to his views with respect to government and taxation, "he advocates a flat-rate tax and a reduction in top marginal income tax rates" and "has always been a 'supply-sider' – a term that came in vogue in the late 1970s to contrast with the Keynesian emphasis on demand – as he favors reduction in tax rates to increase productivity and advocates a stable monetary environment" (Ebenstein 2007:178). Friedman challenged the Keynesian assertion that 'money does not matter' and argued that the supply of money does affect the amount of spending in an economy. Hence, restraint of government spending is the most important single target to restrain excessive monetary growth. Monetarism actually boils down to three propositions: fiscal expansion has no independent effect on prices or on the level of output. Its impact exists only to the extent that the central bank turns it into money. Monetary growth has only a transitory influence on output and employment, but a permanent one on prices. The velocity of circulation – the amount of spending of money – is stable, or anyway changes at a predictable rate. Christopher Huhne in "Beware monetarists bearing gifts" (*The Guardian* 7.6.89) puts it as follows:

The simplest starting point for the monetarist doctrine is the Fischer equation, after the inter-war monetary economist. This states that money supply (M) times the speed at which it circulates (or velocity, V) equals total spending in the economy. This is true by definition since V is calculated by dividing total money spending by the amount of money. Secondly, money spending is equal to the price level (P) times the amount of output or transaction (T). This again is true by definition. We therefore have the incontrovertible proposition that $MV = PT$. What defines a monetarist is that he, or she, goes on to assert two further ideas. First, that there is a stable and predictable relationship between the money supply and total money spending. In other words, V is predictable, it need not be constant. It may vary with interest rates or other variables, but it will be predictable. Secondly, the monetarist argues that the level of output in the economy is in the long run determined by real factors such as human skills, the propensity to save and invest and so forth. It is not affected by monetary factors. The corollary of these two premises is that one variable on each side of the Fischer equation is stable. This in turn means that any change in one of the other variables on either side – M or P – must lead to similar changes in the other. If prices rise, then they will pull up money. If money rises, it will push up prices. Thus to control prices, the essential ingredient is to control money. For Professor Milton Friedman, who did so much to revive monetarism, inflation is always and everywhere a monetary phenomenon.

The monetarist ‘theory of rational expectations’ aims to reduce prices at a stroke because the announcement of monetary targets in the four-year ‘Medium Term Financial Strategy’ should convince everyone that inflation will come down. Instilled with these ‘rational expectations’, businesses will stop raising prices, and employees will ask for lower wage rises, so that monetary targets will rapidly curb inflation without greatly depressing output. Pay policy should be left to market forces (i.e. free collective bargaining), supported by tightish control over the money supply to ensure that immoderate wages lead, not to inflation, but to workers being priced out of the market. If the inflation rate was regarded as too high because of past mistakes then the money supply would have to be reduced in order to lower the rate of inflation, even if, in the short term, this meant higher unemployment. If this left unemployment high, the answer was not to try and reduce unemployment below its natural rate, but to reduce the natural rate itself, i.e. move the NAIRU leftward. This would have to be done not by macro-economic measures but by micro-economic or ‘supply-side’ measures, i.e. essential measures to increase the flexibility of the labour market: if real wages fell, more would be employed. A fall in the natural rate of unemployment was the monetarists’ main aim.

Naomi Klein (2007: 17), in her critical study of ‘disaster capitalism’¹⁰, argues that “during [the] dark days for laissez-faire, when Communism conquered the East, the welfare state was embraced by the West and economic nationalism took root in the postcolonial South, Friedman and his mentor, Friedrich Hayek, patiently protected the flame of a pure version of capitalism, untarnished by Keynesian attempts to pool collective wealth to build more just societies”. The conservative Prime Minister Edward Heath (1970-1974) began to flirt with monetarist policies from 1970 but he shrank back as unemployment breached the 1 million mark in 1972, turning to Keynesian policies again. Even the Labour government of the late 1970s was forced to adopt what some considered to be anti-Keynesian policies following the financial crisis of 1976 (Prime Minister Callaghan told the disbelieving delegates at the 1976 Labour Party Conference: “You cannot now, if you ever could, spend your way out of a recession!”)¹¹. With respect to the US economy, Klein (2007: 132-133) mentions that “in 1971, the U.S. economy was in a slump; unemployment was high and inflation was pushing prices way up. [Richard] Nixon knew that if he followed Friedman’s laissez-faire advice, millions of angry citizens would vote him out of a job. He decided to put caps on the prices of necessities such as rent and oil. Friedman was outraged. [...] Even more disgraceful, it was his own disciples who were the Keynesian enforcers: [Donald] Rumsfeld was in charge of the wage-and-price-control program, and he answered to [George] Schulz, who at the time was director of the Office of Management and Budget”.¹² Among those who played a particular role in promoting monetarism in the UK was Alan Walters, who later became Margaret Thatcher’s top adviser on economic issues. Ebenstein (2007: 210) mentions that Thatcher was one of the vivid watchers of Friedman’s *Free to Choose* series, as it originally aired in 1980. In the latter part of the 1970s, by the ostensibly liberal administration of Jimmy Carter in the United States and the conservative government of Margaret Thatcher in Britain, strong monetarist action was initiated.¹³ It should be noted that disciples of Milton Friedman

¹⁰ In *The Shock Doctrine. The Rise of Disaster Capitalism* (2007), Naomi Klein calls the orchestrated raids on the public sphere in the wake of catastrophic events by Friedmanite think tanks, combined with the treatment of disasters (like Katrina) as exciting market opportunities, ‘disaster capitalism’.

¹¹ Quoted in Pugh and Garratt (1993: 143)

¹² Ebenstein (2007: 186) claims that for Friedman “[a] negative balance of payments, or trade deficit, was much more a problem in a system of fixed exchange-rates than in one of market-determined exchange rates, because under the latter system, there is no loss of national government financial reserves when there is a trade deficit in order to maintain a currency’s value.”

¹³ In his authoritative study of fascism, Paxton (2004: 21) is right in claiming that “Americans consider “liberals” the far Left while Europeans call “liberals” advocates of a hands-off laissez-faire free market such as Margaret Thatcher, Ronald Reagan and George W. Bush”. He concludes that even the term fascism isn’t as confusing as that. Clack (2004: 35) in his *Elections 2004* describes the term “liberal” as follows: “In the U.S. political spectrum, “liberals” are said to be slightly left-of-center or somewhat left-of-center. Of the two main political parties, the Democrats are thought to be more liberal, as the term is currently defined. “Political” liberals tend to

generally praise low interest rates and tout business investment as more beneficial to the economy than government spending of any kind. However, monetarism “operates against inflation by raising interest rates, which, in turn, inhibit bank lending and resulting deposit – that is, money – creation” (Galbraith 1987: 273). In the US, for example, the Federal Reserve has the power to govern the nation’s money supply by setting its discount rate. The Fed is independent of the White House and of Congress. This means that if the President wants a burst of growth in order to win the next election, but the chairman of the Fed wants to curb inflation by holding down growth, the Fed wins the argument and the President loses the election. This is what happened to Jimmy Carter in 1980.

Klein (2007:140) likens Chicago School capitalism to fundamentalist ideologies: what they have in common is the signature desire for unattainable purity. John Maynard Keynes proposed a kind of mixed, regulated economy after the Great Depression. It was that system of compromises, checks and balances that Friedman’s counter-revolution was launched to dismantle. Believers in shock doctrine are convinced that only a great rupture – a flood, a war, a terrorist attack – can generate the kind of vast, clean canvasses they crave with a view to remaking the world. It was in 1982 that Milton Friedman wrote the highly influential passage that best summarises the shock doctrine: “Only a crisis- actual or perceived produces real change” (Friedman 1982: IX in Klein 2007: 140). The kind of crisis Friedman had in mind was not military but economic: “if an economic crisis hits and is severe enough – a currency meltdown, a market crash, a major recession – it blows everything else out of the water, and leaders are liberated to do whatever is necessary (or said to be necessary in the name of responding to a national emergency. Crises are, in a way, democracy-free zones – gaps in politics as usual when the need for consent and consensus do not seem to apply”, which makes *Shock Doctrine* an unsavoury metaphor by itself.

0.3 Research questions

This study aims to investigate how *The Economist* frames certain *specific* target domains (trade unions, government spending, privatisation) differently from *The Guardian*. In

favor greater federal power to remedy perceived social inequalities; in the cultural sphere, liberals tend to support feminism, minority rights, and emphasis on freedoms of personal behaviour”. In this respect, Berry in *The New Liberalism* (1999: 169) labels Bill Clinton a “postmaterialist” who abandoned traditional liberalism on bills like welfare reform and NAFTA, thereby moving the Democratic party to the center. Berry claims that “the previous Democratic president, Jimmy Carter, would have never signed the welfare bill, and he felt indebted to labor for the help some unions gave him in his race for the Democratic nomination in 1976.”

addition, their response to particular situations and particular ideas during the Thatcher Years is investigated, which leads us to the following research questions:

- 1) Does the use of metaphor in *The Economist* and *The Guardian* show a sympathy for the monetarist policy of blaming the unions, who, through their monopoly power and insistence on free collective bargaining had kept wages above the market clearing rate and had prevented those who were prepared to work for the ‘market’ rate from doing so?
- 2) Does the use of metaphor in *The Economist* and *The Guardian* show a sympathy for the monetarist policy of reducing the money supply, irrespective of the state of effective demand, in order to improve the supply-side of the economy *even if* this meant a restrictive consumer-spending and business-investment effect of high interest rates that is not socially neutral? Do metaphors favour a restrictive monetary policy that deepens the recession in the short run?
- 3) Does the use of metaphor in *The Economist* and *The Guardian* show a sympathy for the monetarist policy of the political right that abandoned Keynesian demand management and deficit spending as a means of curbing state expenditure?
- 4) Does *The Economist* show a higher frequency of metaphors favouring monetarist principles than *The Guardian*? The reverse question would be: do metaphors with positive connotations regarding Keynesian principles occur more frequently in *The Guardian* than in *The Economist*? In addition, we attempt to answer the question whether there are any Conceptual Metaphors which are typical of economic discourse in *The Guardian*.

Our experiment “No pain, no gain in a free-market rhetoric: revisited with authentic materials” was set up to assess whether exposure to that choice of metaphors (on top of the actual arguments used) may have contributed to readers’ endorsing the editors’ arguments/ideology.

0.4 Method

In order to try and answer these question, it was necessary to systematically count the instances (i.e. tokens, not types) of the ‘generic’ HEALTH, CONFLICT and MOBILITY metaphors in the ‘leaders’ (i.e., the editorials) of all the weekly resp daily issues of *The Economist* and *The Guardian* over an 11-year period, i.e. from September 1978 (Winter of

Discontent strikes) until November 1990 (Thatcher's resignation as Prime Minister). When the instantiations consisted of several words (e.g. *Prescribing the right medicine*), then these were counted as single occurrences, unless they stretched over clause boundaries. Only articles that clearly dealt with economic subjects were selected, including those dealing with the US economy: Image studies tell us that the hetero-image (our image of 'The Other') reveals our auto-image (image of ourselves). In these articles, the editors give their analysis of and opinion about a variety of political and economic topics. This yielded a total sample of about 1,120,000 words for *The Economist* (usually 3 articles per issue) and 1,120,000 words for *The Guardian* (usually 3 short editorials and 3 'financial notebooks' per week). The same number of words was a deliberate attempt to facilitate comparison. The method pursued is the same as the one adopted by Boers (1999) in which he showed the higher frequency of HEALTH metaphors in *The Economist* during the winter season. Mention should be made of the messiness inherent to parts of metaphor analysis. A *crippling strike* can be regarded both as a HEALTH (or rather: DISEASE) metaphor and a PATH metaphor. If economic action is 'motion along a path towards a goal' then the crippling effect of a strike prevents the economy from making headway. In this study, a *crippling strike* was counted as an instance of the PATH/ MOBILITY category. Being very well aware of the difficulties that arise when identifying metaphors, a blind judge from the University of Hasselt was relied upon for inter-subjectivity measures as well as the frequency principle when dealing with polysemy, which is explained in Frank Boers' s article "When a Bodily Source Domain Becomes Prominent" (1999: 50-51):

Sometimes the context clearly pointed to the source domain of health, but in a number of cases the association with health was hard to determine with any certainty. In those cases, a distinction was made between 'clear' instances and 'vague or ambiguous' ones. To make this distinction the Collins Cobuild English Language Dictionary was referred to. The entries in Cobuild are organized on the basis of a frequency principle, with the most common usage of a lexical item mentioned first. When the dictionary explanation of this first sense mentioned the domain of physical health, then its figurative use in the sample was taken as a 'clear' instance of the HEALTH metaphor (e.g., *cure*). Otherwise, for instance when only the second entry mentioned physical health (e.g., *remedy*), the items were counted as 'vague or ambiguous'. The quantitative data were analyzed twice: once for the 'clear' instances only, and a

second time for all the counted instances, including the 'vague or ambiguous' ones.

A word or phrase was considered a metaphor (clear or unclear) when creating semantic tension between source and target domain by:

1. Reification – referring to something that is abstract using a word or phrase that in other contexts refers to something that is concrete.
2. Personification – referring to something that is inanimate using a word or phrase that in other contexts refers to something that is animate.
3. Depersonification – referring to something that is animate using a word or phrase that in other contexts refers to something that is inanimate.

Within the set of conventional expressions, some are clear instances (e.g. *the market cure*), while some others are vague or ambiguous (e.g. *the economic remedy*). It needs to be acknowledged at this point that the adoption of a frequency principle to make such a distinction does not necessarily reflect the intuitions (or semantic priming effects) at the level of the individual language users. As Boers (1999: 51) points out: “The frequency principle can be taken as valid only with respect to trends in a linguistic community as a whole. The inherent limitation of corpus-based research is that it offers no clear evidence of what actually goes on in an individual language user’s mind”. This called for an inter-subjectivity measure with a blind judge. Professor Luc Renders was obliging enough to count the ‘clear’ instances in a cross-section from *The Economist* corpus, spanning the first Thatcher term in office, 1979-1983. The sample consisted of 20,000 words. It has to be mentioned that we originally used the term LIVING ORGANISM metaphor when we actually meant HEALTH metaphor. Realising the confusion that had arisen over the conceptual key (LIVING ORGANISM) and its lower-level conceptual metaphor (HEALTH), the blind judge alerted us to the importance of this distinction: the LIVING ORGANISM category includes highly conventionalised items such as *economic growth*, *cuts in public spending* and *creating inflation* as well. Having thus fine-tuned the method, our research counted 59 HEALTH metaphors; 92 CONFLICT metaphors and 34 MOBILITY metaphors versus 55 HEALTH metaphors; 83 CONFLICT metaphors and 30 MOBILITY metaphors over a cross-section of 20,000 words. This difference in counting can be ascribed to divergent intuitions regarding the distinction between ‘clear’ and ‘unclear’ instances. Fortunately, the difference was not a dramatic one. The cross-section of *The Guardian* equally consisted of 20,000 words and spanned the third

Thatcher term in office, 1987-1990. To assess congruence with respect to the frequency principle, the blind judge merely inspected my quantitative data for error: 20 HEALTH metaphors; 29 CONFLICT metaphors and 10 MOBILITY metaphors. Additionally, there were also 8 ‘clear’ instances of RELIGION metaphors and 2 CRIME metaphors. It should be noted, however, that the blind judge rightly advised us to fine-tune our method with a view to determining the bias of both newspapers, thereby emphasising the importance of the ‘entailment theory’ (Musolff 2006): while it is perfectly possible for a journalist to accept (and produce) a metaphorical mapping (i.e. A POLITICAL PROCESS IS MOTION ALONG A PATH TOWARDS A GOAL) he or she may not subscribe to all its entailments if the goal is an undesirable one.

In view of the aforementioned caveats, the conclusion must be that the results of quantitative analysis in this study should be regarded as a first approximation. Some of these results are visualised by bar charts on page 303.

With respect to the qualitative side of the methodology, we used a cross tabulation in matrix format for each theme (monetarist policies, Labour and trade unions, welfare and government spending). Each metaphor (clear and unclear) was projected into ‘pro/anti-monetarist’, ‘pro/anti-Keynesian’ and ‘pro/anti-unions’ columns. This cross tabulation displayed the joint distribution of two variables: the first variable, ‘Conceptual Metaphors’, included five categories: HEALTH, CONFLICT, MOBILITY, CRIME, RELIGION. The other variable had two categories, e.g. ‘pro-monetarist’ (or ‘pro-dry’) and ‘anti-monetarist’ (or ‘anti-dry’). However, since some metaphors defy explanation in terms of binary oppositions and, hence, cannot always be boxed into categories, the constant need for qualification made it indispensable to scrutinise (and explain) ‘non-metaphorical’ stretches of words within the corpora too with a view to investigating the viewpoints of the editors on the socio-economic issues under discussion.

1. When ministers were digging in for a fight...

Metaphors of liberal Common Sense during the Winter of Discontent, 1978-79

1.1 Historical background of the sample of discourse under analysis

Former Labour Prime Minister James Callaghan ('Sunny Jimmy') died on the 26th of March 2005. His short tenure at Number 10 was beset with problems with the economy and trade unions and was prematurely brought to an end by the 'Winter of Discontent' strikes. Baroness Thatcher, who beat him in the 1979 election, said he had been a "formidable opponent" and added that "in other circumstances he would have been a successful prime minister"¹⁴. Unfortunately, however, Callaghan had not only history against him but also his own Labour party. On the 7th of October 1978, *The Economist* wrote: "The crew of the socialist ship is in openly mutinous mood" (7.10.78: 21). Describing the Labour MP's as a "mutinous crew" one cannot but feel pity for the captain of the socialist ship. This sailing metaphor instils the feeling that Callaghan was not up to the job of "steering his ship in the right direction" and indeed he wasn't: 'Sunny Jimmy' soon became 'Jim can't fix it'.

In 1976, Britain was forced to avail itself of the IMF's services. In return for balance-of-payments assistance, the Fund asked Denis Healey, the Labour government's chancellor, to slash public spending and put limits on the expansion of the money supply. Thanks to the IMF, Thatcherism was therefore in Britain three years before Mrs Thatcher. Under IMF direction, James Callaghan and Denis Healey tightened fiscal and monetary policies in 1976 and until some time in 1978 the economy enjoyed decent growth and falling inflation. Unfortunately for Britain, Callaghan and Healey relaxed their disinflating grip in the year before the May, 1979, election, keeping the inflation statistics low only through price and wage controls that were bound to crack sometime – and did so resoundingly in their last months in office. In spite of vehement opposition to wage controls, both within the Conservative and the Labour party, Callaghan and Healey took great pains to enforce their own pay policy through the last months of 1978. During the Trades Union Congress in Brighton on the 9th of September and the Labour Conference at Blackpool on the 2nd of October, they vigorously held pay settlements within stage four's 5% ceiling, and ministers were told to prepare for a winter of industrial discontent. Ford car workers wanted increases of up to 30%, ignoring the 5% ceiling imposed by the government. Government ministers made it clear that if there were any breach of the 5% limit the company would face sanctions. On the 4th of November, however, Ford surrendered to the strikers and settled for a 17% pay

¹⁴ cf. BBC NEWS, Sunday 27 March, 2005 on bbc.co.uk

deal. On the 13th of December, parliament voted against applying sanctions to companies that bust government's pay policy. *The Guardian* and the *Daily Mirror* advised Callaghan to step down as the pay policy was defeated but on the 23rd of December, the Labour government narrowly won a vote of confidence and Callaghan decided to remain in office, hoping that the unions would soon mend their ways. Ford, however, sparked a series of widespread strikes in the public sector, resulting in the 'Blockade of Britain' in January 1979. Many public sector workers went on strike, including refuse collectors, leading to piles of rubbish bags piling up in the streets of the UK. The series of strikes left the Labour cabinet deeply split over the rout of the government's 5% pay policy and the course to take. Callaghan and Healey toyed with fiscal and monetary weapons (i.e. raising taxes and restrictive money supply) to replace the embattled 5% pay limit in the fight against inflation, which led John Pardoe, the former liberal spokesman on economic affairs, to the conclusion that "Healey would often mouth the mumbo mumbo of monetarism, but he could never really make up his mind whether he wanted to be in Chicago [i.e. monetarism] or Cambridge [i.e. Keynesianism]. In the end, he sank somewhere about mid-Atlantic"¹⁵. The failure of the Scottish devolution referendum on the 2nd of March and the vote of no confidence ultimately led to a defeat of the Labour party in the 1979 general election when the Conservatives were voted in with Margaret Thatcher determined to take strong monetarist action.

1.2 About Labour and trade unions

Both *The Economist* and *The Guardian* are in favour of the government's pay policy because the alternative measures to curb inflation would be harsher: diminished investment and lost jobs through contraction of the money supply, high interest rates and reduced public spending (cf. infra):

- (1) What time bombs there have been this summer lay in the home money markets. Throughout the summer interest rates have been pushed up to levels much too high for pre-election comfort and the Bank of England reached for, and then extended, the corset to restrain bank lending. The targets for money supply are due to be overhauled next month, and Mr Healey prattled cheerfully at budget time of lowering them if inflation fell as he hoped. Like his budget-time forecasts for the 1977-1978 pay round, that was wishful thinking; the present

¹⁵ in *The Guardian* (28.5.79)

target for domestic credit expansion for 1978-1979 (£6 billion) will prove hard enough to hit it. (*The Economist* 9.9.78: 15)

- (2) [I]t is now privately accepted that over-aggressive wage demands are one cause of inflation and unemployment. From that lesson springs a second: a return to unreformed collective bargaining is no answer to the nation's ills. (*The Guardian* 4.9.78)

The Economist and *The Guardian* recognise the ironic fact that Mr Callaghan's union allies talk endlessly about returning a Labour government (which will then continue to oppose free collective bargaining) and that no unionist has a kind word to say about the Tories (who happen to believe in free collective bargaining):

- (3) Propaganda will triumph over logic at next week's pre-election Trades Union Congress in Brighton. The faith of free collective bargaining will be restored as the official dogma of the TUC. (*The Economist* 2.9.78: 19)

This shows evidence of the conceptual metaphor POLITICS IS RELIGION, which is well illustrated by Charteris-Black (2004) in his analysis of British Manifesto and US Inaugural Corpora. The sort of decisions that unions take are framed as the sort of decisions one might take about spiritual matters and that this creates the basis for an ethical discourse. Framing political decisions in such a way implies the high moral integrity of the party that is framing the issues. It also implies a lack of morality and honesty of the party that has been holding office. Recognising the irony in the discourse, *The Economist* represents the unionists as starry-eyed zealots who are mortgaging the future of the UK. Its leaders are repeatedly called "union barons", evoking the image of the robber baron who seized opportunities in the Wild West for unbridled profit-making and unchecked financial prospecting:

- (4) Minimum lending rate is up to 12 ½%, but still Britain's trade unions are going for broke. The slow union slog towards recovery has been abandoned in favour of quick wages grab, whatever the danger signals of the coming squeeze. Make no mistake about the consequences if – as now seems likely – the unions pull it off: Britain's moderately encouraging recovery from the near hyper-inflation three years ago will be bust. Mr Callaghan knows this; Against him marches a growing army of car workers, lorry drivers, bakers [...]. (*The Economist* 11.11.78: 83)

The “slog towards recovery” taps into the PATH schema that is mapped onto economics through the PATH metaphor: ECONOMIC ACTION IS MOTION ALONG A PATH TOWARDS A GOAL. The destination of the path corresponds to the goal of the policy. It should be noted that a single metaphor can have different evaluative uses: whether or not a destination is ‘good’ depends on the nature of that destination, i.e. whether one actually wants to go there or rather avoid it. According to the experiential ‘logic’ of the PATH metaphor, motion towards the goal (i.e. economic recovery) is good. Anything that impedes the mobility is considered as bad. Those “impediments” take many metaphorical forms. Unions (i.e. unionized workforces) as well as extreme-left-wing Labour MP’s are typically described as impediments, blowing the government off the course and disrupting the process towards salvation:

- (5) But in Britain “concerted action” would be a step in the right direction, for it would be one step away from the adversary politics which every four, seven, or 13 years send Britain lurching back along whichever track it was following. (*The Economist* 2.9.78: 16)
- (6) A union, or a band of rebels? Strikes hurt. They are meant to hurt. That is why they are called. Without the damaging and disruptive effects of strikes, free collective bargaining [...] would be a dishonest nonsense. (*The Guardian* 13.1.79)
- (7) Lorry drivers have turned down 15%, and are slowly paralysing the country to win more than 20%. (*The Economist* 13.1.79: 1)
- (8) It is unlikely that Britain will ever get half-way to an economic miracle until the immense power of the unions to resist industrial change and generate wage inflation is harnessed instead to economic policies designed to increase their members’ real living standards. A labour government could best do the harnessing were it minded to: whatever the Tories attempt is bound to be misconstrued or misrepresented. That anyway, is the theory – belied only by two facts that no Labour government since 1969 has been so minded, and that this one, even were it so minded, is weakly placed to do whatever about it. (*The Economist* 11.11.78: 83)

The Economist repeatedly uses the verb “harness”. We can see that “working people” need harnessing to economic policies. If they remiss, inflation will rise. Let us consider for a moment the epistemological basis of this metaphor; we know that horses are harnessed so that

they may be controlled by a rider who is sitting on their back. Moreover, the working people are called upon to resume their duties and pull the economic chariot forward. We may infer that social progress requires that the objects of harness – inflation and working people – are both conceptualised as being in need of control. Both are represented as having the type of energy that requires control:

- (9) The events at Ford have been a depressing spectacle. Shop stewards plumped for a national strike as soon as Ford made its offer of 5% plus productivity talks. Mr Moss Evans, the new general of the TGWU, still lacks the stature to stem such a tide. So he swam with it. (*The Economist* 30.9.78: 18)
- (10) Mr Callaghan has little alternative, if he is eventually to be re-elected, except to stand firm. A crowd of other workers [...] are standing by ready to pour through the breach if Ford workers end up with anything like the 30% they are demanding. (*The Economist* 30.9.78: 18)
- (11) So the unions look like an irresistible force. Is Mr Callaghan an immovable object? Within his careful phrases last week it was possible to detect areas where he might be ready to yield a little ground. (*The Economist* 7.10.78)
- (12) Whether or not the pay floodgates can be controlled by monetary squeezes in the private sector and cash limits in the public sector, the convergence of words confirms that the back of Mr Callaghan's government has been snapped by pay policy. Just as Mr Heath's was. [...] He now hopes to bob along on the top of a wage tide over which he has next to no control. (*The Economist* 6.1.79: 11)

Comparing both unionists and inflation to “tidal waves” and “usurious powers”, makes them not only intertwined but also undetachable from each other: unions are complicit in the creation of inflation.

CONFLICT metaphors abound in both *The Economist* and *The Guardian* as they both criticise unions for unruly behaviour in the “leapfrog game”¹⁶ that threatens a stoppage. It is worth noticing that while both want to combat inflation, *The Economist* has more CONFLICT metaphors than *The Guardian* that urge for union defeat and union reform: an average of 20.7 clear instances per stretches of 5,000 words versus only 11.9. It should be noted, however,

¹⁶ *The Economist* (20.01.79: 11)

that *The Guardian* tends to cut the unions down to size by means of PATH and CONFLICT metaphors but these CONFLICT metaphors are often significantly less ‘salient’. This accounts for the fact that *The Guardian* gives evidence of more ‘unclear instances’: 20.4 unclear instances per stretches of 5,000 words in *The Guardian* versus 14.2 unclear instances in *The Economist* arguing for union reform:

- (13) The loss of the power to impose sanctions [on Ford, EC] may mean, as Mr Callaghan told the Commons during the debate on the vote of confidence, that the government is left to fight the good fight against inflation with one hand tied behind its back. (*The Guardian* 16.12.78)
- (14) Mr Callaghan did not want to fight an autumn election. Now he has to fight the unions instead. (*The Economist* 30.9.78: 18)
- (15) Engineering union leaders are determined to quash another toolmakers’ revolt at British Leyland before it leads to the widespread disruption of last year’s rebellion. The first skirmish has been mounted by 32 toolmakers at SU Fuel Systems [...]. (*The Economist* 26.8.78: 81)
- (16) But none of the major unions will declare open war on Labour’s 5% limit on pay rises, at least not this side of a general election. (*The Economist* 2.9.78: 19)

1.3 About monetarism

Callaghan and Healey told delegates in Brighton and Blackpool that rigid fiscal and monetary measures (i.e. raising taxes and restrictive money supply) would have to be applied in the fight against inflation, if the pay policy was rejected. Any breach of the 5% limit, would have to be paid out of increased interest rates. In this respect, both *The Guardian* and *The Economist* repeatedly defend the pay agreement:

- (17) Short of a U-turn by the TUC, the best [the government] can do is to try to stick to the 5% in the public sector, use what weapons it can to keep private-sector settlements down and ensure productivity deals are not unduly bogus. (*The Economist* 14.10.78: 107)
- (18) If Mr Callaghan wants incomes policy to stick – as he should and, as we believe, he does – then it should stick for multi-nationals with large investment plans [...] as well as for little

local companies who are fighting merely to keep their heads above water. (*The Guardian* 23.9.78)

The pay agreement is regarded as the means to curb inflation against ‘irresponsible’ free collective bargaining and the resulting defence mechanism of tight monetary control propped up by high interest rates: “[...] Mr Callaghan toys with fiscal and monetary weapons to replace the embattled 5% pay limit in the fight against inflation” (*The Economist* 4.11.78: 14). Moreover, the monetarist idea that control over the money supply would automatically price aggressive workers out of the market is regarded as an illusion since employers become the first victims of restrictive money supply: “Pay agreement must be better than squeeze” (*The Guardian* 13.10.78). Both *The Guardian* and *The Economist* claim that raising taxes, cutting money supply targets and reducing public spending will not stop a wage explosion. Nor would they allow the government to take a back seat when it comes to public-sector negotiations. Nor would they hit hardest those who cause trouble. Both *The Guardian* and *The Economist* display an array of HEALTH and CONFLICT metaphors to defend these viewpoints. It is striking, however, that *The Guardian* tends to highlight the dangerous consequences of credit squeezes from the perspective of employees (excessive wages and tight monetary control lead to unemployment) whereas *The Economist* judges the whole problem from the perspective of the employer (excessive wages and tight monetary control lead to bankruptcy):

- (19) Monetary measures destroy jobs and damp down the economy unnecessarily – if voluntary wage restraint - which does the same job painlessly – did not materialise this winter. (*The Guardian* 9.10.78)
- (20) The stock market’s antidote for free collective chaos. (*The Economist* 20.1.79: 103)
- (21) The monetarists’ axe is an indiscriminate weapon that can kill small companies while merely bruising giants like Ford. (*The Economist* 11.11.78)
- (22) A firm monetary policy was supposed to give [employers] backbone. And so it should have: most are strapped for cash [...] Monetary policy is now more likely to break than stiffen their backs. (*The Economist* 3.2.79: 68)

The Economist admits that monetarism is fashionable among captains of finance in the City, who look forward to the relaxation of dividend and exchange controls. The monetarist insistence on free collective bargaining, however, is regarded as a danger:

- (23) A common rationalisation in the stock market is that there is not much to choose between Mr Callaghan's tattered pay policy (better than nothing), money supply target (good), and price controls (bad), and Mrs Thatcher undiluted monetarism (good), but no pay policy (bad). (*The Economist* 20.1.79: 103)

We can infer from the evidence that *The Economist* has its reservations about monetarism when it comes to 'squeezes', but that its advantages are recognised as well, especially when no other remedy against inflation is available. Moreover, *The Economist* emphasises that the advent of monetarism has made the traditional method of funding the government's debt anachronistic. A game of cat and mouse with the institutions in the gilt-edged market becomes more difficult: "[...] From the moment that the government, at the behest of the International Monetary Fund, openly announced targets for money supply and domestic credit expansion, it was forced to show its cards to the other players" (*The Economist* 4.11.78: 14). If the Bank of England wants to decrease the money supply, it sells bonds because the people to whom the Bank is selling the bonds have to give money, which the Bank then locks away in a vault so that it no longer circulates. By buying or selling bonds in this way, the amount of money out in circulation can be very precisely controlled, meaning that the Bank of England can, in turn, keep tight control over interest rates. Lower bond prices mean higher interest rates. In this respect, *The Economist*, dreading the spectre of inflation, allows monetary policy to be used as a tool to restrict (excessive) money supply, which is repeatedly compared to a "tidal wave", a "hurricane" or "a force unleashed":

- (24) For only if [the financial institutions] buy bonds can the money supply be reined in. (*The Economist* 4.11.78: 15)

- (25) Money supply is coming under the lash. (*The Economist* 11.11.78: 83)

The description of inflation as "an excessive money supply that has to be reined in or lashed" evokes the image of a wild horse that needs leather straps attached around his neck (i.e. reins), and assumes the metaphor INFLATION IS A VIOLENT FORCE, which implies that

monetarism is justified to eradicate it. Thus, monetarism is viewed by *The Economist* as a movement with its Pros and Cons. It is repeatedly emphasised that monetarism is catching on in the City (i.e. the stock market) but its shortcomings and loopholes are pinpointed as well. Old monetarism is not enough to ensure a sound economy: “It is unfortunate for Mr Healey that the gilts market does not accept pure monetarism. If it did, its view of inflation would not be conditioned by union posturing this autumn, but by what happened to the money supply two years ago” (*The Economist* 25.11.78: 83).

The Guardian repeatedly denounces monetarism as an anti-Keynesian “sect” that is doomed to failure at the theoretical level. On the 20th of October 1978, financial expert Hamish McRae in “The Archmonetarist” discusses the (faulty) logic upon which monetarism is built. He is backed by the ideas of John Pardo, the former liberal spokesman on economic affairs, when he states that monetarism only accepts changes in money supply as the truly causal factor that affects prices but not output. He thereby challenges the pre-Keynesian view that market economies are inherently stable in the absence of major unexpected fluctuations in the money supply. He regards Denis Healey as a crypto-Monetarist who blends fiscal and monetary policy in an attempt to be pragmatic.

The Guardian is altogether sceptical about monetarism, probably because it is sympathetic to Labour in its more ‘Keynesian’ form. Cuts in government spending to restrain excessive monetary growth are regarded as quintessentially monetarist/ Thatcherite measures that have already affected or contaminated the centrist Callaghan-Healey administration.

1.4 About welfare and government spending

If the views expressed in *The Economist* and *The Guardian* converged on the issue of pay policy, they tend to diverge on the issue of government spending. When it comes to public spending, MOBILITY metaphors and HEALTH metaphors are instantiated almost three times more in *The Economist*: an average of 14.7 clear instances per stretches of 5,000 words versus only 5.4, respectively (including the ‘vague or ambiguous’ category, the ratio is 19.6 versus 7.4, respectively).

The PATH schema is mapped onto economics through the PATH metaphor: ECONOMIC ACTION IS MOTION ALONG A PATH TOWARDS A GOAL. The destination of the path corresponds to the goal of the policy. According to the experiential ‘logic’ of the PATH metaphor, motion towards the goal is good. Consequently, mobility is

good and immobility is bad. Anything that impedes the mobility of entrepreneurs is considered as bad. In *The Economist*, those ‘impediments’ take many metaphorical forms. We have already seen that unions (i.e. unionized workforces) are also typically described as impediments. Deficit spending, too, takes metaphorical forms with negative connotations:

- (26) The rich world’s public spending is taking off again. Without a new flight plan. (*The Economist* 26.8.78: 63)
- (27) Taxation did not keep pace with spending. (*The Economist* 26.8.78: 63)
- (28) The road forward in all low-paid public-sector jobs must be through genuine productivity deals. (*The Economist* 10.2.79: 13)

Similarly, making a company or an economy “fit” or “healthy” again requires discipline and hardship (sacking personnel, stopping unprofitable product lines etc.), but sacrifices are justified by eventual rewards. “Slimming” has become a common euphemism for laying off employees, as in the case of British Leyland:

- (29) J[aguar] R[over] T[riumph]- MG range will still be intact to form the kernel of a slimmed down, but profitable car company. (*The Economist* 23.9.78: 120)
- (30) Another dilemma for BL is how to cut its swollen 190,000-strong labour force down to size. (*The Economist* 17.3.79: 107)

Being overweight and fat is valued negatively, because it impedes good performance and undermines physical condition. The most straightforward ways of getting rid of redundant fat are dieting and exercise. A good macroeconomic “climate” helps companies to stay “healthy” (i.e. profitable). As long as companies or economies are “healthy,” intervention is unnecessary. Long-term state interference may even be damaging in the long run. Hence, *The Economist* pins its hopes on better management to contain expenditure or at least to enable money to be spent more effectively:

- (31) Import controls would not cure the British disease. (*The Economist* 14.4.79: 73)

- (32) [T]he British Medical Association, along with the Labour party and the trade unions, keeps calling for a massive injection of funds into the service. In one of its more fanciful demands the BMA has demanded “multi-millions” of extra cash at once. [...] It is to be hoped that the royal commission will dispel, once and for all, the illusion that Britain has only to spend as large a proportion of its gnp on health care as do wealthier countries for the service’s problems to disappear. (*The Economist* 14.10.78: 107)
- (33) [North Sea] Oil gives the next government a breathing space to reverse the decline – or an anaesthetic to let it accelerate (*The Economist* 7.4.79: 73)
- (34) People like choice. Some super-fatted parts of the welfare state could give it to them more often than they do. (*The Economist* 26.8.78:14)

These preliminary data corroborate the conclusions of Boers (1997 and 1999) by supporting the suggestion that HEALTH and FITNESS metaphors may be typical of economic discourse advocating free markets.

The Economist and *The Guardian* commented on the publication of the Conservative Manifesto in April 1979 (see appendix). Their contrastive approach is striking. *The Economist* gives evidence of the conceptual metaphor ECONOMY IS WAR¹⁷ and the main message is that Mrs Thatcher promises change and that she should be given the opportunity to prove herself. The metaphor of the “harness” appears again, which seems to suggest that the objects of harness – corporate lobbies and powerful existing institutions – are both conceptualised as being in need of control. Both are represented as having a type of raw energy that requires control:

- (35) She has stepped forward to challenge the almost identical enemy – that of the modern corporatist state – which just five years ago so comprehensively overwhelmed her predecessor, Mr Edward Heath.[...] The 1970 Heath administration entered office with a harness. [...] In the summer of 1970, this harness was strapped to the workhorse of government, and two years later it duly broke, with Mr Heath’s conversion to incomes policy, lavish industrial support and eventual coalition centrism. [...] In the bitterness of defeat, however, all parties feel an atavistic need to return to their ideological grass roots. In the leadership elections of 1975, Mrs

¹⁷ One can argue that POLITICS OF SETTING ECONOMIC POLICY IS WAR is more appropriate as the ‘conceptual metaphor’ and that ECONOMY IS WAR should be regarded as the ‘conceptual key’ that is inferred from a number of conceptual metaphors (cf. Charteris-Black 2004: 16). However, for the sake of simplicity, we shall take ECONOMY IS WAR/ CONFLICT as the conceptual metaphor.

Thatcher emerged as the candidate of these roots. [...] Margaret Thatcher is a politician not so much of principle as of will. To write of her in the context of 1970-1974 is to miss the lesson which she herself has drawn from that period of office: that policies must be given a chance to prove themselves even in the bloodiest of battles and that, whatever happens, the will of the leader must not break. It is true that another Tory prime minister held the same belief. Mr Edward Heath's harness was to prove brittle. Mrs Thatcher's own brand of pragmatism is to see the failure of 1974 as the precursor of the success of 1984. It is in this perception that Mrs Thatcher's claim to political originality must lie. If she can break through the myriad forces stacked against her and give government a leaner and sharper edge, if she can achieve a lasting shift in resources from the public to the private sector – and do so in a climate of industrial peace – then she will deserve the place she will certainly gain among the gods of Tory legend. (*The Economist* 21.4.79: 42)

The Guardian, on the other hand, uses some CRIME metaphors, the value judgement of which should defend the poor and the destitute against what is perceived to be aggressive and ruthless gung-ho at the expense of the weak and needy in society. It should be pointed out, however, that these instances are highly conventional items. The title of the article “A great leap into the past?” refers to its rejection of monetarism as the Neo Classical School of *laissez-faire* noninterventionism that aimed to restore pre-Keynesian principles and that made government spending a dirty word:

- (36) [E]specially the less prosperous, will merely find that much of what they take from one government hand is promptly snatched back by another. If this is the only route by which the Conservatives plan to relieve the family budget, then many of those who have been attracted by the promise of really substantial cuts in the tax they pay will soon under a Thatcher Government come to the conclusion that the politicians have conned them again. There are also to be cuts in public spending. Sir Geoffrey Howe talked not so long ago of a net reduction of £4 billions in view of the promises that have already been made of higher government spending on law and order and defence. If the public services on which the great majority of people must continue to depend are not grievously damaged in the search for these economies, then where else will the money be found? [...] Meanwhile, the process of “liberation” will also damage the standards and opportunities of those who cannot afford the fun. Not a word trying to cut the NHS [National Health Service] waiting list. [...] To their great credit, Mrs Thatcher and some of her colleagues like Sir Keith Joseph [...] have been frank about what their revolution would entail. They aim to create a more prosperous society at the cost of creating a less equal society. (*The Guardian* 23.4.79)

1.5 Conclusion

Needless to say that CONFLICT metaphors abound in both *The Economist* and *The Guardian* during the Winter of Discontent as they both criticise unions for unruly behaviour in the leapfrog game that jeopardised the economic future of the UK during these grim winter months. It is worth noticing that while both want to “combat inflation”¹⁸, *The Economist* has more CONFLICT metaphors than *The Guardian* that urge for union defeat and union reform: an average of 20.7 clear instances per stretches of 5,000 words versus only 11.9. *The Guardian* tends to cut the unions down to size by means of PATH and CONFLICT metaphors but these CONFLICT metaphors are often significantly less ‘salient’. This accounts for the fact that *The Guardian* gives evidence of more ‘unclear instances’: 20.4 unclear instances per stretches of 5,000 words in *The Guardian* versus 14.2 unclear instances in *The Economist* arguing for union reform. In this respect, *The Guardian*’s frequent use of more ‘conventional metaphors’ reduces our awareness of their semantic tension. The views expressed in *The Economist* and *The Guardian* converged on the issue of pay policy, but they clearly diverged on the issue of government spending. When it comes to public spending, MOBILITY metaphors and HEALTH metaphors are instantiated almost three times more in *The Economist*: an average of 14.7 clear instances per stretches of 5,000 words versus only 5.4, respectively (including the ‘vague or ambiguous’ category, the ratio is 19.6 versus 7.4, respectively). Both *The Guardian* and *The Economist* display an array of HEALTH and CONFLICT metaphors when emphasising the dangers of tight monetary control supported by high interest rates. It is striking, however, that *The Guardian* tends to highlight the dangerous consequences of credit squeezes from the perspective of employees (excessive wages and tight monetary control lead to unemployment) whereas *The Economist* judges the whole problem from the perspective of the employer (excessive wages and tight monetary control lead to bankruptcy). *The Guardian* is a relentless critic of monetarism, fearing that the New Classical wind will put an end to community values and welfare state. *The Economist* points at the Pros and Cons. During the Winter of Discontent, *The Economist* supported the government’s pay policy and criticised right-wing conservatives like Margaret Thatcher (New Tories) for their insistence on free collective bargaining (monetarism). However, restraint of government spending as the most important single target to restrain excessive monetary growth (monetarism) seems to be endorsed by the value judgement of its metaphors. We can

¹⁸ A WAR metaphor often repeated in both *The Economist* and *The Guardian*

conclude that *The Economist* metaphorically framed certain specific target domains (e.g. trade unions) differently from left-of-centre *The Guardian*. *The Economist* favours HEALTH and PATH/ JOURNEYING metaphors to characterise economic progress; conversely, they favour striking DISEASE, CONFLICT, NATURAL DISASTER, and UNRULY HORSE metaphors (“harnessing”) when characterising opponents to their plan (i.e. unions *and* government spending). The use of CRIME metaphors in *The Guardian*, on the other hand, correlates with positive evaluations regarding welfare state and negative ones concerning privatisation of the main industries.

There is, of course, a need for a more extensive use of larger corpora to explore further the questions raised in this study, and the answers offered await confirmation, or rejection, as larger corpora are investigated and as the Winter of Discontent spread into the turbulent eighties when Britain was in the grip of monetarism and the Iron Lady.

2. The monetarist mystery tour towards an unknown destination... Metaphors of liberal Common Sense during the first Thatcher administration, 1979-83

2.1 Historical background of the sample of discourse under analysis

Margaret Thatcher became the first female Prime Minister on the 4th of May 1979, with a mandate to reverse the UK's economic decline and to reduce the role of the state in the economy. She was a philosophic soulmate of Ronald Reagan, elected in November 1980 in the United States. Indeed, Thatcherism and Reaganomics had a lot of similarities. Milton Friedman, the founding father of *monetarism*, is widely recognized as the intellectual architect of Thatcherite and Reaganite economics. It seemed for a time that conservatism might be the dominant political philosophy in the major English-speaking nations for the era. Paxton (2004: 185) argues that "the potential space for a normalized British far Right, always small, was further reduced in the 1980s when Margaret Thatcher turned the Conservative Party rightward". Discord within the Tory party about the course to take quickly showed a rift between government spending 'Wets' and 'hardline' Thatcherites.¹⁹

Margaret Thatcher and her Chancellor of the Exchequer, Sir Geoffrey Howe, politically translated Friedman's warnings against (1) exchange controls, (2) submission to accelerating inflation through an expansionary fiscal policy in hope of reducing unemployment, and (3) government attempts to control the business cycle by managing consumer demand. Soon these tenets became known as TINA ('There is no alternative but monetarism'). One of the first acts of the Thatcher government in October 1979 was to eliminate Britain's wartime exchange controls, in line with Friedman's advocacy of floating exchange rates. The 1974-79 Labour governments had introduced monetary targets, but they had continued to attempt to hit them by means of direct credit controls on bank lending in the form of the 'corset'. With the new Conservative administration, monetary policy took a new turn. Sir Geoffrey Howe attempted to target the growth rate of the money supply (M3) by use of the official interest rate, after exchange controls were abolished and the corset became

¹⁹ The 'Wets' was Margaret Thatcher's disparaging term for those in the Conservative party who opposed monetarist policies. The term was originally applied to supporters of Thatcher's predecessor as Conservative Leader, Edward Heath, including James Prior, Peter Walker and some young and aristocratic 'blue chip' Tories grounded in the Keynesian tradition. The term was then used extensively by the right wing to label all opponents of Thatcherite policies. Post-Thatcher it has commonly been used as a disparaging term for liberal ideas, especially on crime and drugs. The term 'wet' was long-established English public school slang for someone judged to be weak, feeble or 'soppy'. It was used both as a noun and an adjective: The Wets espoused 'wet' policies. The term gave rise to the 'Dries', meaning those who opposed the 'wets', and to 'dry' policies, meaning the tax-cutting, socially conservative policies associated with Thatcher and Friedman. The first 'transitory' Thatcher cabinet included conservative MP's that could be referred to as 'wets'. 'Dry' Tories included Sir Keith Joseph, Sir Geoffrey Howe, Norman Tebitt, Nigel Lawson and Cecil Parkinson.

impossible to maintain. Milton Friedman, in support of Thatcher, said to the House of Commons Treasury and Civil Service Committee in June 1980: “I conclude that only a modest reduction in output and employment will be a side-effect of reducing inflation to single figures by 1982 and the effect on investment and the potential for future growth will be highly favourable”.²⁰ As a monetarist, Thatcher started out in her economic policy by increasing interest rates to slow the growth of the money supply and thus lower inflation. In the early 1980s the pound moved above the US \$2 level as interest rates rose in response to this monetarist policy of targeting money supply and the high exchange rate was widely blamed for the recession. In November 1979, Minimum Lending Rate (MLR) increased 3 per cent (14 to 17 %), was reduced by 2 per cent (16 to 14 %) in November 1980 and increased 2 per cent (14 to 16 %) in September 1981. She had a preference for indirect taxation over taxes on income, and Value Added Tax (VAT) was raised sharply to 15%, with a resultant actual short-term rise in inflation.²¹

These moves, combined with a too strong ‘petro-pound’²², hit businesses (and exports) - especially the manufacturing sector - and unemployment quickly passed two million, doubling the one million unemployed under the previous Labour government. Monetarism, and hence, free collective bargaining, stipulated that wage rates in the private sector should be fixed by market forces alone (i.e. no pay policy); monetary policy should be left to control inflation. In the public sector, cash limits were supposed to rigidly fix the resources available for the annual pay round: “The idea is that if wages are rising too fast now, the unions will get their come-uppance with next winter’s slump and learn the next lesson of monetary firmness the hard way [i.e. being priced out of the market]” (*The Economist* 31.5.80: 71). However, in spite of trying to inject ‘new realism’ into industrial relations, the Thatcher government did not stand firm enough against public-sector pay claims, owing in part to the ‘Clegg awards’: policies of comparability with the private sector implemented by the adoption of Professor Hugh Clegg’s Labour-appointed comparability commission. In addition, the government experienced difficulties in forcing nationalised industries to meet higher costs through productivity improvements, instead of higher prices or more borrowing.

²⁰ in Pugh (1997: 151)

²¹ In this respect, Ronald Reagan’s favourite ‘Supply Side’ argument was that cuts in business and personal taxation would bring an instant surge in investment and productivity so that wealth would ‘trickle down’ from the rich to the poor.

²² Currencies of oil producing nations which tend to rise in value against other currencies when the price of oil rises (and fall when it falls). Pound Sterling is sometimes regarded as petrocurrency thanks to North Sea oil exports. On the doubling of VAT in 1979, *The Economist* (3.12.88: 11-12) comments: “Sir Geoffrey Howe [...] doubled value-added tax in 1979: that fed the wage-price spiral and made the task of disinflation all the harder.”

Political commentators soon harked back to the Heath Government's 'U-turn' and speculated that Mrs Thatcher would follow suit, but she repudiated this approach at the 1980 Conservative Party conference, telling the party: "To those waiting with bated breath for that favourite media catch-phrase—the U-turn—I have only one thing to say: you turn if you want to; the Lady's not for turning."²³ That she meant what she said was confirmed in the 1981 budget, when, despite concerns expressed in an open letter from 364 broadly Keynesian economists, taxes were increased in the middle of a recession in compensation for the previous bailout of public industries like British Leyland, British Steel and British Coal. The public sector borrowing requirement (PSBR) was cut by £3.3 billion, mainly by raising the specific duties on alcohol, tobacco and petrol. The 1981 budget was a political disaster, because the supposedly tax-cutting chancellor, Sir Geoffrey Howe, raised the average family's tax bill from 26.8% of their earnings in 1980 to 28.9% in 1981: the chancellor did not raise the main personal tax allowances, when they should have been increased by 15% to allow for inflation under the 1977 Rooker-Wise-Lawson Amendment. The riots in Bristol (April 1980) were nothing compared to the Brixton riots (April 1981), fuelled by racial and social discord in south London's problem areas. Some critics related the riots to the much hated 1981 budget.

In January 1982, the inflation rate dropped to single digits. Unemployment, however, continued to rise, reaching an official figure of 3.6 million — although the criteria for defining who was unemployed were amended allowing some to estimate that unemployment in fact hit 5 million. By 1983, manufacturing output had dropped 30% from 1978. All in all, Sir Geoffrey proved to be a stern fiscal taskmaster but a rather loose monetarist against the backdrop of the financial deregulation (abolition of credit and exchange controls): a 7-11% annual increase in money supply to be permitted in early 1983, but a budget deficit doggedly halved right through the recession, from 5,5% of Britain's gross domestic product in 1978-79 to an intended 2,75% in the fiscal year 1983-84. Over broadly the same period the United States, while following a stricter monetary policy to reduce its inflation below 5%, increased its budget deficit from 0,5% of gdp in 1978-79 to 6% in 1983. Inflation in the UK did fall, though some would argue it had nothing to do with the money supply and everything to do with rising unemployment.²⁴ Klein (2007: 136) claims that "Thatcher's catastrophic first term seemed to further confirm the lessons of the Nixon years: that the radical and highly profitable

²³ Mention is made in *History in Quotations* (Cohen and Major 2004: 923): "Prime minister Margaret Thatcher, speaking at the Conservative Party conference, *Daily Telegraph*, 11 Oct. 1980. The line was designed to recall Heath's abandonment in office of right-wing manifesto pledges on tax, social security and law and order."

²⁴ cf. Pugh (1997: 152)

policies of the Chicago School couldn't survive in a democratic system" with its democratic institutions and need for a high degree of consent, and contends that "Thatcher recognized the [Falklands War] as a last-ditch hope to turn around her political fortunes and immediately went into Churchillian battle mode" (137).

In the Argentina of the early 1980s an unstable military junta headed by General Leopoldo Galtieri held power and was keen on reversing its widespread unpopularity caused by the country's poor economic performance. On 2 April 1982, it invaded the Falkland Islands, the only invasion of a British territory since World War II. Argentina has claimed the islands since an 1830s dispute on their settlement. Within days, Thatcher sent a naval task force to recapture the Islands. Despite the huge logistical difficulties, the task force was successful, resulting in a wave of patriotic enthusiasm and support for her, at a time when her popularity had been at an all-time low for a serving Prime Minister. This 'Falklands Factor', along with signs of economic recovery in early 1983, greatly aided the government's cause.

The Labour party had split after James Callaghan's resignation in September 1980 (succeeded by Michael Foot), and there was a new challenge to the political centre, the SDP-Liberal Alliance, formed by an electoral pact between the Social Democratic Party and the Liberal Party (David Steel). The SDP was founded by four senior members of the right-wing of the Labour Party, dubbed the 'Gang of Four' (or, 'Radical Centre'): Roy Jenkins, David Owen, Bill Rodgers and Shirley Williams. The four left the Labour Party in the belief that it had become too left-wing and over-intimate with trade unions, and had been infiltrated at constituency level by Bennite-Trotskyist factions whose views and behaviour were at odds with the parliamentary party and the Labour-voting electorate. However, this grouping of uncertain cohesion failed to make its intended breakthrough, despite briefly holding an opinion poll lead. In the June 1983 general election, the Conservatives won 42.4% of the vote, the Labour party 27.6% and the Alliance 25.4% of the vote. Although the Conservatives' share of the vote had fallen slightly (1.5%) since 1979, Labour's vote had fallen by far more (9.3%) and the large lead over the second-place party was translated by Britain's system of first past the post into a Conservative landslide. Under Margaret Thatcher, the Conservatives had won with a majority of 144 over the other parties.

2.2 *About monetarism*

2.2.1 *Wets and Dries*

In fear of ‘crowding out’, *The Economist* welcomes Mrs Thatcher’s promise to reduce the role of the state in the economy and shift resources from the public to the private sector: “More of the labour force than in the past now works in the public sector, or in companies propped up by public money” (*The Economist* 5.5.79: 88). Therefore, *The Economist* gives Mrs Thatcher credit for rightly having formed a strong, anti-public spending group around Sir Geoffrey Howe at the treasury (*The Economist* 12.5.79: 13). An impressive array of MOBILITY and CONFLICT metaphors, however, abound in both *The Guardian* and *The Economist* when the discord between ‘wets’ and ‘dries’ in the cabinet soon becomes apparent. Only Sir Keith Joseph at industry could be termed a right-winger in this group and he is widely expected to bend under the twin pressures of his responsibilities and his civil servants. Otherwise, agriculture (Peter Walker), education (Mark Carlisle), health and social security (Patrick Jenkin), environment (Michael Heseltine), employment (James Prior) and the home office (William Whitelaw) are all in the hands of middle-grounders, almost all of them “armed with electoral commitments to increase spending” (*The Economist* 12.5.79: 13). It is mentioned that Mrs Thatcher appointed outside advisers (i.e. monetarist think tanks) “to stiffen ministerial backbones against the neutralising civil-service mandarinate” (*The Economist* 12.5.79: 17).²⁵

(37) Margaret Thatcher has made a virtue of balancing her cabinet. A tough race has started off well [...] But now that the barons have been given their land, how will they use or abuse their power? And how will this power affect the prime minister’s determination to cut taxes and reduce the scope of the public sector? [...] Public spending battles [...] Ranged against this group will be a phalanx of spending ministers, many of whom won their spurs as big spenders under Mr Heath. Few of them will proselytise with much enthusiasm for a chief who is slashing their empires. (*The Economist* 12.5.79: 13)

²⁵ In this respect, the first-class political satire “Yes Minister”, released during the first Thatcher Years (1980-1982), is a case in point. The new Minister’s idealistic commitment to clamp down on public spending faces its hurdles when Whitehall mandarin Sir Humphrey makes his appearance. “Yes Minister” was admired not only by the public but also by politicians of all persuasions, and reputedly Prime Minister Thatcher’s favourite show.

- (38) After a decade of under-controlled public spending by both Labour and Conservative governments, the determination to attack the underbelly of officialdom commands respect. (*The Economist* 28.7.79: 81)
- (39) Assailing public-sector spending. (*The Economist* 20.9.80: 12)
- (40) Still, however much Britain's private sector may resist the dash into wage hyperinflation this year, the real battle against wage inflation will probably again be fought in the government's own public sector, which now employs more than half of British trade unionists. Here the government needs to offer more support to its front-line troops. (*The Economist* 25.8.79: 14)

The Guardian (5.7.79) voices similar fears when asking "just how mandarin-oriented British government has become". Both *The Economist* and *The Guardian* fear, however, that the government in its steadfast pursuit of non-intervention, has imposed deflationary measures that will backfire. By laying down fixed cash limits on local services, but not stipulating the services it wishes to see protected, it is handing the political initiative to its opponents on a plate. Local authorities and health councils are relentlessly cutting services and investment, rather than staff, and sending the political bill to Mrs Thatcher. In Labour-controlled town halls, there is an even more enthusiastic coalition intent on doing the same, since the permanent staff can then protect their pay and numbers, while Labour councillors can blame the Tories for the pain that is caused to the voters. *The Economist* fears that "as a result, many million pounds a year will continue to be wasted on duplicated local bureaucracy, and civil service pay will continue to outstrip inflation, while the pressure will be met by trimming of mental hospitals, school welfare programmes and meals-on-wheels" (*The Economist* 9.2.80: 13). In contrast, both *The Economist* and *The Guardian* urge local authorities and central departments to offer a variety of performance targets, "to make sure the cash limits squeeze produces greater efficiency, not a fall in services" (*The Economist* 9.2.80: 20):

- (41) Was it not their own Prime Minister [Margaret Thatcher] who continually insisted during the past election that the essential services of the welfare state – education, health and social services – would be protected? (*The Guardian* 9.10.79)

They recognise the sad fact that while accepting responsibility for cuts in public services, treasury ministers are abandoning control over their incidence (*The Economist* 9.2.80: 13):

- (42) Tactics in retreat [...] Mrs Thatcher should not allow her (or her treasury ministers') crusade against public spending to lead her government either into future deflation of an economy

already suffering from the Tories monetary squeeze or into real damage to public services through inept cutting. She has shown remarkable political sensitivity to higher mortgage rates and gas prices; she should remember that most of her supporters also use schools, hospitals and buses. She is leading a great retreat from the power of the state; and she should remember that it is in retreat that generals need the clearest heads. (*The Economist* 28.7.79: 11)

- (43) “Martyrs in waiting” [...] The generals were given their marching orders by the commander-in-chief before she left for Lusaka. Now they are passing them on to the troops – and hearing the first murmurings of mutiny [...] the health secretary, Mr Patrick Jenkin, has stamped out an early revolt by the area health authorities [...] against the cash limit on its allocation for this year”[...] Although their anger arises from the last (Labour) government’s bias against London in spending on health, in the headlines the Lambeth rebels look like the first martyrs in the queue to defy the present (Tory) government by defending hardpressed public services. (*The Economist* 4.8.79: 15)

- (44) Health rebels (*The Economist* 4.8.79: 16)

- (45) If civil servants are constrained by cash limits to choose what to cut, they choose to keep up their own empires and cut down to services they give the public. (*The Economist* 9.2.80: 13)

The “Battle of the axe” (*The Economist* 28.7.79: 10) is a recurrent WAR metaphor to illustrate the growing antagonism without government spending ‘wets’ and hardline Thatcherites/monetarists within the cabinet. Reminiscent of Edward Heath’s abandonment of noninterventionist policies in 1972, both *The Economist* and *The Guardian* expect a similar U-turn of the Thatcher government when recession sets in:

- (46) The Conservatives are doing remarkably well; indeed, for the past two or three weeks they have been giving a passable imitation of the Labour party in its prime. There have been splits and leaks galore, slanders and back-stabbings, and even some examples of that most exquisite form of political misbehaviour, brought to a high pitch of perfection in the Labour party: the personal attack. (*The Guardian* 27.2.80)

- (47) And Sir Keith Joseph – the apostle in word, if not in deed, of noninterventionist monetarism – is preparing in turn to revitalise industry from his pulpit in the department of industry. How hard will the pips in Britain’s boardrooms have to squeak together until Sir Keith leads Sir Geoffrey into another U-turn? (*The Economist* 28.7.79: 80)

In “The desirability of gradualness”, *The Economist* argues that Mrs Thatcher’s industrial policy is being sensibly phased in, but warns that the most difficult decisions (British Leyland and British Steel) lie ahead: “[A]s managers in both the public and private sectors have been relieved to notice, they are not doing it with the blunt hatchet. Tory radicalism is being put into effect by the Tory route of pragmatic gradualism” (*The Economist* 15.9.79: 78).²⁶

The Economist, always well aware of the monetarist Pros and Cons, claims that the British government is right to try to cut the least efficient £4 billion a year off public spending. But to cut the most necessary £4 billion at the wrong moment would not be clever. It therefore argues that Sir Geoffrey Howe should stand ready to fill the deflationary gap in the economy with another 1% or so of Britain’s gnp, raising PSBR to £10 billion or £11 billion “when the slaughter of recession will be sounding all around him” (*The Economist* 28.7.79: 10). In this respect, the treasury’s difficulties are defined as an interlocking set of macro-economic concerns:

(48) The macroeconomic circumstances behind the battle of the axe are odder still [...] Sir Geoffrey’s economic priorities go like this: if I don’t cut monetary growth, I can’t squeeze out inflation. If I don’t cut the public sector’s borrowing requirement (PSBR), I can only restrain monetary growth with astronomical interest rates, which means way above other countries’ rates at a time when money is already pouring into Britain and sending sterling through the roof, thus punishing British industry (which has got to perform my economic miracle for me) twice over. If I don’t cut public spending, I can only cut the PSBR by raising taxes, which means either adding more Vat to inflation or breaking all election promises by increasing income tax. (*The Economist* 28.7.79: 10)

The political opportunity to tackle these problems arose just when the world was sliding into Opec-inspired recession, while Britain’s own oil was raising the pound to levels at which much of British industry ceased to be competitive at home or abroad:

²⁶ One monetarist think tank is Selsdon group, a free market economics pressure group, closely associated with the Conservative Party. Selsdon man’s belief in the virtues of competition, self-reliance and non-intervention was imprinted on all the five big decisions made by Mr John Nott, the trade secretary, and Sir Keith Joseph, the industry secretary. The decisions were: (1) to scrap the price commission and price control; (2) to chop regional aid by a third; (3) to rein in the state-capitalist aspirations of the National Enterprise Board; (4) to offer the public a chance to invest in British Airways, British Aerospace and the British National Oil Corporation; and (5) to split the Post Office and end parts of its monopoly in telecommunications.

- (49) North Sea oilfields owned by the British National Oil Corporation (BNOC) [...] the lifebelt that is keeping the economy afloat. (*The Economist* 15.9.79: 93)

In this respect, Victor Keegan in *The Guardian* (5.11.79) regrets that the income tax cuts in the 1979 budget have been partly financed by cuts in public expenditure. He warns that “one fact about public expenditure which has been overlooked in the debate is that it is overwhelmingly concerned with buying British-made goods, whereas the money spent out of our tax cuts go disproportionately towards buying imports”, which reflects badly on the trade balance.

The case of “Dutch disease” is made more acute by a monetary policy that offers the highest interest rates in the developed world to buyers of the world’s newest petrocurrency: a “crippling pound” (*The Economist* 28.7.79: 81). The trouble with Dutch disease is that it tends to hit precisely the companies that governments usually want to encourage. As well as ardent exporters, overvalued sterling hits big companies that have invested heavily in new plant and little ones that have stretched balance sheets because they invest in research-intensive technology. Therefore, *The Economist* argues that industry secretary Sir Keith Joseph has been right, in the circumstances, to take a softer line with the National Enterprise Board than the Tories had promised earlier: “An option has been left open and the machinery exists to cope with justifiable cases for treatment. Sir Keith has also made the right noises on high-technology small companies. And yet he has been pilloried by those Tories who learned their monetarist ideology at his feet”. *The Economist* welcomes a proposal to cut companies’ national insurance contributions (nics) – Labour’s favourite soft option for raising money from industry, but one which gave industry an incentive to shed labour. Moreover, *The Economist* warns the Tories that their reason for cutting PSBR, which has already fallen sharply in real terms over the past three years, “was to switch resources from the public sector to the private one, not to clobber both in a way that would lead to excessive deflation on the eve of recession” (*The Economist* 28.7.79: 81). Therefore, both *The Economist* and *The Guardian* are afraid that the government’s monetary policy is actually or potentially too tight – ie, too heavy a price will be paid in lost output and bankrupt businesses for the attempt to control inflation (see 2.2.2). *The Guardian* warns against the reduction in PSBR during recession:

- (50) If the recession next year is anything like as bad as the Treasury and most private forecasters expect, then there will be plenty of upward pressure on the borrowing requirement. Spending

on unemployment benefit will rise; tax receipts will fall. It would be right for the Government to let these built-in stabilisers operate, rather than to try to offset them by pursuing a meaningless nominal target for the PSBR. But it should go further than that. Sir Geoffrey Howe should rethink the commitment he gave just before the Parliamentary recess to pursue the reduction of public sector borrowing as a proportion of gross domestic product. Next year, that could simply be a recipe for driving a recession-bound economy still farther down the slope. (*The Guardian* 24.8.79)

- (51) The economy is not like a cake, where one slice can be cut from the public sector and handed to the private. It is more like a balloon, where cuts in state borrowing now reduce the output of both sectors. In short, our economy does not behave as the monetarists thought it did. (*The Guardian* 11.12.80)

However, *The Guardian* (29.8.79) also admits that “it is time that the Labour party faced the fact that public spending cannot simply be allowed to expand automatically in line with all the demands made upon it”. Furthermore, Harford Thomas (*The Guardian* 11.4.81) claims that “[m]oney won’t change Britain’s inflexible industrial attitudes. Fresh ideas will”.

It seems that *The Economist* does not disapprove of monetarism altogether, but rather fears its current (radical) translation into practice. In line with the viewpoint of *The Guardian*, a ‘Keynesian stabiliser’ in the form of deficit spending is said to be desirable when bank lending can be expected to decrease as aggregate demand drops during recession:

- (52) As unemployment mounts, Sir Geoffrey Howe should not be afraid to cut taxes more than proportionately and to increase his budget deficit. He should not stick religiously to an under £8,5 billion PSBR. (*The Economist* 20.10.79: 16)
- (53) With the economy slowing down, the last thing Britain needs is fiscal or monetary strangulation. (*The Economist* 16.6.79: 63)
- (54) This year, Mrs Thatcher has to choose between cutting income tax and slashing the PSBR sharply below £8,5 billion, and she should choose tax cuts. She could do both together only by huge increases in indirect taxes - e.g., raising duties on petrol, beer, tobacco, etc, [...] But it would mean a sharp cut in the real purchasing power of the average family [...] It would mean starting the new wage round with a 3-4% boost to the retail price index at a time when inflation is rising fast above 10% (*The Economist* 9.6.79: 84).

Thus, *The Economist* accepts temporary deficit spending as a contingency plan during recession when aggregate demand should be stimulated. Balancing the budget or running budget surpluses occur during recovery. An excessive expansionary fiscal policy in times of prosperity, however, is regarded as an inflationary danger:

- (55) With the economy slowing down, probably even contracting, 1980 is the wrong year to stamp hard on the fiscal brake. But when the next economic upturn comes, the case for cutting the government's deficit must be put more forcefully than it was in the last upturn. [...] In America, the result is a bias toward fiscal stimulus not only when that may be appropriate but – as in the boom of 1978 – when it is unneeded and undesirable; and the consequence, one step along, is undue reliance on a tough monetary policy to counteract the effects of an uneasy budgetary one. (*The Economist* 5.1.80: 46)

In this respect, *The Economist* clarifies that “Sir Geoffrey should understand that those of us with these siren voices are not urging the government to add water to its pure milk monetarism” (*The Economist* 20.10.79: 16). It advises the treasury to allow monetarism to make an under 10% money growth in 1980 quite rigid since “that requirement is its main line of defence against a wage explosion”. *The Economist*, however, warns that “monetarism, in both boom and slump, is about restraining the money supply by sensible percentages”, thereby leaving the door ajar for moderate Keynesian demand management during a slump:

- (56) More recently there has been dissension in the ranks of the monetarist economists from whom the government previously drew enthusiastic support [...] A rise [in PSBR to £10,5 billion in 1980-81] of this size is quite consistent with a falling-off in monetary growth if bank lending collapses with recession. So – besides making sense in Keynesian terms – a higher PSBR could fit monetarist preconceptions too. [...] But what if the government takes care not to crowd out private industry and, depressed by recession, it still chooses not to invest next year? Then Britain plunges still deeper into recession. If the government's funding programme is not to run into trouble Sir Geoffrey Howe will have to make it crystal-clear which group of monetarists he listens to. (*The Economist* 15.9.79: 103)

In other words, the higher PSBR would merely reflect the recession, when tax revenues always decrease and the bills of unemployment pay mount up. If the Bank of England would sell government securities other than fixed-interest ones (i.e. index-linked securities), taxes could be cut and the PSBR increased further still. One reason why Sir Geoffrey is unwilling to indulge in Keynesianism during this recession is that each 1% increase in consumer spending

is apt to increase manufactured imports by 2%. This is largely because the sterling exchange rate is too high, which makes imports cheap. The chancellor is advised to encourage it down (*The Economist* 20.10.79: 16). In this respect, Frances Cairncross in *The Guardian* (16.6.79) warns that “The balance of payments current account will totter along in bare equilibrium, in spite of North Sea oil”. Hamish McRae (*The Guardian* 17.7.79) states that the UK is in the red: “The trade figures are dreadful [...] we have not just been blowing the revenues of North Sea oil on an import-buying binge: we have in addition been borrowing at an annual rate of £4 billions to finance current consumption”.

High interest rates, petrosterling and a corset on bank lending spark an array of HEALTH and MOBILITY metaphors in both *The Guardian* and *The Economist* when highlighting the dangers of monetarist overkill (see 2.2.2):

- (57) The justification offered for the government’s monetary squeeze is that it is a necessary purgative to curb inflation, and clear the way for a revitalised private industry to create growth once the medicine has penetrated and interest rates can come down. [...] But a lot of industrialists do not feel revitalised, as the following articles make plain. How much deflationary punishment can they take on this monetarist mystery tour towards an unknown destination? (*The Economist* 28.7.79: 81)
- (58) Howe’s purgative prescription (*The Guardian* 14.6.79)
- (59) The government’s remedy for the British disease is a cold turkey cure. A nasty recession is prescribed. The world economy makes that unavoidable but this Government’s policy is one of non-resistance: indeed it is to deepen and prolong that recession. The theory is that only a recession and rising unemployment can bring down the rate of inflation and prepare the way for wealth-creating enterprise. (*The Guardian* 14.11.79)

The Economist (22.9.79: 15) points out that Mrs Thatcher’s politics are not even the right-wing radicalism of Sir Keith Joseph. Her views on race, hanging, social security and her enthusiasm for subsidies to mortgagors and farmers suggest a narrower middle-class Toryism than many of her more aristocratic (or democratic) cabinet colleagues can readily stomach:

- (60) It was an extraordinary moment in June when a solid phalanx of cabinet heavyweights trooped into the capital punishment division lobby against her: Whitelaw, Howe, Pym, Heseltine, Gilmour and Stevas among others. These same ministers (to whom Lords Carrington and Soames could be added) opposed Mrs Thatcher equally vigorously on the boat people – and won there too. [...] Political commentators have already begun writing about the coming

winter with all the hysteria of boxing reporters before a big fight: the unions in the red corner, Mrs Thatcher in the blue. (*The Economist* 22.9.79: 15)

In early 1980, however, the rift between spending ministers and hardline Thatcherites becomes too apparent, which leads the critics to believe that the government may be heading towards a U-turn:

(61) Mrs Thatcher's government is wobbling towards its first major U-turn [...] they have saved education from the axe. (*The Economist* 9.2.80: 19)

The Guardian (28.2.80) points out that Keynesian criticism is stifled. The government, which is monetarist, decided to cut half the grant to the National Institute of Economic and Social Research, which is Keynesian: "It does not say much for the Government's respect for debate". *The Economist* believes the government is fundamentally right in its political and economic aims. But, with less than a year of its life run, there are signs of desperation setting in. *The Economist* claims that the government's failure to cut much further does not come from any Keynesian belief that the economy needs to be supported in recession. Far from it:

(62) [...] This time, current spending had to bear the brunt; but the civil service succeeded, by making the cuts fall on the consumer of public services, in making them so unpopular that the government is close to giving up. (*The Economist* 9.2.80: 19)

(63) Resisting such desperation involves the government in keeping not just its nerve but its political momentum. Alternately cursing and not quite-cutting the public sector is not enough. (*The Economist* 9.2.80: 14)

(64) It is not old-fashioned Keynesian nonsense to point out that as national output falls, public expenditure tends to rise and public revenue to drop. The government may be determined to resist this trend, but there is a limit to the extent to which it can slaughter public services to counteract it, without widespread revolt among its own party. [...] Cutting the national insurance surcharge would help company liquidity, industrial costs and employment. It would be an excellent way to feed back into the economy the government's extra gains from higher energy prices. But with monetary problems unsolved, nothing next month is likely to take precedence over the assault on PSBR. (*The Economist* 2.2.80: 65)

(65) Sir Geoffrey still appears doggedly determined to reduce public-sector borrowing, in order to have some hope of bringing interest rates down. The Economist has urged him to go easy on this, as the economy slides into recession. (*The Economist* 13.2.80: 14)

With respect to the 1980 March budget, *The Economist* emphasises the need to resort to deficit spending (a Keynesian stabiliser) and cutting (company) taxes while denouncing the government's assault on public spending as too lax. This may sound like a paradox. *The Economist* argues that the Thatcher government did not stand firm enough against public-sector pay claims, owing in part to the 'Clegg awards'. In addition, the government experienced difficulties in forcing nationalised industries to meet higher costs through productivity improvements, instead of higher prices or more borrowing.

(66) But the main criticisms being heard are that it is hard-hearted, monetarist, an axemen's assault on public expenditure and a giveaway to Tory business interests, which are unfortunately what it is not. [...] *The Economist* would have preferred a higher PSBR in 1980-81 through the remission of perhaps £2 billion a year more of tax reliefs to industry by a reduction in the surcharge on employers' national insurance contributions [...] This policy recommendation seems to come nearer to that which was recently urged by Professor Milton Friedman on the chancellor and the prime minister, but Chicago's call fell on deaf ears. [...] The assault on government spending is too lax rather than too stern. The planned medium-term road to economic health is meandering rather than orderly. (*The Economist* 29.3.80: 16)

In October 1979, *The Economist* clarified that "Sir Geoffrey should understand that those of us with these siren voices are not urging the government to add water to its pure milk monetarism" (*The Economist* 20.10.79: 16) and advised the treasury to allow monetarism to make an under 10% money growth in 1980 quite rigid through wage restraint. Throughout 1980, *The Economist* blames free collective bargaining for floundering wage restraint, both in the private and public sector. It remembers that many private industrialists fought for free collective bargaining when Mr Jim Callaghan tried to impose a 5% pay ceiling on them in late 1978 and concludes that since then, their wage settlements bear scant evidence of bargaining ability and that they have sadly had the bad example of a big-spending public sector (*The Economist* 15.11.80: 15). In "Britain is not winning its fight against inflation" (*The Economist* 26.4.80: 17), however, the traditional criticisms levelled against monetarism on a theoretical basis, also find their reverberations in *The Economist*, when refuting the monetarist 'theory of rational expectations'. The main criticism is that monetarism only accepts changes in money supply as the truly causal factor that affects prices but not output. Critics thereby challenge

the pre-Keynesian view that market economies are inherently stable in the absence of major unexpected fluctuations in the money supply:²⁷

(67) A year ago next week Mrs Thatcher's government was elected with the firm belief that strict monetary control would be the long-run cure for Britain's endemic inflation. With wage and price inflation both around 20%, confidence has subsided to the point where honest and unremarkable reservations by a treasury minister have been uproariously greeted as open revolt. All that poor Mr John Biffen admitted this week was that there is no God- or Friedman-given 18-month lag between a slowdown in money growth and a drop in inflation. Sir Geoffrey Howe said as much months ago in his argument on British television with Professor Milton Friedman. But there has, just the same, been a change for the gloomier in ministers' view of how its fight against inflation is going to work out. [...] The economic forecast at the other end of the little red budget book is an open admission that the monetary restraint will bear harshly on output, and only sluggishly on inflation, this year. [...] The government's other aim must be to unclog its chosen route to wage restraint. If wage settlements are to respond more quickly to a high exchange rate or a domestic squeeze, the labour market has to be made to work better, and quicker than Mr Prior's ponderous green papers on industrial relations promise. [...] The "bracing" exchange rate has already induced partial pneumonia: throwing the victim a blanket will not turn him into a softie. (*The Economist* 26.4.80: 17)

In November 1980, however, *The Economist* admits that the one success the government is having, a falling rate of inflation, "probably owes more to a strong pound and cowed trade unions than to Friedmanite economics" (*The Economist* 29.11.80). Political commentators harked back to the Heath Government's 'U-turn' and speculated that Mrs Thatcher would follow suit, but she repudiated this approach at the 1980 Conservative Party conference. In this respect, *The Economist* taps into the fears of the critics and voices similar concerns through the use of HEALTH, CONFLICT and MOBILITY metaphors. *The Economist* and *The Guardian* wonder if Mrs Thatcher can keep her present cabinet much longer (*The Economist* 29.11.80: 19) and tell us that each concession by Mrs Thatcher to the arguments of her 'wets' makes it harder for them to present a coherent alternative (*The Economist* 8.11.80: 20). Indeed, *The Economist* points out that in certain aspects Mrs Thatcher's cabinet is

²⁷ cf. *The Economist* (25.11.78: 83): "It is unfortunate for Mr Healey that the gilts market does not accept pure monetarism. If it did, its view of inflation would not be conditioned by union posturing this autumn, but why what happened to the money supply two years ago." This idea is backed up by Victor Keegan in *The Guardian* (18.5.81): "Professor Hayek, the Nobel prize-winning economist, is correct when he says that monetarism cannot succeed in this country in the long run without breaking the power of the unions." He further adds that "Mrs Thatcher has got the worst of all worlds; she has antagonised the unions while launching a monetarist experiment which needs the electoral liability of continuing recession to be successful."

anything but Thatcherite (and therefore, contradictory). Public-sector borrowing is high and rising, “as if Keynes were alive and well in Downing Street. Expenditure commitments to the police, the armed forces, and the agricultural lobbies have been handsomely honoured” (*The Economist* 8.11.80: 20). Peter Jenkins in *The Guardian* (26.11.80) compares Mrs Thatcher to Michael Foot: “[They] make an odd couple but they have one thing in common, apart from a Methodist upbringing – neither of them is in full command of her or his party”. It is striking, however, that *The Economist* uses far more salient HEALTH, CONFLICT and MOBILITY metaphors to describe the dismal state of government policy between the March 1980 budget and the March 1981 budget: an average of 14.2 (HEALTH); 22.3 (CONFLICT) and 12.7 (MOBILITY) clear instances per stretches of 5,000 words versus only 6.4 (HEALTH); 9.7 (CONFLICT) and 7.1 (MOBILITY) clear instances in *The Guardian* (including the ‘vague or ambiguous’ category, the ratio is 20.3; 26.5 and 18.2 versus 9.5; 19.3 and 9.3, respectively). *The Guardian* concludes that “if the government is to have any hope of reducing the jobless well below the three million mark by the time of the next election, it must reverse its economic policy” (1.12.80) and that “we must be at least approaching a turning point, or there would not be such a lot of disagreement on how far away it is. Ministers, certainly don’t agree” (*The Guardian* 20.12.80):

- (68) “A caseful of dubious medicines” [...] The Government’s four-year “Medium Term Financial Strategy” was founded on the monetarist “theory of rational expectations”. Unlike a bad old Keynesian deflation, the bright new monetarism was to reduce prices at a stroke simply because the mere announcement of monetary targets for four years would convince everyone that inflation would come down. Businesses would stop raising prices, and employees would ask for lower wage rises, so that monetary targets would rapidly curb inflation without greatly depressing output. It has not happened like that. [...] [I]t may be time to turn the theories of monetarists like Professor Walters on their head. Whatever “rational expectations” businesses and the employees may have had this year, they did not expect lower prices. Businesses foresaw lower demand, while employees, until this wage round, went on demanding wage rises in line with past inflation. (*The Guardian* 19.12.80)
- (69) Ministers twitch as industry enters a coma. (*The Economist* 28.6.80: 72)
- (70) “Which turn is non-U?” (*The Economist* 20.9.80: 12)
- (71) A battle is done within Mrs Thatcher’s cabinet – between the forces of dogma and heresy, and also of self-respect. (*The Economist* 20.9.80: 12)

- (72) The government's economic package is a mid-slump attempt to get spending; borrowing and money growth back on track, while bending to the recession. [...] The two fundamental planks of the economic strategy – control of public-sector borrowing and the money supply – have come adrift. [...] The one success the government is having, a falling rate of inflation, probably owes more to a strong pound and cowed trade unions than to Friedmanite economics. (*The Economist* 29.11.80)
- (73) The Tories "automatic pilot" was the four-year set of monetary targets announced this spring, supposed to take the lumbering British economy on a gradual descent towards price stability. Because monetary growth has, despite nearly a year of high interest rates, way overshot this first target by amounts which depend on how you reckon up the distortions caused by the bank "corset", one side of the argument is now saying that mad monetarism has been proved a failure, the other that all that is lacking is a system of monetary control that actually works. Neither seems to acknowledge what has really happened. No economic system – push-button or remote control – can stand the strain of contradictory policies. When the government increased the incomes of its employees by more than twice the upper limit it placed on the rise in national income by its 7-11% monetary target, it pulled the lever marked self-destruct. (*The Economist* 25.10.80: 13)
- (74) "Britain's two prime ministers" The failure to roll back the state. Her Majesty's loyal opposition in cabinet. [...] The first Mrs Thatcher is being beaten. This is why, in the battles of her crucial campaign to trim the public sector over the past year, she has often found herself forced on to the defensive and even into defeat. Hence the delay of a year in bringing some order into public-sector pay strategy. Hence the ultimate failure of her ambitions for reducing 1980-81 public spending. Hence her personal confusion this summer over nationalised industry finance. Hence her predicament between high interest rates and too-rapid monetary growth. Hence the continuing and wearing guerilla warfare over civil-service numbers. In none of these areas has there been doubt over the prime minister's personal wishes (nor, in our view, of her rightness). (*The Economist* 4.10.80: 12)
- (75) "The path to intervention marches through the free market" (*The Economist* 13.12.80: 49)
- (76) Sir Geoffrey Howe happens to be one of her few natural allies in her yet unsuccessful crusade. [...] [spending ministers] covering their political flanks by defending their budgets [...] purge the transgressions of its embattled policies. (*The Economist* 6.12.80: 17)

(77) [T]he fact is that government's pay policy (sorry, non-policy) is badly in need of support. [...] The army's green goddess fire engines were dusted down and troops began training. (*The Economist* 6.12.80: 57)

(78) Saved from a coal strike, Britain's Tories have under two weeks to reshape their economic strategy. [...] Now the government has openly capitulated to one of those trade union baronies it was pledged to disestablish, propping up loss-making jobs in public industry. (*The Economist* 28.2.81: 17)

Nevertheless, *The Economist* claims that the government's decision to bail out British Coal might have been justified so as to avoid industrial strife (*The Economist* 28.2.81: 17). It hopes that the public sector pay limit will stick:

(79) [...] Ministers are now trying to hold public-sector pay below the rate of inflation – within a limit of 6%. The water workers have gone over that dam but, if the wall holds against the civil servants and others, the decision to avoid a long and politically exhausting coal strike was the correct one. (*The Economist* 28.2.81: 17)

That Mrs Thatcher meant what she said was confirmed in the 1981 budget, when, despite concerns expressed in an open letter from 364 broadly Keynesian economists, taxes were increased in the middle of a recession in compensation for the previous bailout of public industries.²⁸ The public sector borrowing requirement (PSBR) was cut by £3.3 billion, mainly by raising the specific duties on alcohol, tobacco and petrol. The 1981 budget was a political disaster, because the supposedly tax-cutting chancellor, Sir Geoffrey Howe, raised the average family's tax bill from 26.8% of their earnings in 1980 to 28.9% in 1981. *The Guardian* (11.3.81) denounces the contractionary fiscal policy in the 1981 budget as "the budget of a Government enslaved by a false and destructive dogma", "a message of perverse destruction" and "a monument to a brand of neanderthal economies": raising VAT put nearly four points on the rate of inflation and the failure to make any increase at all in income tax allowances in line with inflation is a violation of the Rooker-Wise-Lawson Amendment. No wonder that that some critics related the Brixton riots to the much hated 1981 budget. *The Guardian* concludes that "the cost of his policy, even if it succeeds, will be to give the private sector a larger share of a substantially reduced national cake". Both *The Economist* and *The Guardian* remark that the government's Keynesianism may have been involuntary, but

²⁸ cf. "Mrs Thatcher bails out" (*The Economist* 28.2.81)

treasury ministers have been busily reminding everyone of the small print in the medium-term strategy which ‘permits’ higher public borrowing in time of recession:

(80) The see-saw swings of Government policy (*The Guardian* 11.4.81)

(81) On all these issues, the government has been stumbling on to wet ground. The wets were not particularly far away; or particularly united. (*The Economist* 21.2.81: 15)

The Economist deplores that the government, elected as tax-cutter, has thus imposed Britain’s biggest-ever tax increase and been unKeynesian enough to levy it at a time of slump. Furthermore, it mentions that the budget also envisages a public sector borrowing requirement of £10,5 billion, which does not sound very Conservative either. In this respect, *The Economist* voices fears of ‘crowding out’:

(82) Had announcement of all recent surrenders to the nationalised industries been delayed until budget day, and the tax increases explained as paying for them, the budget would have looked more nearly neutral in Keynesian terms – but also looked pretty socialist, which is what Mrs Thatcher’s policy now embarrassingly is. The result is that workers and managers in private enterprise have moved through much travail to a slimming miracle, and now have been hit by a wet sock. Private slimming and public fat. (*The Economist* 14.3.81: 13)

The Guardian (12.3.81) voices similar feelings of irony in “If it’s monetary sanity, it’s Keynesian” (11.4. 81) and reports that “disgruntled Conservative MP’s began calling for the ditching of Sir Geoffrey Howe”. The 1981 budget tarnished the Thatcher administration at the time when Ronald Reagan was inaugurated as the 40th President of the United States. *The Economist* thereby projects its fears concerning monetarism into the American ‘soulmate’ of Thatcherism. It recognises, however, the fact that industrial relations are better and that state industries less prevalent in the US:

(83) Mr Ronald Reagan, whom Mrs Thatcher was visiting this week, is embarked on the same rhetorical track: he aims to roll back the encroaching state, shift resources to private people and industry, stimulate competition between them, allow free markets to fix the prices of their work and its results, without interference and with the safeguard of firm monetary control. And his advisers are anxious to learn where the British experiment went awry. Mr Reagan does not suffer from monolithic state industries and unions. (*The Economist* 28.2.81: 17)

The Economist informs that animosity concerning the 1981 budget is not restricted to the Conservative Party only. Both newspapers encapsulate the whole 1981 budget in a discourse sprinkled with WAR metaphors:

- (84) Basically the Treasury lost the battle last November to get spending back on the course set out in earlier plans. The least damaging way of recouping the revenue to pay for these would have been to raise the standard rate of income tax. This is a fairer way of increasing tax revenue than not indexing for inflation. But Mrs Thatcher headed off any such plans [...]. (*The Guardian* 14.3.81)
- (85) The political cost of rebellion may close Tory ranks (*The Economist* 21.3.81: 17)
- (86) The budget mutiny that refuses to die [...] The Tory backbench mini-revolt on petrol tax (*The Economist* 11.4.81: 23)
- (87) The disagreement between the chancellor and his critics is not as complete as the round-robin from 364 broadly Keynesian economists (to be met by a monetarist counterblast?) would suggest. Most forecasts do still predict that what came down must go up – next year, anyway. (*The Economist* 4.4.81: 19)

Probably the most pessimistic of the major forecasters is the Economist Intelligence Unit, which services the St James's Group of which *The Economist* is a member. It is predicting a further fall in gdp between 1981 and 1982. In this respect, *The Guardian* (8.2.82) claims that there is a grave danger of the whole economy becoming "lakered": "In the New Wet Dictionary, Lakered means a courageous, but ill fated unilateral attempt to introduce free enterprise in a world dominated by Government intervention and high interest rates". The case is stated by an example of a company which increased its productivity by the impressive rate of 13% in a single year ("a good example, it seemed, of what a Thatcherised economy was capable of") but had achieved most of its increase in output per person through a 5% reduction in training and a 5% cut in design and development. Not the best proof of effective microeconomic reform through macroeconomic "destruction". Nevertheless, *The Economist* gives Thatcherism a second chance by launching the hopeful concept of "Second-stage Thatcherism". Government spending ministers get the blame for steering the economy off the course and Geoffrey Howe is advised to resist the demands of party Keynesians who would

merely offer a reflationary package. *The Economist* points out that Mr Heath's criticism is likely to stiffen Mrs Thatcher's resolve precisely because he has made it:²⁹

- (88) Second-stage Thatcherism should mean going back to Tory first principles of cutting inflation and taxes. [...] For the first two years of her government, Mrs Thatcher did appear amazingly determined to go down with all flags flying rather than alter course; though there were fearful lurches to buy off the miners or appease mortgage holders, the good ship MTFS [medium-term financial strategy] was wrenched back on course by a grim budget this year. But the Tory party in government, a stronger force than its prime minister and chancellor put together, was never prepared for a suicide trip. Until this summer the chancellor was able to half-convince at least half his cabinet that his course did lead to survival because it would (a) produce attractively low inflation; (b) with the help of North Sea [oil], it would allow room for large pre-election tax cuts; (c) although unemployment would remain high, the "natural" recovery in the economy would be visibly healthier and less inflationary than previous artificial pre-election booms. Now inflation is sticking in double figures; the room for tax cuts within the published strategy is disappearing; and Sir Geoffrey's colleagues are not pleased with an "end to recession" that merely means things stop getting worse. By clinging to the monetary plank of the Tories' economic strategy, the chancellor has allowed himself to be blown farther and farther from the two things he originally wanted to do. These two things were to control inflation, and to cut taxes (whose share of gdp has risen nearly 5% since the Tories took office. Mrs Thatcher continues to control her sullen cabinet only because they have no agreed alternative, merely a queue of money demands [...] Treasury ministers doggedly and rightly resist most of these colleagues' demands; they regard them as the slope towards public-spending-led reflation of the kind that has caused recurrent British economic crises for 20 years. (*The Economist* 8.8.81: 13)

The mood at the Conservative Party conference of 1981 is conveyed through the same array of WAR and MOBILITY metaphors in both newspapers. After the summer reshuffle, the minority of Thatcherite 'Dries' is supported by three new monetarist disciples in cabinet: Mr Norman Tebbit, Mr Nigel Lawson and Mr Cecil Parkinson:

²⁹ [Heath] recognised this in one of the rudest parts of his speech: "No one will ever convince the exponents of monetarism that it is now inadequate. The answer will always be that it has not been tried hard enough in the past". [...] This week a group of 12 younger and brighter Tory MP's, by no means all of them wets, issued a pamphlet of across-the-board policy under the title "Changing Gear" – about as polite a synonym for U-turn as they could manage. [...] They advocate a two-year Keynesian reflation package of £5 billion worth of public investment, with £2 billion off industry's costs by cutting the national insurance contribution. (*The Economist* 10.10.81: 29)

- (89) There has never been a Conservative conference like it. It is no new thing for any party, any leader, to arrive at the seaside half through a parliamentary term expecting that the going may be rough. But at Blackpool this week Mrs Thatcher's troubles may turn out to belong to an altogether new dimension. Never in recent experience has a leader been so publicly on trial and exposed: so openly doubted by many of her colleagues in Cabinet and outside: so repeatedly dive bombed by her immediate predecessor, so heavily rejected in every opinion poll. (*The Guardian* 12.10.81)
- (90) The party's conference in Blackpool this week [...] was alive with talk of revolt, of the "wet caucus", of the necessity for a change of course and of midnight visitations of elder statesmen to Number 10. (*The Economist* 17.10.81: 15)
- (91) Mrs Thatcher is the lone crusader against the party's "wet" tradition in government [...] (*The Economist* 17.10.81: 29)
- (92) "The wet appeasement begins" [...] Mrs Margaret Thatcher drew her battered wagons into a circle last Tuesday to face yet another siege of her economic policies by the wet majority in her cabinet. Her summer reshuffle had placed three more hired guns at her disposal – Mr Norman Tebitt, Mr Nigel Lawson and Mr Cecil Parkinson – and they fired away in her defence to the scorn of the wets. (*The Economist* 24.10.81: 29)

In "Something to smile about" (30.1.82: 13), *The Economist* in retrospect acknowledges the surprisingly positive effects of the much hated 1981 budget. The budget was a political disaster, because the supposedly tax-cutting chancellor, Sir Geoffrey Howe, raised the average family's tax bill from 26.8% of their earnings in 1980 to 28.9% in 1981. But a bad political budget was in retrospect a good economic one: "It saved the economy from capsizing. As consumers, the British had enjoyed a 3,5% rise in their real disposable incomes in 1979 and 1980; as producers, they had to cut their output by 3,5%". Therefore, *The Economist* argues, the relief that companies needed was not tax cuts in consumers' pockets, but the lower interest rates and cheaper pound that would put more money in their own. A tough budget did some of the trick. As a result, the 'deflation' said to be in that budget was followed immediately by recovery of a kind. Industrial output stopped falling in May, and went up 2,5% in the next six months (*The Economist* 30.1.82: 13). Therefore, *The Economist* argues, a deflationary fiscal policy is apt when an economic upturn is announced:

- (93) British industry's stagnation is not caused by too little demand. Its cure includes a lower pound, not protectionist tinkering. [...] By the Keynesian yardstick of those critics, demand

has been hammered by the government's deflationary fiscal policy. After all, the public sector borrowing requirement (PSBR) fell from 5.7% of gdp in 1980-81 to 3,5% in 1981-82, when it undershot the government's target by £1,8 billion. In the current year the PSBR looks like undershooting again, so some Keynesians still maintain that demand will continue to be hammered. On the contrary, demand is expanding faster now than it has done for three years. [...] too much of the extra demand has leaked abroad [because sterling is too strong] (*The Economist* 30.10.82: 15)

It should be noted that *The Economist* uses far more salient HEALTH, CONFLICT and MOBILITY metaphors to describe the uncertain state of government policy between the March 1981 budget and the March 1982 budget: an average of 14.3 (HEALTH); 25.3 (CONFLICT) and 12.3 (MOBILITY) clear instances per stretches of 5,000 words versus only 6.7 (HEALTH); 14.8 (CONFLICT) and 7.8 (MOBILITY) clear instances in *The Guardian* (including the 'vague or ambiguous' category, the ratio is 22.1; 30.4 and 19.7 versus 9.9; 23.2 and 9.6, respectively). The somewhat higher incidence of CONFLICT metaphors in both newspapers (compared to 22.3 versus 9.7, respectively) may be explained by the animosity that characterised the cabinet reshuffle of July 1981 which introduced the Thatcherite hardliners Tebbit, Lawson and Parkinson to replace Lord Soames, Gilmour and Carlisle. In keeping with "Second-stage Thatcherism" *The Economist* projects the logic of the WAR(SHIP) domain into the macro-economic landscape when Argentina invades the Falklands in April 1982. As Thatcher sends a naval task force to recapture the Islands, she is advised to be firm with both trade unions and 'wets' in her cabinet. Between April and June 1982, WAR metaphors amount to 28.4 clear instances per stretches of 5,000 words in *The Economist* (pro union reform and anti-'wet') versus 16.2 in *The Guardian* (only anti-union). Including the unclear instances, the ratio is 31.2 versus 25.6, respectively:

- (94) When the dust of the Thatcher government has settled, history will give a prominent place to its effect on the theory and practice of the British Civil Service. That institution has long feared an attack on its citadels from a left-wing, ideologically minded government. So far at least Labour governments, whatever they may have said in opposition, have gone out of the way to preserve the fictions on which it operates: namely that civil servants merely propose, while ministers dispose. The attack when it came was from a radical government of the right. [...] Now, in a way that animals usually do when attacked, the Civil Service is defending in the time honoured way of workers who feel themselves under unreasonable threat, collective action. (*The Guardian* 15.5.82)

- (95) “The war on the home front” The conflict in the Falklands has deflected attention from the rumblings of war in the Thatcher government’s own backyard. The public-sector unions in the health service and the town halls are flexing their muscles. The more militant are spoiling for the sort of fight which brought down Mr James Callaghan’s Labour government in the 1978-79 winter of discontent. [...] Guerilla action is already under way. (*The Economist* 29.5.82: 31)
- (96) If Mrs Thatcher has not disposed her election-winning task-force by now, it will not be improved by flying further signals ordering half-changes along the battle line. To remove the chancellor of the exchequer from the fleet at this juncture would be madness [...] Mr William Whitelaw remains a battered but indispensable cruiser. Each of the auxiliary vessels, however leaky, has its place. (*The Economist* 7.8.82: 11)

In “The Economy before the budget. Four years later, still stuck in the slow lane”, *The Economist* concludes that “neither the prime minister nor her chancellor of the exchequer can claim that their policies have succeeded” (*The Economist* 26.2.83: 53). However, in “Dogged does it” (*The Economist* 19.3.83: 11), Sir Geoffrey Howe deserves “one main hurrah for the last three of his four years’ stewardship of Britain’s exchequer”. He has brought inflation down to 5%, from the 1980 peak of 22% which “he half-inherited from Mr Denis Healey and the Ayatollah Khomeini, but also half-created by the Clegg and tax-switching mistakes (i.e. VAT rise) of his own first year in power”. If inflation had continued to accelerate, it would have ended in a crash. Sir Geoffrey has averted the crash by being a stern fiscal taskmaster but a rather loose monetarist one: a 7-11% annual increase in money supply to be permitted even now, but a budget deficit doggedly halved right through the recession, from 5,5% of Britain’s gross domestic product in 1978-79 to an intended 2,75% in the new fiscal year. Over broadly the same period the United States, while following a stricter monetary policy to reduce its inflation below 5%, has increased its budget deficit from 0,5% of gdp in 1978-79 to 6% now: “Keynesians would say that America’s fiscal policy of adding 5,5% to demand during recession has been more orthodox than Sir Geoffrey’s one of taking 2,75% away from it while unemployment soared, but Keynesianism is now a language talked by computer models rather than those in daily touch with events”.³⁰ The macro-economic concerns that

³⁰ In this respect, *The Economist* mentions that reasons for calling Ronald Reagan a “New Deal conservative” lie in an analysis of the budget cuts. These have fallen all on the Great Society programmes of the Johnson years, 1964-69: “[...] Roosevelt’s New Deal bequests have largely escaped Mr Reagans knife. This [...] may be no accident: the rationale behind the New Deal activism – which took place at a time of great economic distress – was social insurance, which can quite readily be squared with the traditional American view of rugged

The Economist has been projecting into the UK situation (auto-image) are similar to those related to the French and US economy (hetero-image). In “Recovery game” (23.4.83: 13), *The Economist* claims that several things stand in the way of a long recovery. Real rates of interest are too high, particularly in the United States, “choking any temptation for business to invest. One consequence is that the dollar is too strong, which turns Americans protectionist to keep out cheap imports”:

- (97) [...] If several of the world’s leaders at Williamsburg did say they were going to follow Mr Mitterrand’s erstwhile policies, and also that they were going to reflate according to some Keynesian computer model, the effect on confidence would be as strengthening as King Herod’s appointment to the board of Mothercare. Expectations of inflation and therefore interest rates would go through the roof.³¹

Similar views concerning the US economy and Reaganomics are expressed in *The Guardian* (22.6.82):

- (98) For most people it might simply look like a more expensive holiday in the US, or perhaps a cheaper one in France. In fact, the surge in the dollar, fuelled by the failure of US interest rates to fall, has created what is almost certainly the most dangerous period in international finance since the collapse of Herstatt [...].

In “Pre-election economics”, *The Economist* informs that between last November 2nd 1982 and March 28th 1983, sterling fell by 15,5% in trade-weighted terms. Since then it has risen by 8%. The fall, welcome though it was to businesses squeezed by foreign competitors, had

individualism that Mr Reagan holds so strongly. Behind the Great Society, however, was quite a different rationale: social engineering to help the poor in a time of prosperity. [B]oth in conception and in effect (the cycle of dependence), the Great Society programmes conflict with Mr Reagan’s political philosophy.” (*The Economist* 26.3.83: 40)

³¹ Political analysts agree that François Mitterrand made his “U-turn” in March 1983, abandoning Keynesian demand management (and hence, reflation) and moving the socialist party rightward. In this respect, Popkin (2005: 315) writes: “In the face of a worldwide economic recession that was just reaching its lowest point, the Socialists’ ambitious economic program soon ran into difficulties. France’s main economic partners had all taken an opposing course, cutting government expenditures. As a result, the effect of French policy was to unleash rapid inflation without producing any upsurge in production or employment. By June 1982, Mitterrand and Mauroy had to change direction. They imposed a freeze on wages and prices, promised not to raise taxes any further, and cut the public budget. This first round of measures proved insufficient, and, in March 1983, the Socialist government reached a turning point. France either had to try to buffer itself from the wider world economy by leaving the European Monetary System set up in 1979 – and potentially breaking up the European Economic Community – or it had to adopt a full-scale program of economic austerity. This meant abandoning the effort to save uncompetitive industries, and adapting to the rules of a world economy in which the uncompromising free-enterprise policies of “Reaganomics” were dominant.”

nothing to do with sterling being overvalued or with excessive monetary growth. It had everything to do with weakening prospects for oil prices. Sterling's recovery came because of oil's prospects were firming:

- (99) Once the exchange rate had fallen, the competitive pain eased. At that point forecasters and pollsters took the economy's temperature and pronounced it on the mend. (*The Economist* 30.4.83: 8)

In the run-up to the General Election, *The Economist* evaluates the first Thatcher Years in "Judging the Thatcher revolution" (*The Economist* 14.5.83: 11). It offers a variety of (mostly) HEALTH metaphors and by doing so *The Economist* encapsulates contentious monetarism in terms of medicare. We are reminded of the 1979 prediction: "Mrs Thatcher is known to regard her mandate not just as a five-year one, but as a nasty-medicine-before-cure one" (*The Economist* 13.10.79: 18):

- (100) Mrs Thatcher's technique in power has only been spasmodically the monetarist and exhortatory one that she preached in opposition. Her unusual method – the one that makes her different from other politicians – is to maximise disasters that other prime ministers would have tried to reduce. Mrs Thatcher has spoken about pain, but then marched on, when her wetter colleagues let her, to induce it. When affliction hit the country without her help – as it did when the pound became a \$2,40 petrocurrency – she allowed the pain to hit home. Where her predecessors, particularly Sir Harold Wilson, would have been scrabbling to alleviate it Margaret Thatcher stood by, apparently content to let pain help her work of purging Britain. Those are not things that peacetime politicians keen to be re-elected are supposed to do. The purge was a rate of unemployment which is now being exceeded or approached in all of Europe's other economies – but is none the happier for that. The faint sign of health is an inflation rate lower than it has been since 1968. [...] The choice for Britain is whether to go on taking the medicine in the hope that recovery will eventually remove the pain. It is a choice that is confused or clarified – according to taste – by a Labour opposition whose deep ills have, along with Britain's also been exposed by Thatcherism.³² (*The Economist* 14.5.83: 11)

³² We find a salient MOBILITY metaphor in the following excerpt: "Monetarism and unemployment have helped the rise in British productivity to its long-belated start, but the race will finish elsewhere [...] a relentless pursuit of efficiency, plant by plant, through output-related wage systems. Let a thousand bonuses bloom." (*The Economist* 4.7.81: 14) Clearly, as far as *The Economist* is concerned, "purgative" monetarism has its advantages as well.

The Guardian remains sceptical of Thatcherism as it suggests that the fall in inflation has everything to do with rising unemployment as a side-effect of monetarist “overkill”:

- (101) The government’s chosen path is to make unemployment so high that unions are scared of asking for more lest they lose their jobs. That hasn’t worked. We have lost the jobs (at enormous social cost) yet earnings (at over 8 per cent a year) are still amazingly high at a time when the national cake has been contracting. (*The Guardian* 21.2.83)

In “Who’s least bad for growth?” (14.5.83: 13) *The Economist* repeats that without oil, sterling “would have tumbled in the face of that late-Healey-and-early-Howe inflationary madness”. The petropound’s rise squeezed profits and liquidity. Companies cut back on everything – stocks, investment, payrolls – simply to survive. This hastened the decline of inflation, but at a cost in output and jobs “which was more abrupt than Britain would have paid had the North Sea just been full of herrings”.

- (102) Pressures from the petropound forced the pace of industrial change in Britain from a gentle stroll to a frantic sprint. For more than 30 years Britain had been strolling while other industrial countries jogged. (*The Economist* 14.5.83: 13)

Thus, according to *The Economist*, the need was continuously to move capital and labour into higher-productivity activities. Successive British governments are said to have delayed this movement. Therefore a Labour government is not an option: “The opposition parties, Labour and the Liberal-Social Democrat alliance [...] propose the same macroeconomic measures that took Britain to 20%-plus inflation and its productivity achievement to the bottom of the league” (*The Economist* 14.5.83: 13). The alliance wants to increase public borrowing and fix sterling at some unspecified rate inside the European Monetary System. The Labour party wants to borrow even more, by perhaps 20% from its present level. Furthermore, Labour would also introduce protectionism, which *The Economist* rejects (see 2.3):

- (103) The alliance says it would cool the resulting inflation by an incomes policy, and Labour says it would cool it by strict price controls and some metaphysical agreement with the trade unions on wages.³³ [...] [The Labour] party and the alliance are proposing in 1983 the politics that [Callaghan] rightly said seven years ago were an option no longer. And in the meantime

³³ When it comes to defence policy, however, *The Economist* (21.5.83: 15) sides with the Social Democratic-Liberal alliance: “The alliance would not buy Trident, but neither would it abandon nuclear weapons”

President Mitterrand's France has travelled up and down the same road.³⁴ (*The Economist* 14.5.83: 13)

Therefore, *The Economist* speaks out in favour of a return of the Thatcher government, and predicts that this cabinet will be more 'dry' (i.e. monetarist) since Keynesianism has become history:

(104) [F]or the first three years of the government, victory was going to higher spending – the 'wet ascendancy' – yet with the prime minister unable or unwilling to take public credit for such closet Keynesianism in recession. (*The Economist* 21.5.83: 31)

(105) As to who should win the election, we have no doubt: we favour a return of Mrs Thatcher to Downing Street. That may bring illiberalism on some home-office matters which we shall regret. But Britain is in mid-course towards at last tackling economic ills that have undermined its domestic wealth, its social cohesion, not to mention [...] its effectiveness abroad. (*The Economist* 4.6.83: 12)

In the run-up to the General Election, *The Guardian*, on the other hand, evaluates monetarism after four budgets and concludes that the idea that a check on money growth might have some nasty reverberations was outrageously ignored: "Far from there being a slump the guru [i.e. Milton Friedman] said, there would merely be a temporary retardation of economic growth". *The Guardian* emphasises that after four years we now know that the British economy shrank during the monetarist cure in 1980 and 1981 while the rest of the world merely grew more slowly (*The Guardian* 10.3.83). Moreover, in "Fascism is busting out all over" (15.3.83), *The Guardian* criticises Mr Healey, Mr Kinnock and Mr Benn ("an unlikely alliance in Labour politics") for accusing Margaret Thatcher of practicing fascism. While recognising the fact that Mrs Thatcher is a social conservative who has moved the Conservative Party rightward, *The Guardian* (15.3.83) states that Mrs Thatcher "as the far too dominant leader of what [...] is still an undeservedly dominating government" should not be compared to Hitler, Mussolini, or Franco. *The Guardian* concludes that "given the extraordinary record of industrial destruction and individual hardship that four years of Conservative Government

³⁴ James Callaghan told the disbelieving delegates at the 1976 Labour Party Conference: "We used to think that we could just spend our way out of a recession, and increase employment, by cutting taxes and boosting government spending. I tell you in all candour that that option no longer exists, it worked by injecting inflation into the economy. And each time that happened, the average level of unemployment has risen. Higher inflation, followed by higher unemployment. That is the history of the last 20 years." Quoted in *The Economist* (14.5.83: 13) and mentioned Pugh (1993: 143). François Mitterrand made his contentious U-turn in March 1983, abandoning Keynesian demand management and, hence, reflation.

have left behind, Labour should be in no need of that kind of fanciful embroidery”. *The Guardian* warns that “to persist in it could even create the impression that the facts about this Government’s record are somehow less damning than in fact they are”.

By contrast and in line with Friedmanite monetarism, *The Economist* in “Now, govern” (*The Economist* 11.6.83: 13-14) looks forward to the realities of competition, privatisation and deregulation. In “The post-election economy” (*The Economist* 11.6.83: 26) it reiterates the benefits of a lower pound with a view to increasing profit margins, exports and output. Only then will gdp growth meet the treasury’s 2% forecast.

- (106) If Britain’s unemployment is to fall, Britain’s job-providers will need to pay a lower real level of average wages [...] it means attacking pay levels that are too high for what is actually produced, and widening the gap between payment for work and benefits that are paid for doing nothing. [...] The essence of the axewoman’s attempt should be to allow competition with everything in Britain’s public sector. The primary aim of privatisation should be to strike at the heart of the public-sector unions’ power. [...] The Thatcher challenge to those working in Britain’s government and its state industries should not, this time, be confined to cash limits [...] bear the strikes that result. The second Thatcher government needs to axe the whole thicket of rules and allowances [...]. (*The Economist* 11.6.83: 13-14)
- (107) If depreciation [of the pound] cannot restore Britain’s competitiveness, all that is left is a squeeze on domestic costs and rapid productivity growth. That path to virtue will take the life of this parliament – and will hardly be popular. (*The Economist* 11.6.83: 26)

In “A result to wonder at and puzzle over”, the editor of *The Guardian* admits that it is a remarkable victory, indeed, with more than three million unemployed and rising, therefore ending on a humble note with a more downbeat message:

- (108) Mrs Thatcher, who two years ago was the most unpopular British Prime Minister of modern times, has broken the mould of recession-stricken Western politics. Mr Ronald Regan, hearing the first trends on American television last night, must have been nodding in anticipation. And yet, as we observed as the campaign first began, Mrs Thatcher is only half the story. The other half, manifest at count after count this morning, was the fracturing of votes of the left. “The renegades of the SDP”, said Mr Denis Healey bitterly last night. [...] An election, in such appalling economic circumstances, where the party of the workers - employed and unemployed - falls back even in the blighted north is an election to ponder and tremble over. [...] Mrs Thatcher is back, but the extremities of the landslide seem denied to her - and her share of the popular vote would, in normal circumstances, be very little to shout about. There

is a warning there as well as a triumph. The question for the next five years for her parties of opposition is who can respond to that warning. Labour has the seats and the electoral system on its side; but the shifts of the voting, as they finally unroll and pass into the computers this morning, indicate that volatility lives. There are no final certitudes for Labour or the Alliance this general election. Only challenges. (*The Guardian* 10.6.83)

2.2.2 *Cash limits, Minimum Lending Rate and “the corset” on bank lending*

As soon as Margaret Thatcher entered Downing Street 10, *The Economist* assumed its love-hate relationship with monetarism, which is repeatedly regarded as a necessary cure not less painful than the condition remedied: restrictive money supply through dangerously high interest rates. *The Guardian*'s financial experts (Harford Thomas, Victor Keegan, Frances Cairncross, Hamish McRae) remain altogether critical of monetarism, deconstructing it at theoretical level. At metaphorical level, money supply is cast in terms of obesity that needs corsetting and braces. Both newspapers regard the “corset” on bank lending as ineffective in view of the many loopholes (“bursts”). If there is no pay policy to restrain the swelling, then corsetting is the second alternative; it is hardly an effective one since “bulges” appear everywhere (i.e. deposits other than sterling M3):

- (109) Monetarism is the wrong medicine. When treatment is ineffective it's time to analyse the diagnosis. (*The Guardian* 6.2.80)
- (110) Can British industry take the Tory medicine? (*The Economist* 28.7.79: 82)
- (111) Mrs Thatcher is known to regard her mandate not just as a five-year one, but as a nasty-medicine-before-cure one. (*The Economist* 13.10.79: 18)
- (112) “British industry at risk” A high pound, high interest rates and restraint of public spending are squeezing Britain's private industry. And how. (*The Economist* 28.7.79: 80)
- (113) Minimum lending rate has remained at 14% since the budget, and the “corset” on bank lending is being held tight. (*The Economist* 28.7.79: 80)
- (114) The Tories came to office just as industry was already beginning to scream with pain of a rising pound, and post-election market belief in monetarist government took it even higher. (*The Economist* 27.10.79: 70).

(115) The authorities use the “corset” in order not to have to discover the ghastly truth. The “corset” on bank lending (strictly speaking on interest-bearing deposits, to stop banks bidding for funds) acts as a belt for monetary policy insufficiently supported by interest-rate braces. Recently, it has been pinching tight, but the bulges have been appearing elsewhere, notably via acceptance credit. (*The Economist* 8.9.79: 75)

(116) Fixed-throttle monetarists (*The Economist* 3.5.80: 17)

The Guardian (21.7.79) admits that “to cut MLR at a time when bank lending is still rampaging ahead is to abandon hope of reaching this year’s monetary targets”. Frances Cairncross therefore suspects that “exchange rate targets are going to take over from monetary targets as the fashionable doctrine of the early 1980s”, but warns that “it is a bad thing to change the rules halfway through the game” (*The Guardian* 21.7.79). For a monetarist chancellor, a cut in minimum lending rate (MLR reduced 2 per cent, 16 to 14 per cent in November 1980) stands revealed as “a capitulation to industry” (*The Economist* 13.12.80: 49).

In the United States, president Jimmy Carter is blamed for soaring inflation, high interest rates, and stagnant economy.³⁵ In this regard, *The Economist* judges the Democratic primaries of 1979 with the same macro-economic concern:

(117) The recession to bring in [Ted] Kennedy? [...] Mr Paul Volcker, the new chairman of the Federal Reserve Board, has rushed to fill the vacuum with some old-style monetarism [...] There are those in the White House who worry that Mr Volcker’s monetary medicine could push the United States from a recession into a slump [...]. (*The Economist* 15.9.79: 37)

Moreover, *The Economist* and *The Guardian* detect loopholes in the imposed restrictions on bank lending and in the way money supply is measured in the UK: “[...] the official measure of the money supply (Sterling M3) is still not reflecting the underlying growth in money and credit because it excludes some forms of deposits which are regarded by everyone as money except the compilers of Sterling M3” (*The Guardian* 12.12.79):

(118) In theory monetarism is very simple – by controlling the quantity of money in the economy there will be no surplus funds around to push up wages and prices. In practice it comes up

³⁵ The Federal Reserve has the power to govern the nation’s money supply by setting its discount rate. The Fed is independent of the White House and of Congress. This means that if the President wants a burst of growth in order to win the next election, but the chairman of the Fed wants to curb inflation by holding down growth, the Fed wins the argument and the President loses the election. This is what happened to Jimmy Carter in 1980.

against the twin problems of defining what “money” is and then working out a viable system for controlling it. (*The Guardian* 25.2.80)

- (119) The Bank of England should cease trying to control sterling M3, or domestic credit expansion, and switch its attention to controlling the monetary base. (*The Economist* 8.9.79: 75)

In addition, *The Economist* claims that the Bank can hardly be blamed for becoming tough. Buoyant bank lending has been chiefly responsible for pushing money supply growth above the 11% target ceiling on sterling M3. The clearing banks have been busily financing their personal clients’ consumer spending, as well as advancing money to their more deserving industrial clientele:

- (120) The extent to which they have side-stepped the corset, for example by using acceptance credits, which do not come within the official definition of interest-bearing eligible liabilities, has become a bad joke in the City. The ultimate loser is British industry, since minimum lending rate, raised to 14% in the budget, has been kept up [...] [T]he PSBR adds to the money supply to the extent that it is not financed by debt sales to the non-bank public. Gilt sales petered out, just as it became clear more were needed to restrain monetary growth: because bank lending kept rising fast, and evading the corset by bursting out in acceptance credit. And once exchange controls were gone, another hole in the corset gaped: lending by offshore banks able to attract sterling deposits out of Britain. (*The Economist* 17.11.79: 77)³⁶

- (121) Alone in the spotlight, sterling M3 is a lousy performer. It needs to be joined by others – M1, nominal gdp, PSL2 (the measure of private-sector liquidity that includes building societies) – so that none has a starring role. So long as the thrust of policy is anti-inflationary, this pragmatic monetarism could calm the markets’ interest-rate fears. (*The Economist* 30.1.82: 14)

In this respect, *The Guardian*, which rejects monetarism at the theoretical level, reiterates the warnings of John Pardo, the former liberal spokesman on economic affairs, when he stated that monetarism only accepts changes in money supply as the truly causal factor that affects prices but not output (*The Guardian* 28.5.79). He thereby challenged the pre-Keynesian view that market economies are inherently stable in the absence of major unexpected fluctuations in the money supply:³⁷

³⁶ *The Guardian* (10.11.79) reports that the most striking changes of abolishing exchange controls are “first, the end of controls means that the authorities may lose some of the information which made monetary control easier. Second, and more important, it will have effects which are difficult to predict on the loose linkages which are one of the problems of monetary control.”

³⁷ cf. “The muddled mathematics of monetarism” (*The Guardian* 22.4.80)

- (122) The question one has to ask here is, how pure is the monetarism of the Tories? For if they are indeed pure in their belief, neither the earnings, outcome, good, bad or indifferent, nor the interest rate decisions of some foreign country should influence their policy. British interest rates should be determined by the behaviour of British monetary aggregates and nothing else. [...] The Governor [of the Bank of England] in particular is expected to talk about the practical difficulties of judging what is happening to the underlying performance of money supply from the often contradictory data that it receives. (*The Guardian* 18.10.79)
- (123) This raises the crucial argument between monetarists and non-monetarists: does a change in the money supply bring a change in wages or does an increase in or decrease in wages bring about a change in the money supply. [...] Successive Labour and Conservative governments have claimed that they are controlling the money **supply** of money when they are really trying to control the demand for it. Mrs Thatcher [...] often says that she will not print more pound notes to finance inflationary wage demands when she really means that she **will**. This is because bank notes are, in economists' jargon "demand related". (*The Guardian* 14.1.80)
- (124) The technique of monetarism, which rightly makes the control of inflation its central priority, claims to control price rises by limiting the supply of money. This is, at best, unlikely. One does not have to accept the extreme Keynesian description of the money supply as unmeasurable, uncontrollable and irrelevant to appreciate the theoretical difficulties of the doctrine. In practice, Mrs Thatcher's monetarist strategy is now riddled with contradictions. (*The Guardian* 26.2.80)

Monetarism stipulates that wage rates in the private sector should be fixed by market forces alone (i.e. no pay policy); monetary policy should be left to control inflation. In the public sector, cash limits are supposed to rigidly fix the resources available for the annual pay round. As discussed in 2.2.1, both *The Guardian* and *The Economist* agree that monetarism with its insistence on free collective wage bargaining is not enough to ensure a sound economy:

- (125) "And now wage-push" [...] Britain's inflation is still bad, still getting worse - and still pushed by excessive wage rises. The new government will not be able to handle it by shut-eyed monetarism. (*The Economist* 5.5.79: 87)
- (126) No doubt a Tory government will treat comparability studies for public-sector workers more sceptically, if it does not disband the Clegg commission altogether; but it has already promised

big pay rises to the police and armed forces. To fit agreed public-sector pay rises – let alone those in the pipeline – within existing cash limits will mean economies right across the public sector. (*The Economist* 12.5.79: 84)

An impressive array of MOBILITY and HEALTH metaphors speak in favour of firm action to resist excessive wage demands which would turn the whole monetarist experiment inoperative. If firms cannot get the money they need for higher wages from a sluggish market or from their banks, they will trim their profits, then their workforce and investment plans. Ultimately they will go bankrupt, unless dole-queue fears and the willingness of the unemployed to work for lower wages have already reduced wage demands³⁸:

(127) Average earnings rose by 14,2% in the 1977-78 wage round, productivity by only 3,2%. The current round, the tail end of which the new government must deal with, looks like delivering roughly similar increases. And further fat increases have already been promised to public service workers. (*The Economist* 5.5.79: 87)

(128) “Right road from recession” [...] British companies in 1980-81 will face their most horrid cash-flow deficits yet. The government’s short-term strategy is therefore slithering into familiar autumn disarray. Mrs Thatcher’s team can now snatch industrial regeneration out of its mess only by acting boldly to hold down wages and to increase profits. Not easy, but it would not involve any U-turns. It means marching forward by the right. (*The Economist* 20.10.79: 15)

The Economist warns that monetary restraint on its own cannot steer Britain to a healthier future as ‘free collective bargaining’ during the Winter of Discontent became synonymous with union blackmail. It is backed up by the findings of Professor Brown, who analysed historical evidence and concluded that monetary restraint in times of cost-push inflation did not prevent employers from resisting exorbitant wage claims:

(129) The knock-on effect from [pay] settlements [in public and private sector] is likely to be spectacular in the new climate, which is not one of free collective bargaining but of oligopolistic union blackmail. Worse, the government has let slip that it regards the predicted increase in the retail price index in the year to this autumn as the ceiling for early wage increases in some nationalised industries. In consequence, every trade union leader is going to regard 17,5% as his minimum. (*The Economist* 20.10.79: 15)

³⁸ cf. *The Economist* (5.5.79: 88)

Therefore, *The Economist* claims that the gradual deceleration of monetary growth needs to be matched by measures to reduce cost-push. That is a case for incomes policy.³⁹ *The Economist* is aware of the fact that that too will bring risks:

- (130) One of the least desirable consequences of U-turns on incomes policy is that the sweeteners offered to the trade unions to accept wage controls are retained when the controls are abandoned. Almost invariably they are sweeteners which clog up the arteries of the labour market – subsidies to firms paying too- high wages, legislation to entrench restrictive practices – so that “free collective bargaining” is even less subject to market discipline than it had been before. (*The Economist* 5.5.79: 88)

The Guardian (14.11.79) deplores the fact that instead of an incomes policy there will be control of the money supply, instead of pay norms there will be targets for money growth and; in the public sector, cash limits: “If these are exceeded by the pay bargainers then programmes will have to be cut yet more and the consequences visited upon the consuming public”. Moreover, *The Guardian* (24.3.80) claims that “the result of the argument between monetarists and Keynesians, about whether a high exchange rate would have a powerful effect in bringing down the rise in money earnings, can be summarised quite briefly. They said that it would. We said it wouldn’t. It didn’t”. The case for incomes policy is further elaborated by Victor Keegan in *The Guardian* (18.5.81): “Professor Hayek, the Nobel prize-winning economist, is correct when he says that monetarism cannot succeed in this country in the long run without breaking the power of the unions.” He further adds that “Mrs Thatcher has got the worst of all worlds; she has antagonised the unions while launching a monetarist experiment which needs the electoral liability of continuing recession to be successful.” In this respect, *The Economist* sees only one solution: trade union reform (*The Economist* 5.5.79: 88): “Mr Prior has in the past hinted at a positive means of injecting reality into pay bargaining. He should not forget it, nor be put off by those Tories who believe the monetary axe is all the guidance needed” (*The Economist* 12.5.79: 84). In addition, *The Economist*

³⁹ In this respect, *The Economist* argues that a strong pound is not enough to resist excessive wage claims, as the believers in free collective bargaining proclaim: “[...] having bought the idea that strong sterling is good for you, reflects well on government and helps to avoid the need for incomes policy [...]” (*The Economist* 27.10.79: 70).

⁴⁰ cf. *The Economist* (28.7.79: 81): “The justification offered for the government’s monetary squeeze is that it is a necessary purgative to curb inflation, and clear the way for a revitalised private industry to create growth once the medicine has penetrated and interest rates can come down.”

espouses supply-side economics in order to reverse the UK's economic decline. Clearly, as far as *The Economist* is concerned, “purgative” monetarism⁴⁰ has its advantages as well: a relentless pursuit of efficiency, plant by plant, through output-related wage systems (see 2.4):

(131) Monetarism and unemployment have helped the rise in British productivity to its long-belated start, but the race will finish elsewhere. (*The Economist* 4.7.81: 14)

(132) British disease [...] soggy management, Luddite trade unions [seems to be responding to treatment after three years of Thatcherism and] now provides less of a reason why British goods still lag behind foreign competition, [...] price has surely got more than ever to do with it. [...] raising barriers to imports would destroy the logic of its whole programme. It would revive that worst of all British traits, the delusion of painless remedies. And what delusion, because protectionism raises prices; cuts real incomes; harms job prospects of those who are not protected or who depend on export markets; delays industrial change; and threatens to push the whole world into a slump that would turn today's British jobless total of 3.1m into a fond memory. Better by far to cut interest rates and let sterling slide. (*The Economist* 30.10.82: 15)

In the pre-election budget of 1983, *The Economist* uses an interesting HEALTH metaphor to urge the government to cut interest rates and let Petropound slide rather than indulging in monetarist overkill:⁴¹

(133) In the past few months, the government has treated sterling's slide as evidence of too lax a monetary policy and hence as a reason for raising interest rates by two percentage points. Actually the pound has fallen because oil prices have fallen. Britain has not got used to its pound being a petrocurrency. Like a Victorian doctor bleeding a feverish patient, the wrong diagnosis leads to positively harmful treatment. (*The Economist* 26.2.83: 15)

We can conclude that both *The Guardian* and *The Economist* recognise the negative side-effects of rigid (but ineffective) monetarist control of the money supply through high interest rates, as illustrated by its use of metaphors.

⁴¹ cf. *The Guardian* (19.3.80): “Industry needs the assurance of demand for its products which only the Government can provide in recession. It needs some relief from the petro-pound through devaluation.”

2.2.3 *Income tax, VAT and the Public Sector Borrowing Requirement*

In the run-up to the first budget (June 1979), *The Economist* acknowledges the fact that the Tories are going to have to choose between income-tax-cuts and an assault on the public sector borrowing requirement. PSBR occurs when expenditures for the government activities in the public sector of the economy exceed the income. The resulting deficit is then financed by borrowing funds from the public, usually by the means of government gilts. In line with supply-side economics, *The Economist* claims that the government should choose for cuts in income-tax: “Britain’s absurdly high marginal tax rates are now, at least for the next five years, mercifully in the past” (*The Economist* 16.6.79: 11).⁴² However, the shift from direct to indirect taxation (VAT) also adds to the inflation rate:

- (134) The promise to switch from direct to indirect taxation sounded good on the hustings, but it will make the retail price index look dreadful. With inflation already rising, higher Vat and excise duties could push the RPI’s annual increase uncomfortably close to 15% before the next wage round begins. (*The Economist* 26.5.79: 86)

Both newspapers recognise that cutting the PSBR to under £7 billion would only make things worse when the economy is slowing down. Thus, it seems that a moderate form of Keynesian demand management through government spending is regarded as a welcome stabiliser when recession is setting in. *The Guardian* (5.2.80) states that “while it may well be true that it is no longer possible for a government to spend its way out of a recession, it may still be possible for a government to cut its way more deeply into one”. Nevertheless, *The Economist*, always fearful of crowding out, suggests that “Sir Geoffrey can trim PSBR without squeezing the economy by flogging off small pieces of the nationalised industry jigsaw” (*The Economist*

⁴² In this respect, *The Economist* supported Sir Geoffrey’s first budget in June 1979, notably for its cuts in income tax. VAT, however was raised sharply to 15%, with a resultant actual short-term rise in inflation. “Sir Geoffrey Howe’s budget is a brave attempt, at the foot of Everest’s north face, to spit into an economic blizzard. It is important for those of us who believe that Britain has long needed the sort of keep-what-you-earn reform he is introducing that should still be stuck there with his pick-axe when the snow clears” (*The Economist* 16.6.79: 12); “Big risks, small mistakes. The first Tory budget takes risks with an already unhealthy economy – but they may prove justified [...] the specifically Tory part of the budget is the switch from public to private consumption, cutting public spending to finance large cuts in income tax. Thus, say their defenders, the criticism that the Tories are fuelling the fires of wage inflation is unfair: the switch from public to personal consumption should ease, not exacerbate, the climate for wage bargaining.” (*The Economist* 16.6.79: 63)

12.5.79: 84), as illustrated by the headline “Sell Whitehall and sleep easy with the PSBR” (*The Economist* 21.7.79: 99):

- (135) The Tories should shift the battleground – metaphorically and physically – to Whitehall. [...] [S]ince the Tories are politically committed to a shift from the public sector to the private one, this second-best financial policy could easily be dressed up with symbolic political appeal. It would be sad if the Tories were otherwise pushed into needlessly restrictive economic policies in the name of monetarism only half understood. (*The Economist* 21.7.79: 100)

The modern way for governments to print money is to borrow directly from the banking system to finance the PSBR. The chief method of controlling the money supply – and so, in monetarist theory, of controlling inflation – is for the government to finance the PSBR by selling public sector assets such as gilt-edged stock or government-held shares in BP, to the non-bank private sector (in practice, the insurance companies and pension funds). The reason successive Labour and Conservative governments had difficulty in funding the PSBR is that they have energetically sold fixed-interest public-sector assets that no one wants because they fail to match the investment institutions’ liabilities. Pension liabilities accelerate in line with wage inflation; fund managers are looking for any asset that shows a remote chance of keeping pace – i.e., not gilt-edged. Moreover, the problem of gilt sales is interlinked with that of high interest rates. If the Bank of England wants to decrease the money supply, it sells bonds because the people to whom the Bank is selling the bonds have to give money, which the Bank then locks away in a vault so that it no longer circulates. By buying or selling bonds in this way, the amount of money out in circulation can be very precisely controlled, meaning that the Bank of England can, in turn, keep tight control over interest rates. Lower bond prices mean higher interest rates. The PSBR adds to the money supply to the extent that it is not financed by debt sales (gilts) to the non-bank public. When MLR was raised to 14% on budget day in June 1979, *The Economist* argued that Sir Geoffrey Howe was over-reacting to Mr Denis Healey’s troubles the previous year (when the City disagreed with Mr Healey’s combination of monetary and public-sector borrowing target at his chosen interest rates, and forced him to increase MLR after the budget in order to sell enough gilts):

- (136) “Misjudging money” [...] Britain’s monetary policy is being pounded by critics’ crossfire. On one ridge are those who believe its tightness is throttling Britain into quite unnecessary recession. On another, those who say it is quite failing to control a credit binge. All along the line are the industrialists, suffering. They have been hit by three months of 14% minimum

lending rate, at a time when their financial deficits oblige them to borrow heavily [...] This June a sharp rise in MLR looked overfearful, assuming the £8,3 billion PSBR announced by Sir Geoffrey does not prove to be a gross underestimation. Since the budget, the rate at which the government has been selling gilts suggests we were right to think it was indulging in overkill, at considerable cost to both the taxpayer (who has to meet the bill for debt interest) and private industry (which has to meet its own bills). (*The Economist* 8.9.79: 75)

- (137) While ministers struggled to bring the PSBR down, they thought the monetary authorities could at least offset its effect on money growth by stuffing as many gilts as possible into the maw of the institutions. (*The Economist* 7.6.80: 17)

With respect to the 1971 budget, Frances Cairncross in *The Guardian* (16.6.79) claims that a Labour budget under James Callaghan would probably have looked surprisingly similar. *The Guardian* (31.8.79) recognises the problem of financing government debt in stating that Granny Bonds are a splendid notion that deserves to succeed. Granny Bonds are index-linked savings certificates. They were originally introduced for people who were over retirement age. They are a welcome alternative to the “endless string of [fixed-interest] gilt issues and the whole fraught business of selling asset”.

In January 1982, the inflation rate dropped to single digits. It was already mentioned in 2.2.2 that *The Economist* only accepts a (Keynesian) expansionary fiscal policy during recession. Therefore, *The Economist* argues, a deflationary fiscal policy is apt when an economic upturn is announced:

- (138) British industry’s stagnation is not caused by too little demand. Its cure includes a lower pound, not protectionist tinkering. [...] By the Keynesian yardstick of those critics, demand has been hammered by the government’s deflationary fiscal policy. After all, the public sector borrowing requirement (PSBR) fell from 5.7% of gdp in 1980-81 to 3,5% in 1981-82, when it undershot the government’s target by £1,8 billion. In the current year the PSBR looks like undershooting again, so some Keynesians still maintain that demand will continue to be hammered. On the contrary, demand is expanding faster now than it has done for three years. [...] too much of the extra demand has leaked abroad [because Sterling is too strong]. (*The Economist* 30.10.82: 15)

In “Pre-election economics”, *The Economist* informs that between last November 2nd 1982 and March 28th 1983, sterling fell by 15,5% in trade-weighted terms. Since then it has risen by 8%. The fall, welcome though it was to businesses squeezed by foreign competitors, had

nothing to do with sterling being overvalued or with excessive monetary growth. It had everything to do with weakening prospects for oil prices. Sterling's recovery came because of oil's prospects were firming:

- (139) Once the exchange rate had fallen, the competitive pain eased. At that point forecasters and pollsters took the economy's temperature and pronounced it on the mend. (*The Economist* 30.4.83: 8)

2.2.4 Credit and Exchange controls

The 1974-79 Labour governments had introduced monetary targets, but they had continued to attempt to hit them by means of direct credit controls on bank lending in the form of the 'corset'. With the new Conservative administration, monetary policy took a new turn. Sir Geoffrey Howe attempted to target the growth rate of the money supply (M3) by use of the official interest rate, after exchange controls were abolished and the corset became impossible to maintain. On the 23rd of October 1979 the Conservative government of Margaret Thatcher lifted Britain's exchange controls ("Sterling unchained"). Investing institutions no longer risked penalties for investing overseas and capital flooded out of the country. *The Guardian* (10.11.79) reports that the most striking changes of abolishing exchange controls are "first, [...] that the authorities may lose some of the information which made monetary control easier. Second, and more important, it will have effects which are difficult to predict on the loose linkages which are one of the problems of monetary control". Furthermore, *The Guardian* (9.12.80) considers it a matter of regret that so much long-term money is being invested abroad which could, in a perfect world, be used to modernise British industry. Just at the time when oil output was building up, there was a major swing in fashion in thinking about the exchange rate. Until 1977, the doctrine had been to use the exchange rate to preserve competitiveness, i.e. keep the pound relatively cheap. The doctrine was then changed to assert that (a) there should be no exchange-rate policy, and (b) that a high exchange rate (a strong petro-pound) was a good thing because it obliges companies to push through micro-economic reforms with a view to lowering production costs. In this respect, Victor Keegan in *The Guardian* (16.5.83) asks: "What happened to the oil revenues which, five years ago, led people to expect the dawning of a new age of prosperity? Most of it, in the supreme irony of economic history, has gone to pay out unemployment to those who would not have lost their jobs if we had not discovered it in the first place". By contrast, *The Economist* welcomes the

abolition of exchange controls since it is a clear signal to employers that the Treasury is no longer prepared to underwrite excessive pay rises with a future devaluation of the pound. This may impress manufacturers, facing strong foreign competition. In this respect, it should be noted that real exchange rates, not nominal ones, matter for businesses and consumers. Currencies that are stable in nominal terms often hide big swings – caused by differing movements in inflation rates, labour and other costs - in the underlying pattern of international competitiveness. Under the old Labour policy (e.g. Harold Wilson’s notorious 1967 devaluation of the pound), producers could tell themselves that a future devaluation of the currency would always be there to bail them out – at the cost of higher inflation. Once the exchange controls have been abolished, however, managers and workers are confronted with a clearer promise that they will have to suffer the unpleasant consequences of wage and price increases that leave their firms uncompetitive in a free market economy. Therefore, *The Economist* supports the policy of floating currencies, i.e. “leaving it to market forces” (*The Economist* 7.7.79: 83) and challenges Labour’s assertion that the government’s abolition of price and exchange controls leads to a decline of British industry. Controls keep sterling high, and so squeeze profits. Investment is made even less attractive and there is less money to invest. Removing this artificial boost to sterling will aid profits, investment and jobs:

- (140) The first piece of Tory economic policy will be in place: a good piece, provided – and here the doubts begin – that lessening controls means increasing competition. (*The Economist* 19.5.79: 83)
- (141) Money cannot be forced into unprofitable companies, so cooping it up in Britain does no good to industry (though it may help sell gilts) unless the real rate of return in manufacturing can be raised. But worse than that: it does actually harm. [...] [T]here is no political embarrassment in freeing capital to flee from Britain: that exporting capital is not a way of exporting jobs, but actually the only way of avoiding doing so. Successive studies [...] have shown that overseas investment does not pose a threat to British jobs: most involves products and markets that cannot be supplied by British exports [...]. (*The Economist* 27.10.79: 70)
- (142) Would ditching the exchange-rate target also ditch the pound? Not if the government put a credible, anti-inflationary monetary policy in its place. In the market’s eyes, steadily declining monetary growth has one advantage over an exchange-rate target – it signposts a route to progressively lower inflation. [...] Provided inflation is being tamed, low interest rates do not mean falling currencies. (*The Economist* 30.1.82: 14)

Moreover, *The Economist* points out that capital flows do not tell the whole story: “British multinationals can raise capital locally or use retained earnings from existing foreign subsidiaries. That is why scrapping exchange controls is largely irrelevant to them” (*The Economist* 5.5.79: 117). According to *The Economist*, the abolition of import and price controls will not lead directly to a spate of price increases:

(143) Prices are rising fast anyway, and the government will certainly be criticised for taking even a little finger out of the dyke when a tidal wave is looming. The best defence is to pursue a vigorous competition policy. The Tories 15 years ago overrode business opposition to give Britain a huge advantage towards free market, the abolition of retail price maintenance. That should be their spirit today. (*The Economist* 19.5.79: 84)

(144) [R]aising barriers to imports would revive that worst of all British traits, the delusion of painless remedies. And what delusion, because protectionism raises prices; cuts real incomes; harms job prospects of those who are not protected or who depend on export markets; delays industrial change; and threatens to push the whole world into a slump that would turn today’s British jobless total of 3.1m into a fond memory. Better by far to cut interest rates and let sterling slide. (*The Economist* 30.10.82: 15)

By contrast, *The Guardian* (17.9.79) is more in thrall to Labour’s policy of maintaining exchange and import controls with a view to protecting the internal market:

(145) Sensible people recoil with horror at suggestions that import controls might be needed for the motor industry yet they don’t turn a hair at the fact that controls have been introduced to protect parts of the textile industry [...] It is also conveniently ignored that large chunks of the United States, Japanese and French economies are protectionist and one of the few areas where Britain has been spectacularly successful (agriculture) has been riddled with protection and subsidies for years.

2.3 About Labour and trade unions

In “The Tories and the unions. Firmly does it” (12.5.79: 83), *The Economist* approves of the fact that the Tories want to change the balance of power. Britain has to find a way to match pay rises to productivity and company results. Britain has no tradition of such a pay-productivity link: “The industrial tradition it does possess – a high level of trade-union membership – is guaranteed to make the task yet harder” (*The Economist* 4.7.81: 13).

Mr James Prior, the new employment secretary, is pledged to stop the spread and minimise the effects of closed-shop agreements; outlaw picketing of firms not involved in dispute (i.e. secondary picketing); cut social security payments to strikers' families; provide funds for voluntary union ballots. Secondary picketing problems during the Winter of Discontent arose because (1) the Labour government in 1976 had amended the 1974 Trade Union and Labour Relations Act, thus extending unions' immunity to cover inducing breaches of any contract – not just contracts of employment – and (2) workers were either physically frightened to cross secondary picket lines, or were scared of losing their union cards and their jobs. The simple remedy would be to revert the law as it stood before 1976 (so that strikers could inform an employer's supplier that they were in dispute, but not picket him to prevent him supplying, i.e. blacking). Beyond that, consideration should be given to making union funds liable for broken contracts (*The Economist* 12.5.79: 83).

In "Mr Prior talks quietly" (8.12.79: 61), *The Economist* informs that the Tories' first step to reform of British trade-union law is going to be modest. Jim Prior's measures have a better chance of achieving their limited objectives than the party's attempts in 1971 to wrap up the unions once and for all:

- (146) Trade unions [...] should have less of it; employers and consumers deserve more protection from workers militantly pushing their own interests. (*The Economist* 12.5.79: 83)
- (147) [Mr Prior's] legislation is designed to deal with last winter's worry – secondary picketing. Now the government thinks that this winter's worries may be guerilla attacks by very small groups. [...] It would not be easy to deal with such forms of industrial disruption (and others, including widespread blacking) by law. That would demand a radical attack on union immunity from prosecution for breach of contract. [...] The engineering employers and the Confederation of British Industry are urging government to attack secondary picketing only. (*The Economist* 29.9.79: 99)
- (148) And trade unionists preparing to let loose the Trots of war should pause to consider the concessions Mr Prior has made to them- and to common sense. Secondary picketing, last winter's nightmare, is to be outlawed. But Mr Prior is talking the narrow path to that end. Trade-union pickets will maintain their immunity from legal action for inducing a breach of contract only when they are individuals picketing at their own place of work. (*The Economist* 8.12.79: 61)

In “Union reforms. Calm now, but wait” (8.9.79: 30), *The Economist* argues that trade unions do not see the proposed legislation to limit the closed shop and secondary picketing on its own, but as an element in a larger campaign. Even the offer of money for strike ballots, with no obviously dangling strings, is something they suspect: “The government’s [Prior] bill is jeered at as part of the pay-off to the Confederation of British Industry”. Therefore, the reason for the desired graduelness is understandable: “Next week’s Trades Union Congress will be a government-bashing-war-dance” (*The Economist* 1.9.79: 14). *The Economist* claims that the questions the Trades Union Congress should be debating at Blackpool are how to deal rationally with a Tory government and how to disentangle itself gently from its over-intimate relationship with the Labour party. In this respect, *The Guardian* (25.7.79) headlines “Who are the Party masters now?” and wonders why “the last Labour government [got] so far out of touch with its members and supporters in the country”. *The Guardian* points out that it is worth remembering that many millions of trade unionists voted for the Conservative Party in May 1979: “Some will now be regretting the fact” (*The Guardian* 17.4.80) since “[t]he TUC has been bleating all winter about its exclusion from the counsels of ministers, whining to gain their attention” (*The Guardian* 2.4.80):

- (149) Instead, the old cartoon carthorse will kick out at the right-wing Tory government which last winter’s trade union antics made sure would come to power. And then congress will endorse the same old policies of intervention, support of dying industries and high public expenditure – which over a third of its members voted against at the last election. (*The Economist* 1.9.79: 14)
- (150) [A]s union leaders thought memories of last winter were fading, the “union-bashing” Employment Bill was made into an added target. Now the “monetarists” and all their works are the target. (*The Economist* 10.5.80: 14)
- (151) Of course, no wary Labour party member wants the unions to pull out from full alliance with the opposition now. (*The Economist* 1.9.79: 15)
- (152) The Labour government lost credibility by being in the thrall of the unions. (*The Economist* 1.9.79: 14)

Frances Cairncross in *The Guardian* (24.5.80) claims that a government with no incomes policy (“the short cut to bring inflation down”) should “take up gracefully any opportunities to talk to –and listen to – the unions” who believe in free collective bargaining.

Since union leaders cannot want a Bennite Labour party⁴³, permanently in opposition, *The Economist* claims they had better decide in the next four years to buy the sort of viable Labour party they want and supports the idea of an independent trade union movement. (*The Economist* 1.9.79: 14), as illustrated by the headline “A year to save Labour’s sanity” (*The Economist* 6.10.79: 27). Both *The Economist* and *The Guardian* encourage James Callaghan to rally his party against the left (*The Economist* 29.9.79: 12). *The Guardian* (29.8.79) claims that “it is not enough for Labour to appear as the party of public spending; it ought to be the party of rational, justly distributed and efficiently applied public spending”. Furthermore, it adds that “the Labour right has a great deal to do if it is ever to repair its past neglect and recover the ground which the Left has so boldly taken” (*The Guardian* 4.10.79). Callaghan is urged to block left-wing moves to change Labour’s constitution in an ostensibly more democratic direction. The left wants three in particular: that the party leader should be chosen by an electoral college, dominated by local party activists, rather than exclusively by Labour members of parliament at present; that Labour MP’s should face a continuous process of re-selection by their constituency parties; that the party’s extra-parliamentary arm, the national executive committee, should draw up the party’s election manifesto, in which the party MP’s would have no say (at present the party leader has an effective veto over the manifesto, which Callaghan exercised before the May election). The party’s right – or, as it prefers to be called, moderate – wing counters that each of these changes, while appearing to make the party more democratic, would, in practice, have the opposite effect. It would place power in the hands of unrepresentative cliques at both national and local level. Therefore, CONFLICT metaphors are not only projected into the Thatcher column, but abound in the left-right power struggle within the Labour party as well:

(153) Labour opts for a long struggle (*The Guardian* 4.10.79)

(154) Mrs Shirley Williams was to be heard developing her attack on the fanaticisms of the Far Left [...] Mr James Callaghan’s annual, and at this time probably final, conference address, [...] was built around a vibrant call for Labour to unite to fight the Thatcherite menace. (*The Guardian* 1.10.80)

⁴³ The term ‘Bennite’, generally understood to mean someone of a radical but democratic left-wing position, was derived from Tony Benn’s name. Benn’s philosophy became known as ‘Bennism’, which consisted of a form of syndicalism, economic planning, greater democracy in the structures of the Labour Party and observance of Party conference decisions by the Party leadership. Benn was vilified in the press and his enemies implied a Benn-led Labour government would implement a type of East European socialism.

- (155) This set the scene for an organised attempt by Labour's left wing to strip the party leadership and Labour members of parliament of both credit and power: an operation which was more than half successful, although all sides accepted that decisive battles have been postponed until next year's conference in Blackpool. The attack was mounted by friends and supporters of Mr Tony Benn, who celebrated his success by making a notably demagogic speech. (*The Economist* 6.10.79: 27)
- (156) [...] The left has been arguing the case for its proposed changes all the while and has built up steam behind [the moderates] both in local Labour parties and among active trade unionists. [...] Even if Mr Callaghan does win reprieve for a year on some of his defensive battles against Mr Benn, this year's conference at Brighton will be the most dramatic [...] Mr Peter Shore and Mr John Silkin are keeping their heads well below the parapet at present: not an encouraging sign. Mr Roy Hattersley, Mr William Rodgers and Dr David Owen are all battling intelligently on the moderate side. (*The Economist* 29.9.79: 12)
- (157) The composite motion on legislative reform which was put to conference showed how successful the TUC general council has been in reigning in its wild men. (*The Economist* 8.9.79: 30)

We discussed in 2.3 that the importance of wage restraint and pay limits to curb inflation calls for union reform. Recalling the Winter of Discontent, both *The Guardian* and *The Economist* regard free collective bargaining as an illusion:

- (158) The knock-on effect from [pay] settlements [in public and private sector] is likely to be spectacular in the new climate, which is not one of free collective bargaining but of oligopolistic union blackmail. Worse, the government has let slip that it regards the predicted increase in the retail price index in the year to this autumn as the ceiling for early wage increases in some nationalised industries. In consequence, every trade union leader is going to regard 17,5% as his minimum. (*The Economist* 20.10.79: 15)

An array of CONFLICT metaphors in both *The Guardian* and *The Economist* indicates the antagonism, not only between unions and Tory government, but also between unions and the Confederation of British Industry:

- (159) Sir Michael has threatened to use the ballot weapon ruthlessly if he does not get wholehearted union support. (*The Economist* 13.10.79: 89)
- (160) Sir Michael threatens the unions with a bit of democracy (*The Economist* 13.10.79: 89)

(161) Cold hopes and steel peace (*The Guardian* 26.1.80)

(162) British Leyland is preparing to do battle with the combined forces of Red Robbo and union officialdom. (*The Guardian* 9.2.80)

Moreover, *The Economist* claims that the government should abolish the central bargaining functions of the Civil Service Department (*The Economist* 20.10.79: 15):

(163) [...] the civil service unions have seized much power over who does what and how (*The Economist* 12.5.79: 17).

In “Unions ruled by law” (2.2.80: 17), *The Economist* suggests that the bad industrial relations in the UK can partly be ascribed to the fact that the UK is still a class-ridden society. In February 1980, Lord Denning and two other appeal court judges granted an injunction to restrain the leaders of the main steel union from spreading their previous strike against their nationalised employers to private-enterprise steelmakers, whose workers had no wage quarrel with their employers whatsoever.⁴⁴ The moderate steel unions’ leaders wanted to spread the strike because they felt it would panic the government by creating a sharper shortage of steel, and thus influence it to give more money for wages to the nationalised steel industry. The new strike was being enforced with flying pickets. The Tories thought that public opinion would make it easier for judgments against trade unions to be enforced:

(164) Union leaders proclaimed that strikers should not obey “three men in wigs”, the class war was invoked, pickets were arrested, industrial Wales was in revolt. Labour MP’s supported them. [...] Is Mrs Margaret Thatcher’s Tory government doomed to fight a replay of the dismal battle against ungovernability that Mr Edward Heath’s less Tory government in 1974 so signally lost? The most important point is that, despite Lord Denning’s best endeavours, British ministers can no longer expect judges to rein in the unions for them. [...] The week’s events have shown that industrial peace is not better maintained by judges than by politicians. This is awkward. A battle against an “anti-union law passed by this Tory government” is liable

44 cf. *The Economist* (16.2.80: 67): “Mr Jim Prior’s new measure to limit trade union immunities follows closely tracks laid out in successive Denning judgments. The clause will state that immunity from legal proceedings for breach of contract will be restricted to union action against the primary employer and his nearest customer and supplier only. The employer has to take the legal initiative, by seeking an injunction. And the application of the law will still depend on judicial interpretation.”

to cause longer-lasting national strife than demonstrations against judges in wigs. But secondary strikes must be limited in some way [...]. (*The Economist* 2.2.80: 17)

In this respect, *The Guardian* in “Old laws, new laws and pickets” (20.2.80) claims that “Unions should not have absolute immunity to damage companies with little or no connection to firms embroiled in a dispute”. The Prior proposal, however “leaves too much freedom to the judges” who have to decide whether the action was “reasonably capable” of furthering the dispute.

At the Labour Party conference in 1980, Britain’s Labour party moved left, away from representative democracy and nearer to a split than at any time in its history. The ‘gang of three’ (Dr David Owen, Mr Bill Rodgers and Mrs Shirley Williams) began by pledging themselves to fight within the party. Mrs Williams warned that there was such thing as “left-wing fascism” (*The Economist* 4.10.80: 55). An array of WAR metaphors marks the transition from a centrist Labour Party (Callaghan) to a leftist one (Benn):

(165) “A party in feu[d]?” The battle for Mr Callaghan’s succession needs to be something more than a struggle to become the chief subcontractor for the trade unions’ fief [...] Since by “greater party democracy” Mr Benn means giving more power to the few hundred left-wing beavers who bother to turn up regularly at Labour constituency party meetings (and whose views, if codified into a Labour manifesto, would terrify Leon Trotsky into voting Tory) the union leaders have won some gratitude on the right as they have closed their ranks against Mr Benn. The main noise at the Blackpool conference will be that of left-wing constituency representatives growling around the feet of the big union delegations. Labour will almost certainly fight the next election with union money, under a leader of whom the unions approve (or do not disapprove) and with the unions having a decisive say in the economic elements of the election manifesto. This will be called a “victory for the right”. [...] Some right-wing Labour MP’s are beginning to [...] recognise that the unions are not always in the centre – let alone on the right. They see how easily the big union guns could be taken by left-wing militants who move on from capturing local Labour parties to burrow beneath the union redoubts. [...] The party, right up to the highest level, must be opened up to wider participation by a wider membership. The vicious circle of fewer and thus more left-wing supporters, yielding an unreliable party hierarchy, propped up by complacent delegated union votes, must be destroyed if British social democrats are to hold their heads up in a respectable alternative government. (*The Economist* 27.9.80)

(166) Mr Callaghan, who is due to announce next week whether he will stay or go, helped bring down the house of cards by relying on the unions to bail him out. He failed to realise the full extent of the left-wing infiltration into union policy-making committees and the collapse of the internal authority of many union leaders. [...] What the [Labour] party's right-wingers really need, demeaningly, is to regain the backing of their old conference mercenaries, the union block votes [...] As is the wont of mercenaries, however, when the scent of victory is distant, they can become unreliable, susceptible, even corrupt. Subverted at Blackpool, they are fighting all over the field, turning on their leaders, embracing erstwhile enemies. [...] If the right-wingers [...] fail, they should, if they believe their own recent rhetoric, leave Britain's Labour party to found a social democratic one of their own. (*The Economist* 11.10.80: 16)

After Callaghan's resignation in October 1980, the choice is essentially between Mr Denis Healey and Mr Michael Foot. *The Economist* claims that the only good reason for preferring Mr Foot is that of the two he is one less likely to succeed (!). He is "a good idea rather than a good thing. He is charming, well-read and, what is rare in modern politicians, a natural orator. His path to high office in the Labour party has been a classical one: bourgeois background and patrician tastes camouflaged by left-wing rhetoric and a misty affection for a proletarian constituency". (*The Economist* 1.11.80: 13). Peter Jenkins writes in *The Guardian* (22.10.80): "Mr Foot – the likely effect of his intervention will be to accelerate the party split".

The Economist and *The Guardian* agree that the creation of the Social Democratic Party means a new challenge to the political centre. The SDP was founded in 1981 by four senior members of the right-wing of the Labour Party, dubbed the 'Gang of Four' (or, 'Radical Centre'): Roy Jenkins, Dr. David Owen, Bill Rodgers and Shirley Williams. The four left the Labour Party in the belief that it had become too left-wing and over-intimate with trade unions, and had been infiltrated at constituency level by Bennite-Trotskyist factions whose views and behaviour were at odds with the parliamentary party and the Labour-voting electorate:

(167) SDP's leaders have flown the Labour party coop to escape the tyranny of the union block vote [...] Union power needs to be wrested from the head-office oligarchs and the factory-gate militants and placed in the hands of the members. (*The Economist* 6.2.82: 13)

In this respect, *The Economist* has little faith in the British Council for Social Democracy's ability to bring about any "fundamental realignment" in British politics. But it does think that a plausible policy needs to be offered to the 10m British adults who clearly want to vote to the left of Mr David Steel's Liberals (*The Economist* 14.2.81: 9). *The Guardian* focuses on the

problems within the SDP-Liberal alliance: “The Liberals and the Social Democrats will have to come to some recognisable working arrangement [...] that is not to underestimate the difficulties” (9.4.81).

In September 1981, hardline Norman Tebbit succeeded ‘wet’ Jim Prior as employment secretary after the summer cabinet reshuffle. According to *The Economist*, only one of Britain’s three new proposals for labour reform – that requiring greater democracy in trade-union elections – deserves early legislation. The scope for abuse is greatest in unions which use the block-vote system, under which entire votes of a branch are thrown behind one particular candidate on a straight show-of-hands majority of those who attend a branch meeting. Therefore, *The Economist* (15.1.83: 14) argues that Mr Tebbit is right to want to extend the practices of the best and secret-balloting unions (like the electricians) to all unions. Many unions bar from office any member who does not contribute to the political fund. The National Union of Railwaymen, for instance, disqualifies those who are not paid-up members of the Labour party, and existing officers can use their own disciplinary procedures to bar from candidacy other people who annoy them.

The amount of WAR metaphors increases in both *The Economist* and *The Guardian* during the strikes at British Rail and British Coal, which coincide with the Falklands War. The NUR (National Union of Railwaymen) had already agreed to some flexible rostering. But Aslef (union for train drivers and operators in all forms of rail transport) refused to accept Lord McCarthy’s findings. BR’s boss, Sir Peter Parker, retaliated by saying that there would be no annual pay increase for any of the rail unions – the NUR, Aslef or the white-collar union without new productivity conditions.

As with ‘Second-stage Thatcherism’ (see 2.2.1) *The Economist* and *The Guardian* project the logic of the WAR domain into the macro-economic landscape when Argentina invades the Falklands in April 1982. Between April and June 1982, WAR metaphors amount to 28.4 clear instances per stretches of 5,000 words in *The Economist* (pro union reform and anti-‘wet’) versus 16.2 in *The Guardian* (only anti-union):

(168) Mr Fischer goes to war. In less traumatic times the escalation of hostilities on the home front would have been causing serious concern. NUPE [National Union of Public Employees] is now committed to calling an indefinite hospital strike. [...] Mr Alan Fischer, NUPE’s retiring general secretary, who if not a dove is at least a hawk among super-hawks, wants rather more time to consult his allies. But even he insists (shades of the Falklands rhetoric) that now “the war is on”, NUPE is no longer seeking an armistice. (*The Guardian* 26.5.82)

- (169) Last week's NUR dispute was a foolish and trivial affair, called over a foolish and trivial local restrictive practice by an unrepresentative executive in the final days of its authority. The massive and immediate membership revolt should have taught the leadership no end of a lesson. (*The Guardian* 9.7.82)
- (170) The government is committed to more laws to subdue the union barons. [...] The unions have other skirmishes in mind apart from pay. They are prepared to fight any schemes which allow young people to be employed at rates which undercut adults' wages. Since this means they will fight any schemes which make the employment of more youngsters at last economic, Mrs Thatcher should not yield on this. (*The Economist* 5.9.81: 17)
- (171) "Waterloo for British Rail" (*The Economist* 20.2.82: 23)
- (172) Aslef, a Luddite union (*The Economist* 17.7.82: 13)
- (173) "Rail unions that live in the steam age" No sooner had peace broken out than Aslef, the militant train drivers' union, called out its 24,000 BR members on definite strike from July 4th [...] fighting the union that is the real enemy of progress. (*The Economist* 3.7.82: 21)
- (174) If Britain is not to be as stationary as London traffic in a rail strike, daring new ways must be sought of fighting against public-sector unions' monopoly power [...] NUR delegates at their annual conference voted against their left-wing executive and in favour of a full return to work. Tories [...] hailed both climbdowns as a Falklands victory on the home front. In fact, they were more like the retaking of South Georgia, with the real battles still to come. (*The Economist* 3.7.82: 15)
- (175) "Has Thatcher laid the ground for Scargill's winter victory?" [...] Mr Scargill's shock troops rushing illegally on to their picket lines. (*The Economist* 10.7.82: 19)
- (176) "Trust not the big batallions" The TUC is not a reliable ally in the struggle against its own unions' power. The Thatcher government (thanks to an adamant British Rail) has won a notable battle in that struggle. But it is not yet equipped to win the war. In the aftermath of the Falklands victory and with the NUR and Aslef challenges seen off, Mrs Thatcher is in a better position than most other recent British prime ministers to break the union grip. (*The Economist* 24.7.82: 10)

Thus, it becomes clear that both the Labour Party and Trades Union Congress are trapped in an endless right-left civil war. The only cause they have in common is their animosity towards Thatcherism. A complex power struggle is visible between various factions within the Labour

party, which depends on union blockvotes, and the TUC, which is the party's paymaster. As discussed in the first chapter on *The Winter of Discontent*, strikes hurt. Both *The Economist* and *The Guardian*, through their use of HEALTH and WAR metaphors, fear that industrial action will distort the fabric of a UK economy already suffering from undiluted monetarism:

- (177) Military metaphors may catch the mood of the moment. But, in the hospital dispute at least, calls for victory not armistice are deeply destructive. (*The Guardian* 26.5.82)
- (178) Of course, any country in which political strikes become an epidemic will go down the drain. But no amount of legislation or recourse to the law can stop a nation determined to commit mass economic suicide. (*The Economist* 18.9.82: 13)
- (179) “War talk, but no stomach for a fight” Moss Evans votes for battle, will his members follow? The new-style general council is welcome news for Labour party moderates who are counting on the TUC, as the party's paymaster, to arrange a cease-fire in Labour's hitherto endless right-left civil war. At Brighton, however, the old TUC let loose an embarrassing parting shot. (*The Economist* 11.9.82: 19)
- (180) [The] moderate forces [of Labour] will need to win many more battles before they can undo the damage done by the leftward drift of the past three years. [...] At Blackpool, an uneasy alliance of the right, centre and soft left came together to see off the malignant forces which have been calling the shots since Labour went into opposition in 1979. That alliance, admittedly, has problems of its own. First, it means that the Labour leader is once again at the mercy of a few right-wing and centrist barons of the trade unions. As long as they support him, he is invulnerable to attack from within. If they desert him, he is defenceless in the face of a conference demanding full-blooded socialism or his blood. [...] Mr Foot quoted an obscure Italian socialist, went on a tour d'horizon of socialist “successes” around the world (which included a warning not to be misled by the media about Mr Mitterrand's France) and promised that the next Labour government would double steel production and dig a lot more coal, which mainly goes to show how much he lives in the past.⁴⁵ (*The Economist* 2.10.82: 23)

⁴⁵ Frank Costigliola in *France and the United States* (1992: 193-200) claims that by the 1970s and 1980s, left-leaning intellectuals in America and France had shifted their attention away from issues of economic exploitation, becoming discouraged with the conservatism of the working class, the sluggish economy of the 1970s, and the resurgence of popular faith in the marketplace during the 1980s: “By the 1970s and 1980s veterans of these frustrated social movements, many now professors or, particularly in France, part of the sophisticated reading public, found poststructuralist arguments appealing. If language and other cultural expressions powerfully buttressed the existing social order, no wonder the wide-eyed social movements of the late 1960s had been disowned by the populace and easily put down by the authorities. If language was the locus of a key power struggle within society, then intellectuals advocating social change were justified in focusing on the battle of words and symbols within the academy, instead of getting involved in parliamentary politics or

Clearly, as far as *The Economist* is concerned, a Labour victory in the General Election is not an option. (*The Economist* 14.1.83: 83) Under a Labour government, British inflation would subsequently go through the roof. *The Economist*, which had difficulty in coming down narrowly against Mr Callaghan's government in 1979, has no hesitation in condemning Labour in 1983. And it is not meant simply as a condemnation of Mr Michael Foot, unsuited to govern as he is:

(181) Mr Foot is a road sign, not a destination [...] The Labour party has visibly promoted its ancient wrangles, and its constitutional dependence on the block votes and the block money of trade-union leaders, above the national interest.[...] As to who should win the election, we have no doubt: we favour a return of Mrs Thatcher to Downing Street. [...] But Britain is in mid-course towards at last tackling economic ills that have undermined its domestic wealth, its social cohesion, not to mention [...] its effectiveness abroad. (*The Economist* 4.6.83: 12)

(182) The risks for an already wobbly Europe if an anti-nuclear Labour government takes office in Britain [...] Don't panic, yet. In 1964 and in 1974 Labour promised to abandon Britain's nuclear deterrent if elected, and it did not abandon the deterrent but spent a lot more money on it. (*The Economist* 9.10.82: 15)

The Guardian (10.5.83), disillusioned as it is with the leftist takeover of the Labour Party, claims that "if we elect a Labour government, we will get an economic policy – based on the Alternative Economic Strategy devised in the late seventies, which the then Labour government resisted".

2.4 About welfare and government spending

We have already discussed in 2.2.1 that *The Economist* accepts a moderate form of Keynesian deficit spending as a welcome stabiliser when recession is setting in. Nevertheless, *The Economist*, always fearful of crowding out private industry, suggests that "Sir Geoffrey can trim PSBR without squeezing the economy by flogging off small pieces of the nationalised industry jigsaw" (*The Economist* 12.5.79: 84), as well illustrated by the headline "Sell Whitehall and sleep easy with the PSBR" (*The Economist* 21.7.79: 99). This would make the problem of funding the PSBR through gilt sales (and therefore, high interest rates) less

labor issues. [...] France became more like the United States and other advanced capitalist nations as a majority of the French focused on their creature comforts and personal anxieties. In the 1970s and 1980s Mitterrand rode this erratic swing toward conservatism as he revamped and revitalized the Socialist party (P.S.) Mitterrand promised voters a vigorous foreign policy with only a limited socialism, sparking complaints from left-wing P.S. leaders such as Jean-Pierre Chevènement that their party was becoming like the American Democratic Party."

stringent and increase the scope for tax cuts. A hike on PSBR goes at the expense of both the taxpayer (who has to meet the bill for debt interest) and private industry (which has to meet its own bills) (*The Economist* 8.9.79: 75):

(183) [...] to run a war on waste throughout Whitehall (*The Economist* 12.5.79: 17)

(184) Lord Soames takes his first nibble at Whitehall fat. (*The Economist* 26.5.79: 85)

Unfortunately the characteristics which make the British civil service so bad at spending money efficiently (a desire not to disturb established hierarchies, ignorance that there are competitive ways of doing things) make it even worse at recommending how this spending should be cut:

(185) “Trimming the pyramid” Ministers, not civil servants, must control the size and cost of Britain’s civil service. (*The Economist* 12.1.79: 17)

(186) Yet, again, Whitehall is maintaining its battle against any weakening of its own pay, its own security of tenure and its own pension arrangements. (*The Economist* 28.7.79: 11)

(187) To haul itself out of this trap, the government needs to take action, fast, on two fronts. The first is to unman the barricades of departmental defences [...]. (*The Economist* 28.7.79: 11)

In September 1982, Thatcher’s monetarist think-tank paper on the welfare state leaked. The think-tank report suggested de-indexing old-age pensions and replacing the national health service with private health insurance. In this respect, *The Guardian* (3.2.83), informs that, all in all, the health service has been relatively protected in recent years, compared with other programmes:

(188) Of all social programmes, the NHS is the one that this Government will not admit – not at any price – to cutting. There can, apparently be cuts in education or local government services without fear of the political consequences; but the NHS has a special place. Was it not the Prime Minister herself, after all, who reassured an anxious nation that “The NHS is safe with us”? (*The Guardian* 3.2.83)

Similar to the HEALTH and FITNESS metaphors used when categorising Civil Service and public industries, the welfare state is cast in terms of heaviness and monolithic overweight. In this respect, *The Economist* claims that the main threat to the welfare state is posed not by

mean-minded conservatives, but the sheer cost of maintaining welfare programmes at a time of little or no economic growth (*The Economist* 16.10.82: 65):

- (189) The paper begins by saying that, on present plans and assuming low annual economic growth, public spending will continue to gobble up at least its present 45% of gross domestic product for the foreseeable future. (*The Economist* 18.9.82: 25)
- (190) [...] dismantling chunks of the welfare state [such as], hung over the Tory conference like a dark cloud [...] public spending will soak up more and more of the nation's resources in a low-growth Britain. (*The Economist* 9.10.82: 22)

Being overweight and fat is valued negatively, because it impedes good performance and undermines physical condition. The most straightforward ways of getting rid of redundant fat are dieting and exercise. A good macroeconomic climate helps companies to stay “healthy” (i.e. profitable). As long as companies or economies are “healthy”, intervention is unnecessary.⁴⁶ Long-term state interference may even be damaging in the long run as it protects dying industries and hampers the expansion of new ones, as in the case of British Steel and the ailing car manufacturer British Leyland. Sir Michael Edwardes knows his cutbacks are the firm's last chance. So do *The Economist* and *The Guardian*:

- (191) If [British Steel] is told that there will be no more money unless it breaks even next year, then drastic financial surgery to remove a huge deficit is inevitable. (*The Guardian* 28.1.80)
- (192) Sir Michael Edwardes, the admirably effective slimmer of British Leyland. (*The Economist* 4.7.81: 13)
- (193) So far the unions have produced only a “social plan” – ie, that the money needed for rationalisation be used instead as a further open-ended subsidy to keep BL limping along till happier times. (*The Economist* 6.10.79: 99)
- (194) [W]ould the extra injection of government cash really do the trick? Sir Keith Joseph has voiced his “legitimate doubts” about advancing taxpayers' cash to a firm that has failed to merit it on past performance. (*The Economist* 20.10.79: 84)

⁴⁶ cf. *The Economist* (28.7.79: 81): “The justification offered for the government's monetary squeeze is that it is a necessary purgative to curb inflation, and clear the way for a revitalised private industry to create growth once the medicine has penetrated and interest rates can come down.”

- (195) [...] prescribing unemployment for 25,000 workers that overweight BL needs to shed (for starters). (*The Economist* 15.9.79: 75)
- (196) BL shop stewards last week said no to the Edwardes plan for emergency surgery. Gloom. Union leaders this week said yes. (*The Economist* 20.10.79: 83)
- (197) At last British Steel is being allowed to do what it should have done long ago – slim. (*The Economist* 15.12.79: 65)
- (198) The steel business. Beyond the Tory government’s unwilling distraction over the strike at British Steel, the real issue should be whether a sick nationalised corporation can recover health, and how. (*The Economist* 19.1.80: 55)
- (199) CBI officials now feel sure that the government will have to give oxygen to industry before next winter. Many individual businessmen privately concede, though, that they do not need artificial respiration yet. [...] Seen from 11 Downing Street, such financial painkillers would have done nothing (as previous palliatives have failed) to reverse a 20-year secular decline in British manufacturers’ profits. (*The Economist* 14.3.81: 30)
- (200) Britain’s steady diet of defence cuts has been force-fed by inefficient buying. Reform now, or face fatal cuts next year. (*The Economist* 6.2.82: 19)
- (201) “Fertiliser Howe” [...] The best place for Britain’s chancellor to sprinkle public money is where young shoots will grow. (*The Economist* 31.7.82: 12)
- (202) Sick companies are more likely to survive if creditors insist on ruthless cuts in debtors’ businesses at an early stage, instead of waiting until they are on their knees [...] In Britain, the big commercial banks are nursing scores of companies whose debts worry them as much as much as the borrowers. (*The Economist* 7.8.82: 65)

As far as *The Economist* is concerned, it is not sensible to see investment in Britain’s nationalised industries as an engine of recovery of Britain’s economy: “A Tory government keen on supply-side improvements should either have denationalised and privatised the best parts [...] or devised a balance of government spending and revenue that left room for profitable investment” (*The Economist* 6.6.81: 28). It claims Britain will have to find a way to match pay rises to productivity and company results, all in very close step. Unfortunately, Britain has no tradition of such a pay-productivity link (*The Economist* 4.7.81: 13). Making an economy or a company “fit” or “healthy” again requires discipline and hardship (sacking

personnel, stopping unprofitable product lines etc), but sacrifices are justified by eventual rewards. In the case of British Leyland, *The Economist* advises to sell profitable parts of business to the private sector so as not to be “contaminated” by the loss-making parts:

- (203) Instead of losing nearly £1m a day by selling over-costly steel from too many under-used mills, it will slim down to making only what it can sell at a profit. (*The Economist* 15.12.79: 65)
- (204) There would be fewer problems about selling the profitable components business and Land-Rover. But the haemorrhaging [BL] car division would have to close. (*The Economist* 31.1.81: 48)
- (205) Sir Michael’s determination to restructure BL further, so malignant parts of the group cannot infect healthy operations which might subsequently attract private capital in their own right (one of Sir Keith’s hobby-horses). (*The Economist* 31.1.81: 48)
- (206) British Airways may yet fly into the private sector next year. This week it landed in the black. [...] The Tory election manifesto will boast that inefficient, overmanned BA has been transformed into a lean machine, ripe for early privatisation under a new Thatcher government. (*The Economist* 7.5.83: 43)

It should be pointed out, however, that *The Guardian* has more reservations with respect to ‘liberalisation’, and is therefore markedly more prudent in its use of metaphors, which may account for the discrepancy in the use of HEALTH metaphors in *The Guardian* and *The Economist*: Only 6.2 clear instances urging for slimming and (partly) privatisation per stretches of 5,000 words versus 17.5, respectively (including the ‘vague or ambiguous’ category, the ratio is 8.7 versus 19.8, respectively):

- (207) Retrenchment, cutting back, closure. These are the themes of British industry as we enter the 1980s. At times, the industrial news of the past few months suggests that the whole of British industry is simply closing down. What are the workers to make of it? When are they to make their stand? Others will survive for a time: managers will find something else to manage, but the workers are in the front line. It is their jobs, their living standards, their public services which are the first victims. A [steel] strike may not be constructive, but it is at least a shout of protest at the suicide of British industry. (*The Guardian* 7.1.80)
- (208) [I]n Britain the pursuit of private ownership is all too often regarded as an end in itself, with the public sector viewed as a kind of economic leper’s colony. (*The Guardian* 13.4.81)

As illustrated in 2.2.1, the discord in the cabinet between ‘wets’ and ‘dries’ retards the process of privatisation. In “Tory backbenchers are restless: cuts, they cry” (1.12.79: 27), *The Economist* explains that the Tories’ hardline backbenchers have four main complaints: That the failure to reduce public expenditure in volume terms has been responsible for the massive programme of government borrowing which has necessitated the sky-high interest rates which are proving so politically unpopular, especially when they have filtered through into mortgage rates. Rather than blaming Mrs Thatcher, *The Economist* discredits government spending ministers within cabinet since “this is a view that Mrs Thatcher herself endorsed later the same evening at a private dinner of the Burke club (a group of right-wing MP’s and right-wing journalists)”. Evaluating “First-stage Thatcherism” in October 1981, *The Economist* concludes:

- (209) Constantly outmanoeuvred, often without her knowledge, Mrs Thatcher was particularly infuriated at having to make “wet” decisions at the last minute to pull the government back from what seemed short-term disaster: bailing out British Leyland, surrendering to the miners on pit closures [...] [M]en who stood by her side in 1979, pledging themselves to cut public spending as the only way for a Tory government to cut taxes, reduce interest rates and set the free sector to expand [were now] defending their public-sector empires like the worst sort of socialists. (*The Economist* 10.10.81: 27)

The Economist supports the view that public-sector pay policy is largely out of control, owing to the policies of comparability with the private sector (implemented by the adoption of Professor Hugh Clegg’s comparability commission on public-sector employees and the findings of the pay research unit on civil service pay). In addition, it warns that Tory MP’s are wearying “of the growing unpopularity caused by local authorities – who maintain their payrolls yet cut their services in order to stick to cash limits”. Moreover, the annual uprating of social benefits and, in particular, unemployment benefit in line with price inflation is seen as narrowing the income gap between the unemployed and those employees who are persuaded to accept wage settlements below inflation. This, *The Economist* argues, is the reverse of government strategy (i.e. cut unemployment benefits in relation to wages). Furthermore, “the way in which public-sector pensions are continuing to be inflation-proofed is costing huge sums of public money” (*The Economist* 1.12.79: 27)⁴⁷. *The Guardian*, however, emphasises that “contrary to the impression of most of our critical readers, *The*

⁴⁷ In the run-up to the 1983 election, *The Economist* (14.5.83: 12), in retrospect, denounces the government’s acceptance of recommendations of the Labour-appointed Clegg commission on public-sector pay as “inflationary folly”.

Guardian is not against index-linking as such”. What *The Guardian* objects to is “the degree to which civil servants have failed to pay a fair contribution for their perk” (*The Guardian* 9.1.80).

We remind here that *The Economist*, with respect to the 1981 budget, deplored the government’s imposition of Britain’s biggest-ever tax increase to compensate for earlier bailouts of ailing industries, while being unKeynesian enough to levy it at a time of slump. In this respect, *The Economist* voices fears of ‘crowding out’:

- (210) Since nationalised industries [...] have proved equally incapable of controlling their costs, they are engaged in a similar battle with the treasury. If the treasury loses, that will mean higher public borrowing or taxation. If it wins, that will mean higher public-sector prices or lower investment. Both ways private industry will suffer. (*The Economist* 25.10.80: 13)
- (211) Had announcement of all recent surrenders to the nationalised industries been delayed until budget day, and the tax increases explained as paying for them, the budget would have looked more nearly neutral in Keynesian terms – but also looked pretty socialist, which is what Mrs Thatcher’s policy now embarrassingly is. The result is that workers and managers in private enterprise have moved through much travail to a slimming miracle, and now have been hit by a wet sock. Private slimming and public fat. (*The Economist* 14.3.81: 13)

Still, *The Economist* and *The Guardian* are convinced that Mrs Thatcher will do her utmost to pursue her goal of small government, as evidenced by the “quango-shooting”, the clashes with the anti-Thatcherite National Enterprise Board, and her “desperate gambit of asking Mr Ian MacGregor, the chairman of British Steel, whether he might take over the job at the National Coal Board”, which is interpreted as “a sign of her frustration at failing to tame Britain’s industrial dinosaurs” (*The Economist* 11.12.82: 17). Three of these “nationalised dinosaurs” are the British Steel Corporation (BSC), the National Coal Board (NCB), and the Central Electricity Generating Board (CEGB). Left to itself, *The Economist* argues, the market would close at least one of BSC’s five big integrated steel plants: most obviously, Ravenscraig, in Scotland, where the domestic market for basic steel has collapsed with the decline of traditional industries. The market would also dictate that the state-owned CEGB import more of the cheap coal it needs, rather than buying dear coal from the NCB that it does not need. Moreover, it would close down the many high-cost pits that make the average price of British coal so dear. *The Economist* emphasises that there are not enough customers for all this production at present prices. Electricity generation takes two thirds of the NCB’s output and,

in the slump, electricity is not being used. The NCB's second biggest customer is steel and it is no use making steel if people are not buying ships or cars: "To keep all five steel plants open means inefficiently slimming each one down" (*The Economist* 11.12.82: 17). In the run-up to the 1983 General Election, *The Economist* reminds that the Tories came to power "determined to bring the state-owned corporations under the lashes of competition and tight financial controls.[...] the challenge of cutting Britain's coal industry down to size" (*The Economist* 12.2.83: 23-24).

- (212) The quango shooting opened with a bang this week, when Mr Michael Heseltine, the secretary of state for the environment, announced on Monday that he was abolishing 57 of the 119 quangos for which he is responsible (quasi-non-governmental-organisations). (*The Economist* 22.9.79: 27)
- (213) But many Tories believe that next year's spending has not been cut enough. When they applauded Mrs Thatcher's promise to pick up her pruning shears, they were, however, tartly reminded not to criticise the details [...]. (*The Economist* 22.12.79: 13)
- (214) The talks, such as they were, broke off shortly before Sir Keith Joseph, Secretary for Industry, dispatched the entire board of the NEB and appointed a new one headed by Sir Arthur Knight [...]. (*The Guardian* 24.12.79)
- (215) "The Tories will run the NEB – into the ground?" (*The Economist* 27.10.79: 91)
- (216) Buried in the legalistic thicket of the government's industry bill announced on Tuesday is enough tinder to spark a damaging flare-up between the National Enterprise Board and industry secretary Sir Keith Joseph. That could be just what Tory fire-raisers on the back benches want [...] the interference is that an industry department hit man will be put in to make sure that government rules [...] The reaction of NEB staff to a trench war between it and the government could be just as harmful as the bill's restrictive clauses. (*The Economist* 27.10.79: 91)

The Economist subscribes to the "American" idea of "popular shareholding" and "flat organisation", as opposed to "the inertia in British society"⁴⁸ with "its sluggish managers and arthritic unions"⁴⁹, when it speaks out in favour of more permanent productivity links, based on acceptance of the principle that steady, reasonable management improvements to get

⁴⁸ *The Economist* 2.10.82: 14

⁴⁹ *The Economist* 26.2.83: 53

people working smarter are the key to survival, to profits and to higher pay: “State-owned British Steel and British Leyland are making startling progress here (admittedly from an abysmal base) with the labour force left after their dramatic de-manning. [...] Bankruptcy should hit those that did not even try [...] every one of those stupid class distinctions that divide British industry so deeply is an unnecessary hindrance to making British industry – and the British manager and worker – richer”. It concludes that “Monetarism and unemployment have helped the rise in British productivity to its long-belated start, but the race will finish elsewhere [...] a relentless pursuit of efficiency, plant by plant, through output-related wage systems. Let a thousand bonuses bloom” (*The Economist* 4.7.81: 14).

2.5 Conclusion

As soon as Margaret Thatcher entered Downing Street 10, *The Economist* assumed its love-hate relationship with monetarism, which is repeatedly regarded as a necessary cure not less painful than the condition remedied: restrictive money supply through dangerously high interest rates. *The Economist* accepts a moderate form of Keynesian deficit spending as a welcome stabiliser when recession is setting in. However, *The Economist*, fearing the crowding out of private industry, urges the government to balance the budget when the economic upturn is announced. Therefore, the shift from public to private sector is welcomed as a monetarist measure, which is at metaphorical level compared to “purgative medicine” leading on to modernisation and productivity improvements (instead of higher prices or more borrowing). *The Guardian*’s financial experts (Harford Thomas, Victor Keegan, Frances Cairncross, Hamish McRae) remain altogether critical of monetarism, repeatedly deconstructing it at theoretical level when stating that changes in the money supply do affect output. Therefore, the monetarist ‘theory of rational expectations’ is refuted. Whatever ‘rational expectations’ businesses and the employees may have had, they did not expect lower prices. Businesses foresaw lower demand, while employees went on demanding wage rises in line with past inflation. At metaphorical level, money supply is cast in terms of obesity that needs corsetting and braces. Both newspapers regard the “corset” on bank lending as ineffective in view of the many loopholes (“bursts”). If there is no pay policy to restrain the swelling, then corsetting is the second alternative; it is hardly an effective one since “bulges” appear everywhere (i.e. deposits other than sterling M3). *The Guardian* remains sceptical of Thatcherism as it suggests that the fall in inflation has everything to do with rising

unemployment as a side-effect of monetarist “overkill”. The government’s chosen path is to make unemployment so high that unions are scared of asking for more in fear of losing their jobs. The dramatic loss of jobs occurs at considerable social cost yet earnings of those employed are high (at over 8 per cent a year) and go disproportionately towards buying imports in view of an overvalued Petro-sterling. These findings corroborate the conclusions of the research done into the Winter of Discontent era in the previous chapter, when the conclusion was reached that *The Guardian* tends to highlight the dangerous consequences of credit squeezes from the perspective of employees (excessive wages and tight monetary control lead to unemployment).

It is striking that *The Economist* uses far more salient HEALTH, CONFLICT and MOBILITY metaphors to describe the dismal state of government policy between the March 1980 budget and the March 1981 budget: an average of 14.2 (HEALTH); 22.3 (CONFLICT) and 12.7 (MOBILITY) clear instances per stretches of 5,000 words versus only 6.4 (HEALTH); 9.7 (CONFLICT) and 7.1 (MOBILITY) clear instances in *The Guardian* (including the unclear instances, the ratio is 20.3; 26.5 and 18.2 versus 9.5; 19.3 and 9.3, respectively).

It should be noted that *The Economist* uses far more salient HEALTH, CONFLICT and MOBILITY metaphors to describe the uncertain state of government policy between the March 1981 budget and the March 1982 budget: an average of 14.3 (HEALTH); 25.3 (CONFLICT) and 12.3 (MOBILITY) clear instances per stretches of 5,000 words versus only 6.7 (HEALTH); 14.8 (CONFLICT) and 7.8 (MOBILITY) clear instances in *The Guardian* (including the unclear instances, the ratio is 22.1; 30.4 and 19.7 versus 9.9; 23.2 and 9.6, respectively). The somewhat higher incidence of CONFLICT metaphors in both newspapers (compared to 22.3 versus 9.7, clear instances, respectively) may be explained by the animosity that characterised the cabinet reshuffle in July 1981 which introduced the Thatcherite hardliners Tebbit, Lawson and Parkinson (to replace the ‘wets’ in cabinet). In keeping with “Second-stage Thatcherism”, *The Economist* projects the logic of the WAR(SHIP) domain into the macro-economic landscape when Argentina invades the Falklands in April 1982. As Thatcher sends a naval task force to recapture the Islands, she is advised to be firm with both trade unions and ‘wets’ in her cabinet. Between April and June 1982, WAR metaphors amount to 28.4 clear instances per stretches of 5,000 words in *The Economist* (pro union reform and anti-‘wet’) versus 16.2 in *The Guardian* (only anti-union). Including the unclear instances, the ratio is 31.2 versus 25.6, respectively.

It is noteworthy that *The Guardian* has more reservations with respect to 'liberalisation', and is therefore markedly more prudent in its use of metaphors, which may account for the discrepancy in the use of HEALTH metaphors in *The Guardian* and *The Economist*: Only 6.2 clear instances urging for slimming and (partly) privatisation per stretches of 5,000 words versus 17.5, respectively. Including the unclear instances, the ratio is 8.7 versus 19.8, respectively.

3. The Anatomy of Thatcherland...

Metaphors of liberal Common Sense during the second Thatcher administration, 1983-87

3.1 Historical background of the sample of discourse under analysis

During her first administration, Margaret Thatcher's cabinet contained a predominance of wets "who preferred to fight for money and legislation rather than risk sacrificing immediate goals to longer-term government" (*The Economist* 25.8.84). After the landslide victory of 1983, she built up a united cabinet far closer to her in outlook, which included Nigel Lawson (Chancellor of the Exchequer), Norman Tebbit (Trade and Industry Secretary), Leon Brittan (Home Secretary) and William Whitelaw (Deputy Prime Minister and Leader of the Lords).⁵⁰

In line with Milton Friedman's advocacy of deregulation and privatisation, Margaret Thatcher's political and economic philosophy emphasised the shift from the public to the private sector. The government sold off most of the large utilities which had been in public ownership since the late 1940s, starting with British Telecom in 1984. Furthermore, the government urged people to 'go private' and planned to cut down the state earnings-related pension scheme (serps) and offer financial incentives for private provision. Building societies acquired the legal status of banks and were able to provide personal pensions. The policy of privatisation, while anathema to many on the left, has become synonymous with Thatcherism and has also been followed by Tony Blair's government. Wider share-ownership and council house sales became known as 'popular capitalism' to its supporters. It should be noted that these asset sales financed the Public Sector Borrowing Requirement (PSBR), which accounts for the fact that, despite Thatcher's often 'dry' rhetoric to the contrary, public spending remained relatively high throughout her second administration.

Thatcher's liking for defence ties with the United States was demonstrated in the Westland affair when she acted with Leon Brittan to allow the helicopter manufacturer Westland to refuse to link with the Italian firm Agusta in order for it to merge with Sikorsky, an American company. Defence Secretary Michael Heseltine, who had favoured the European solution, resigned in protest after this, and remained an influential critic and potential leadership challenger. He would eventually prove instrumental in Thatcher's fall in 1990.

Nigel Lawson was appointed Chancellor of the Exchequer in succession to Sir Geoffrey Howe, who became Foreign Secretary in 1983. The early years of Lawson's chancellorship were associated with (failed) tax reform and an attempt to alleviate the 'poverty trap' by

⁵⁰ In this respect, Cohen (2004: 923) quotes Denis Healey on the shift from traditional Toryism to New Toryism: "The estate owners were supplanted by the estate agents", an evolution that coincided with the rise of the new middle class and its young upwardly mobile professionals (Yuppie).

raising tax thresholds for low-income groups, thus improving the supply-side of the labour market. The 1984 budget reformed corporate taxes by a combination of reductions in industrial subsidies on labour-saving investment and a reduction in corporation tax on company profits. In addition, the 1984 package was gilded by the decision to phase out the national insurance contributions with a view to encouraging employers to hire more workers. These ‘nics’ were actually cut from 9% to 5-7% for lowest-paid workers in the 1985 budget. During these two years Lawson’s public image remained low-key, but from the 1986 budget onward his stock rose as he resumed the reduction of the standard rate of personal income tax from the 30% rate to which it had been lowered in Sir Geoffrey Howe’s 1979 budget. Moreover, unemployment began to fall substantially from the middle of 1986. The trajectory taken by the UK economy from this point on is typically described as ‘The Lawson Boom’. By 1987, inflation had fallen further to 4.2%. To avoid previous problems with ‘uncontrollable’ M3, Lawson’s remaining money supply target in 1987 was M0 – in effect, cash in circulation. This new money measure was merely conjured to fill a vacuum and was never taken seriously by the Treasury itself. Thus, the government’s monetary policy became a matter of pure discretion. Critics of Lawson assert that a combination of the abandonment of monetarism, excessive fiscal laxity and Thatcher’s refusal to enter the European Monetary System (EMS), unleashed an inflationary spiral, whose ominous signs would surface during the third administration (1987-1990).⁵¹

Unlike Mrs Thatcher’s close ties with NATO and her warm relationship with president Ronald Reagan, her personal attitude towards the European partners was highly sceptical. At the Dublin European Council in November 1979, she had argued that the United Kingdom paid far more to the European Economic Community than it received in spending (“I want my money back”). A compromise was reached at the June 1984 Fontainebleau Summit when the EEC agreed on an annual rebate for the United Kingdom, amounting to 66% of the difference between Britain’s EU contributions and receipts. Thanks to the unchanged rebate system, Britain gets back roughly two-thirds of its net payments to the Community.

Emboldened by her landslide victory over Labour in 1983, Margaret Thatcher was committed to reducing the power of the trade unions but, unlike the Heath government, adopted a strategy of incremental change rather than a single Act. The reforms were also aimed to

⁵¹cf. *The Economist* (10.3.90: 40-41): Lawson ascribed the difficulty of conducting monetary policy to Goodhart’s Law, which is the equivalent in the social sciences of the uncertainty principle in physics. The essence of the law is that once a social or economic indicator or other *surrogate* measure is made a target for the purpose of conducting social or economic policy, then it will lose the information content that would qualify it to play such a role.

democratise the unions, return power to their members and to weaken the unions from within. The government's plans for more union democracy were therefore modest and popular since they concentrated on making union bosses and shop stewards more responsive to the wishes of their members. The most significant measures were to make secondary industrial action illegal (Prior bill, 1979), to force union leadership to first win a ballot of the union membership before calling a strike, and to abolish the closed shop (Tebbit's Employment Act, 1982). A miners' strike had nearly happened in 1981, when the government had a plan to close twenty-three pits, though the threat of a strike was enough to force the government to back down and opt for a bailout. It was widely believed that a confrontation had only been averted in the short-run. In 1983, Thatcher appointed Sir Ian MacGregor as head of the National Coal Board (NCB). MacGregor intended to write off unrepayable debts and close irredeemably lossmaking pits. His reputation of axeman raised the expectation that jobs would be cut on a similar scale in mining, and confrontations between MacGregor and the Marxist leader of the miners, Arthur Scargill, seemed inevitable. The government had made preparations to counter a strike by the National Union of Mineworkers (NUM) long in advance by building up coal stocks, ensuring that cuts in the electricity supply — the legacy of the industrial disputes of 1972 — would not be repeated. The issue of whether a ballot was needed for a national strike was very complicated. Scargill did not call a ballot for national strike action, perhaps because of uncertainty over the level of support amongst members. The official line was that each region was to decide by itself; closures affected some regions (Yorkshire, Scotland and South Wales) more than others and it was felt that 'safe' regions like the Midlands should not be allowed to ballot other regions out of jobs. The NUM got official support from the TUC (though some moderate union executives were reluctant) and lukewarm support from Labour. The Conservative government, however, enforced the Employment Act that required unions to ballot members on strike action. Police tactics during the strikes came under criticism from civil libertarians but the images of crowds of militant miners attempting to prevent other miners ('blacklegs' or 'scabs') from working proved a shock even to some supporters of the strikes. Solidarity with the striking miners came through from other unions as well, giving rise to the fear that the strike might spread and hijack the country, just like in the General Strike of 1926. The mounting desperation and poverty of the striking families led to divisions within the regional NUM branches, and a breakaway union, the Union of Democratic Mineworkers (UDM), was soon formed. A group of workers, worn down by months of futile protests, began to defy the Union's rulings, starting splinter groups and advising workers that returning to work was the only viable option. The miners' strike

lasted a full year before the NUM leadership conceded without a deal in March 1985. The Conservative government proceeded to close all but 15 of the country's pits, with the remaining 15 being sold off and privatised in 1994. The defeat of the miners' strike led to a long period of demoralization in the whole of the trade union movement.

In 1986, Thatcher's government controversially abolished the Greater London Council (GLC), then led by the strongly left-wing Ken Livingstone, and six Metropolitan County Councils (MCCs). The government claimed this was an efficiency measure. However, Thatcher's opponents held that the move was politically motivated, as all of the abolished councils had become powerful centres of opposition to her government, and were in favour of higher local government taxes and public spending. Several of them had committed scarce public funds to leftist causes, such as the 'unfair preference' over ethnic minorities and the promotion of gay rights. Moreover, in an attempt to control local spending, Thatcher introduced the rate-capping scheme to prevent local councils from raising local taxation beyond certain levels. Thus, central government funding became the only other main source of income. This clearly curtailed local government spending and instigated a series of battles between the Conservative government and the Liverpool city council.

In October 1983, Neil Kinnock replaced Michael Foot as leader of the Labour party. He had the thankless task of leading the Labour Party during a protracted period out of government. His first period as party leader—between the 1983 and 1987 elections—was dominated by his struggle with the hard left. Although Kinnock had come from the left of the party he had grown disaffected from its dogmatism and factionalism, and even pondered standing against Mr Tony Benn for the deputy leadership in 1981. In the end he enraged the left by denying Mr Benn his support to the advantage of the moderate Healey. He was almost immediately in serious difficulty as a result of Arthur Scargill's decision to lead the NUM into a national strike without a ballot. The NUM was widely regarded as Labour's safe base and the strike convulsed the Labour movement. Kinnock supported the aim of the strike - which he famously dubbed the "case for coal" - but, as an MP from a Welsh mining area, was bitterly critical of the tactics employed. In 1985, he made his criticisms public in a speech to Labour's conference. He was more adamant than ever to move the Labour party to the centre and launched a powerful attack on the Militant-dominated Liverpool City Council. From 1985 onwards a series of moves led by Neil Kinnock against the Militant tendency ended its influence in the Labour Party.

The Conservatives' 1986 conference effectively relaunched the Conservatives as a party of radical free-market liberalism. Despite Mr Kinnocks attempts to prove the contrary, Labour

still suffered from a persistent image of extremism, covering renationalisation under the vague term of ‘social ownership’. Opinion polls showed that voters favoured retaining Britain's nuclear weapons and believed that the Conservatives would be better than Labour at defending the country. Margaret Thatcher’s government was home and dry again in June 1987 with a 102 seat majority, riding an economic boom against a weak Labour opposition.

3.2 *About monetarism*

3.2.1 *Wets and Dries*

In “Inheriting a miniboom maxiproblem”, *The Economist* (2.7.83: 23-24) welcomes the fact that Mr Nigel Lawson, the new chancellor of the exchequer, and Mr Robin Leigh-Pemberton, the new governor of the Bank of England, are taking the helm as the domestic prospects for the British economy look brighter than for five years. In this respect, *The Economist* points out that it is not difficult for an economy “to look rosier than during the 1979-81 slump, when real gross national product fell by 5,5% in 18 months and unemployment surged above 3m”. However, it is mentioned that the recovery has been coming at an accelerating speed. Real gnp was rising in October 1982 - March 1983 at a rate equivalent to annual growth of 4%, which, if sustained, would be the fastest since 1978. In industry, confidence is said to be returning. The latest survey of businessmen’s mood by the Confederation of British Industry (CBI) is reported to point to further growth. In this respect, Hamish McRae in “There’s a boom al right but you have got to be in the right place to gain” (*The Guardian* 15.7.83) claims that “this boom is uneven”. If recovery is to be sustained, *The Economist* (2.7.83: 23-24) argues, the next pull to growth must come from exports and private investment.⁵² To achieve that goal, production (and labour) costs must fall. In this respect, *The Economist* emphasises that purgative monetarism has been instrumental in decreasing real cost of labour per unit of output during the recession. The British economy in 1983 is more disciplined and more realistic than it was in 1979. But these qualities are the offspring of a recession which Thatcher did not alleviate because of the necessary new realism it brought with it. The fall in real cost of labour per unit of output, however, is ascribed to redundancies, not lower wages.⁵³

⁵² *The Economist* (2.7.83: 24) adds that “since 1976, the volume of imports of manufactured goods has risen by 80%, whereas the volume of exports has not changed.”

⁵³ cf. *The Economist* (3.12.83: 14): “The Thatcher government has already succeeded in blunting the inflationary power of the unions, mainly by letting unemployment rise.”

Therefore, the biggest challenge facing Mr Lawson is “to bring wage rises below the rate of price inflation, unless sterling is to be allowed to slide much further or unless productivity goes sharply up” (*The Economist* 2.7.83: 24). In “Tory paternalism keeps getting in the way”, *The Economist* (9.7.83: 25) regrets the fact that there never was a secret Tory manifesto for slashing government expenditure. The Whitehall departments’ opening bids for government spending in 1984-85 are £5 billion a year bigger than the government can conceivably afford. Both HEALTH (or rather, DISEASE) and CONFLICT metaphors illustrate the antagonism between (wet) spenders and (dry) cutters. The ‘wets’ are headed by Edward Heath and Sir Francis Pym. After winning a landslide, Thatcher sacked Sir Francis Pym as Foreign Secretary. Shortly afterwards, Pym launched a new pressure group called *Conservative Centre Forward* to argue for more moderation and centrist One Nation policies, which *The Guardian* (1.7.83) describes as “nice worries about nasty medicine [i.e. monetarism]”, an antidote to “the bitter economic climate” and “the damage to the social fabric of the country”, but which *The Economist* denounces as ‘reflationary’ and clearly opposes, as shown by its use of salient metaphors:

- (217) As a more immediate pain, the departments have also been blithely spending more since March than they were allotted for in 1983-84. [...] One aggravation is that 152 out of 412 English town halls are set to overshoot their supposed spending limits for this year by £771m. So the new chancellor of the exchequer, Mr Nigel Lawson, is bound to wield some immediate scissors. [...] Mr Lawson will have to be starting the bigger job of slashing next year’s proffered bills, handicapped by some Tory promises in the hustings. [...] The 8.7% increase [in unemployment benefits], forced by three successive rebellions last year by paternalist Tory backbenchers, damaged any coherent strategy to reduce unemployment this year and, with Francis Pym now leading the paternalists from behind, all the forces of decent economic innumeration are mobilising to do it again. The three Tory measures to reduce the net income of those on the dole by 10% are the tax on unemployment benefit, the abolition of earnings-related supplement and a sleight-of-hand 5% cut in real benefits. [...] But Tory wets in government and out of it forced Sir Geoffrey Howe [in 1979-83] to restore fully that 5% cut from next November, which will bring real unemployment benefits under the Tories above what they ever were under Labour. (*The Economist* 9.7.83: 25)
- (218) Whenever it calls for long-term financial realism, it is assailed by wet Conservative backbenchers and pilloried on all television channels.⁵⁴ Nor does the government now have

⁵⁴ In this respect, the satirical TV show *Not the Nine O’Clock News*, starring Rowan Atkinson, wasn’t especially ground-breaking by the standards of *Monty Python* or contemporary series such as *The Young Ones*, but it did

any mechanism for general “thinking about the unthinkable” – one function of the disbanded think-tank – just when the unthinkable must be thought. (*The Economist* 10.9.83: 25)

Moreover, in “They didn’t cut, but ran”, *The Economist* (16.7.83: 10) asserts that the March budget was misleading. The overshooting on public borrowing started to show within a couple of months of the March budget: “The Labour party failed to exploit this embarrassment during the election campaign, because Michael Foot had been saying for years that government should be spending more, not less”. If Mr Lawson is to cut taxes, he must cut spending much more, its unpopularity notwithstanding. *The Economist* claims that he and his treasury officials know it is impossible to honour existing commitments to both the defence and social security benefits by the late 1980s. Specifically, if he intended to force the defence secretary off his commitment to an annual 3% real increase in defence spending, and the social services secretary off the inflation-proofing of some benefits, Mr Lawson is advised to do so now, with the next election up to five years away. His task is hardly a rewarding one since opinion polls are in favour of the reprivatisation of nationalised industries, but not of the privatisation of national welfare (*The Economist* 8.10.83: 18). The preponderance of service-extendors over tax-cutters suggests that, in future, the Thatcher government’s policy and British public opinion could collide and that, by consequence, a benefit squeeze could become a vote squeeze:

(219) He was promptly branded Nigel the axeman, an epithet he will take as high praise. In fact, he was more like Nigel the sweeper, cleaning up some of the mess left by his usually unmessy predecessor at the treasury, Sir Geoffrey Howe. Mr Lawson’s eventual axe will have to be much sharper than anything seen last week. (*The Economist* 16.7.83: 10)

The Guardian (8.7.83) accepts the idea that “government created a pre-election boom” by means of temporary overspending, which it denounces as “a pretty cynical piece of electoral manipulation”. Furthermore, it discusses the fate of the destitute who have been hardest hit by monetarism in “The money the poor didn’t get” (20.7.83). As the affair of the missing social security payments continues to gather momentum, “it is becoming a kind of parable of our harsh times”. It is emphasised that the duty of the government towards the poor should not be underestimated: “the poor to whom it has a moral obligation to repair the mistake that has

provide some incisive gags at the major social and political concerns of the early 1980s: Thatcher, Reagan, police brutality, the prospect of nuclear war. Thatcherism with its insistence on restrained public spending and self-help is unremittingly portrayed as a wicked and evil force strangholding the UK.

further deprived those who are already in the greatest need”. Moreover, *The Guardian* looks at the social cost of “attacking public expenditure” (25.7.83). Victor Keegan notes that the problem with cutting public expenditure as a percentage of the economy is that “in the absence of other jobs for people to go to it is necessary to implement quite savage cuts in government spending to produce modest (net) savings in expenditure”. This is because the government still has to borrow to finance unemployment pay, redundancy costs and the lost tax revenues associated with the job cuts:

(220) Of course the rationale is that lower government spending will reduce borrowing and thereby lower interest rates, which, in turn will stimulate recovery and possibly lead to tax cuts. Maybe. The evidence so far is not very encouraging. Government borrowing in the UK has been reduced so much (as a percentage of Gross Domestic Product) that we now have the tightest fiscal regime in the industrialised world. Yet we are lumbered with penally high interest rates (after allowing for inflation) and one of the slowest recoveries in the world. (*The Guardian* 25.7.83)

In “How serious is the Chancellor?”, *The Guardian* (21.10.83) argues that if Mr Lawson tightens policy, either by reducing his target ranges or steering the money supply numbers closer to the bottom of those ranges, the experience of the last few years suggests that the price will be slower growth, rising unemployment and even possibly a new downturn:

(221) Mr Lawson, like many of the more extreme monetarists, would dispute the dilemma, arguing that growth and slower inflation can be combined at one and the same time just so long as inflationary expectations are held in check. [I]t seems, in the present state of economic knowledge to be more akin to wishful thinking and ideological tub-thumping. The real question remains whether Mr Lawson is a pragmatist or an ideologue. (*The Guardian* 21.10.83)

In “The welfare muddle”, *The Economist* (1.10.83: 17) points at the problem of the ‘poverty trap’, which discourages people from seeking a job. Lack of transparency and complications in both the tax and the welfare system are seen as obstacles to a sound supply-side of the economy. Extra taxes and withdrawn benefits can mean that some of the lowest-paid workers are made worse off when their wages rise. Others may get a bigger income from being unemployed than from having a job. The poverty trap affects people in work. With rising income, a poor family faces not only a bigger tax bill but also the withdrawal of its social-

security benefits. Higher pre-tax earnings may therefore benefit it hardly at all or even make it poorer. Therefore, tax reform is needed. Ministers know well that the most intractable political problem of the 1980s will be further funding of the welfare state. In “Has he the nerve?”, *The Economist* (15.10.83: 12) claims that it is ingrained in the British political consciousness that pensioners and other benefit recipients should be protected against inflation. It doubts whether this inflation-proofing of social security transfers is realistic as their numbers increase: “Should they also be shielded from recession, even if such protection impedes recovery?”. The social services secretary, Mr Norman Fowler, deserves credit from *The Economist* for forcing the ignored paper on welfare reform back on Thatcher’s desk again, and thus re-opening the discussion, with his intended health-service cuts. In addition, *The Economist* sees hardly any reformist advantage in the imposition of the rate-capping scheme on local councils with “the most severe financial curbs ever placed on local autonomy”. Such a course would be a recipe for gigantism, bureaucratic centralism and local irresponsibility: “It is the one which France, its best-known exponent, is in the process of rejecting” (*The Economist* 6.8.83: 14). Another concern is the oversubsidising of European farmers by the European Community, which depresses farm prices and stifles competition with developing countries. Rather than confront the powerful agricultural lobbyists – as influential over the Tories’ backbenchers as the unions over Labour’s – “ministers pray that common market bankruptcy will somehow absolve them of the responsibility for keeping farm price supports far too high” (8.10.83: 13). In this respect, *The Guardian* (18.2.85) agrees that the government should have the courage to take on the farmers: “There is in fact a far stronger economic case to remove subsidies from farming than from coal. That it has not happened can only be ascribed to the traditional British cultural superiority afforded to agriculture over industry”.

Therefore, *The Economist* urges Mrs Thatcher not to opt for peace and quiet during her second term but to turn the proclaimed Thatcher Revolution into a fact, otherwise her political standing will decrease and challengers within the Tory party as well as outsiders will capitalise on her downslide. Mr Neil Kinnock (Labour), Mr David Steel (Liberal-Democrats) and Dr David Owen (SDP) are clever, ambitious and clearly of a younger political generation than Mrs Thatcher. They have the capacity and determination to redefine the British progressive tradition “in a way which could make the prime minister’s monetarist and Iron Lady oratory seem old-fashioned” (8.10.83: 13). *The Economist* stresses that she has not yet delivered on her 1979 manifesto of launching prosperity built on private enterprise. *The*

Economist refutes Keynes's assertion that "in the long run, we're all dead".⁵⁵ Mr Lawson is strongly advised to break out of his short-term bind and do so now with the start of a new parliament, before politics and economics alike conspire to defeat him: "Keynes was wrong. Mr Lawson's long run is waiting just round the corner to bang him on the head" (15.10.83: 14). Long-term public spending must be reviewed fundamentally and short-term expenditure decisions must be married to that review. This urging for long-term reform is linguistically translated by means of its MOBILITY metaphors:

- (222) Has Margaret Thatcher's government lost its way? In the six months since it caught election fever, it has seemed without strategic direction or ideological thrust. [...] The very ascendancy of Mrs Thatcher as a battlwinner and votewinner appeared to give less priority to the economic and industrial issues still vexing her party and country. [...] Somehow, as if by oversight, the great supply-side issues which were going to be tackled have slid off the agenda. [...] It is as if the great interests of traditional Toryism – the major industries, the farms, the Whitehall bureaucracy, the armed services – have all proved too powerful for the simple self-helpers, the small businessmen and devotees of Adam Smith who came to power in the party with Mrs Thatcher. The corporate state rules still. She will eventually be judged on her delivery of the revolutionary changes in Britain promised in 1979, and this requires a more systematic mobilisation of the forces of her party and of Whitehall. It requires the injection into government of the revisionism – for instance, on long-term social benefits – so abhorred by practising politicians of both left and right who are wedded to the short run. (*The Economist* 8.10.83: 13)
- (223) Lord Home, Lord Wilson, Mr Heath and Mr James Callaghan [were] all creatures rather than masters of their parties. Like them, Mrs Thatcher will be tempted to rely on the authority of her office to whip her supporters into line – rather than re-excite them with her once radical commitment. If so, her administration will slither into the muddle which has marked the demise of so many of its predecessors. (*The Economist* 7.1.84: 13)

In "Revolt of the unled", *The Economist* (7.1.84: 13) analyses the recent history within the Conservative party and concludes that "for five years [Mrs Thatcher] has correctly read a Tory mood which seemed to require of her the language of radicalism but the measures of moderation". She deserves credit for not having made the U-turn, Edward Heath's 1972 mistake of publicly changing course. Instead, "she has successfully performed the

⁵⁵ cf. Parkin (2005: 418)

Churchill/Macmillan juggling act: preserving the welfare state while protecting such Tory interests as agriculture, the professions and the bureaucracy". She is said to have "tinkered enough with the supply side of the economy to make her oratory credible while not drastically shifting the balance of the economy from public to private sectors or reducing taxation" (7.1.84: 13). Therefore, *The Economist* concludes that during her first term, Thatcher remained a pragmatist at heart, gauging the temperature and acting accordingly: "She has muddled together enough conviction with the electorate to put out of mind the party rebellion which threatened her position two winters ago". If the recession years 1979-1982 were beset with TINA-problems ('There is no Alternative but monetarism'), new contentious issues like rate-capping, the Greater London Council, EEC budget, cuts in social security payments present new divisions within the Conservative party, the realities of which are translated through an array of CONFLICT metaphors in both newspapers:

- (224) The summer recess came as a profound relief. [...] The rows over public spending are fiercer and more public. [...] The Young Conservatives have uncovered an entryist plot. (*The Guardian* 1.10.83)
- (225) "Mr Heath and other heroes" The Government has various pretty devices for trying to write off the backbench MP's who are rebelling against its local government legislation. (*The Guardian* 13.4.84)
- (226) Tory party managers with potentially serious rebellions in 1984. In strictly speaking terms, the prime minister should have no trouble containing these revolts. Her cabinet has been restructured with young loyalists who should give her none of the trouble she experienced in 1981. Yet these revolts reflect a real disillusion over the government's policy vacuum: they are the revolution of the unled. And 20-30 rebels today can become 50-60 if the habit of indiscipline spreads. [...] If the polls turn seriously against Mrs Thatcher, Tories in really marginal seats could become beyond discipline. Expect revolt too from the house of lords. (*The Economist* 7.1.84: 13)
- (227) "Ratecapping: the cabinet prepares for blood" (*The Economist* 14.1.84: 21)
- (228) The cabinet is in for a fierce fight over the local government finance bill. [...] Mr Jenkin's tactic so far has been to mobilise his colleagues in defence of the chief beneficiaries of his bill (*The Economist* 14.1.84: 21).
- (229) "The Tory rebels' fears and hopes"

If the lords were to emasculate the [Rates] bill, say the rebels [Edward Heath and Francis Pym], the government would think twice before re-introducing the measure unamended in the commons, where its own members might be emboldened by the lords' success. [...] The lords have in the past proven themselves ready to fight the commons in the interests of the shires, but they would hate to start a battle of peers v. people. (*The Economist* 21.1.84: 20)

In “UnKeynesian Britain”, *The Economist* (4.2.84: 15) evaluates the government’s fiscal policy as Britain’s economy is settling into a third year of growth that many people said could not happen. When the Thatcher government raised taxes and cut public borrowing in its 1981 budget, 364 academic economists pronounced that these retractionary fiscal policies would deepen the depression. Shortly thereafter, recovery began. The government has gone on shrinking the public-sector borrowing requirement (PSBR) ever since. The opposition parties and Tory wets like Sir Ian Gilmour claim that growth has restarted because ministers have become covert Keynesians, loosening fiscal policy behind a facade of restraint. However, *The Economist* emphasises that the critics’ claim ignores the facts. In each of the first two years of recovery, the PSBR as a proportion of gdp was smaller than planned. Only in 1983-84 has there been any overshooting: “This year’s slippage is anyway trivial compared with what Keynesians used to say was needed to restore healthy economic growth”. It claims that “in new-look Britain, with demand expanding at a sustainable pace, the supply side of the economy is being held back by too-high real wages, the oldest drag around” (*The Economist* 4.2.84: 15). In “Revivalist Lawson”, *The Economist* (10.3.84: 16) informs that government has cut the public sector borrowing requirement (PSBR) to about 3,25% of gross domestic product, one of the lowest ratios in the world. It has slowed monetary growth, though perhaps not by as much as it would have liked. This prize has been won at great cost, with 3m people unemployed. Some economists (and all opposition parties) are therefore urging the government to be more expansionary “because it can afford to take risks with inflation”. On the contrary, *The Economist* argues, the government rightly believes that another round of rising inflation would mean another string of lost jobs: “It should go on fighting inflation, to persuade workers to price themselves and the unemployed into secure jobs, managers to realise that they will not be saved by the printing presses if they concede large wage rises, and the financial markets to bring interest rates down to West German levels” (10.3.84: 16). In short, *The Economist* advises the treasury to continue to pursue its retractionary fiscal policy by updating Sir Geoffrey’s medium-term financial strategy (MTFS). The MTFS was originally intended as a framework for monetary policy; the PSBR targets were there largely

as support: “Only when the government was thrown by the bucking of sterling M3, its chosen measure of the money supply, did it put more weight on the PSBR” (10.3.84: 16). At that time it was right to do so; its counter-inflationary intent would otherwise have seemed pretty feeble. But, *The Economist* points out, the PSBR is a messy guide to fiscal policy, growing messier as the government sells more public assets and treats the proceeds as though they cut it. The treasury counts the proceeds from selling shares in state-owned industries as “negative public spending” – ie, they reduce the PSBR. In fact, *The Economist* argues, they finance it. On this bizarre convention, a long-term programme of privatisation will mean that the PSBR can fall each year though the impact of the government’s deficit is not changing. Therefore, Mr Lawson need not fudge the goal of an MTMS:

(230) The Bank of England and the treasury can more credibly [judge what the money supply statistics were saying] now that the government is targeting several measures of money. And waiting in the wings is a new measure, M2, which should one day prove the least distortable guide to monetary conditions. The government need not be embarrassed by the plethora of Ms. America’s Federal Reserve has targets for three measures of money, and watches others. [...] A strategy aimed at slowing growth in the various Ms to, say, 4% by 1989 would be the surest proof of the government’s intentions. Mr Lawson would also prove that, on economic policy at least, the Tories have not lost their feet or their way. (*The Economist* 10.3.84: 17)

In conclusion, restraint public spending and undiluted monetary control will allow for lower interest rates (advocated by industry)⁵⁶ and lead to economic growth, as indicated by the judgment value of the MOBILITY metaphors.

The Guardian (14.2.84) shares the view that “without the tax bonanza from the North Sea, which is also being used to reduce the PSBR” the government would have had to take quite drastic action to maintain today’s level of PSBR, thus indicating that the PSBR can fall each year though the impact of the government’s deficit is not changing. However, *The Guardian* refutes the government’s idea that high interest rates are the price which has to be paid to prevent public sector debt generated by too large a PSBR being held as money:

⁵⁶ In this respect, *The Economist* (8.10.83:25) informs that the Confederation of British Industry (CBI) and others have advocated lower interest-rates: “They say: Britain’s economic recovery is too slow. [...] Lower interest rates will create some jobs. [...] Lower interest rates should improve the shape of the recovery. They encourage investment, first by reducing the relative cost of capital spending, and second by increasing companies’ profits [...] Lower interest rates should also help to boost Britain’s exports, by pushing down the exchange rate.” (*The Economist* 8.10.83: 25)

(231) What is the PSBR? It is simply the excess of the Government's spending over its income. It includes debts incurred by local authorities and state-owned corporations. [...] But if a government borrows money from a bank it increases the money supply of money in the economy. [...] On the other hand if the Government finances its borrowing by issuing its own IOUs (in the form of gilt-edged stock) to anyone but a bank this will not expand the money supply because the people who buy the stock will probably have paid for it by reducing their own bank deposits, thereby neutralising a potential expansion of money. [...] All this leads the Government to argue that if its borrowing is heavy this must lead either to a rise in the money supply or an increase in interest rates as the Treasury tries to sell more and more gilt-edged stock to a limited supply of bankers. [...] But is there a close connection between government borrowing, interest rates and the money supply? The City, which although politically sympathetic to the Government, has to put its money where its mouth is, remains surprisingly sceptical. From Keynesian inclined stockbrokers, Philips and Drew, to monetarist minded Hoare Govett, the message is the same – there is no statistical link between movements in the borrowing requirement and changes in the money supply or interest rates. One of the reasons is that since the finances of all the sectors together – public, personal, corporate and overseas – must, by definition, balance then one sector's deficit generates savings in another sector which could finance it without necessarily affecting interest rates. For instance, government spending on, say, a new bridge, would increase the PSBR but have a counterpart in improved savings (or reduced deficits) among the companies and people building it. (*The Guardian* 14.2.84)

This view is a far cry from *The Economist's* insistence that high borrowing correlates with high interest rates, as it is explicitly articulated in its attack on Roy Hattersley, Labour's deputy leader, who is an advocate of expansionary fiscal policy: "How, in 1984, can a shadow chancellor expect to be credible and yet argue simultaneously for higher borrowing and lower interest rates?" (*The Economist* 25.2.84: 15). By contrast, *The Guardian's* view that there is no close connection between movements in the borrowing requirement and changes in the money supply or interest rates, makes it obviously less squeamish about public spending than *The Economist*. Moreover, it is striking that *The Economist* sees competition as the ultimate remedy in the public sector (see 3.4), whereas *The Guardian* unremittingly attacks "the cuts and squeezes in the National Health Service" (28.9.83) on which a majority of the population depends (manpower targets, government's centralising zeal, cash limits). While *The Economist* (15.10.83: 12) claims that the social services secretary, Mr Norman Fowler, deserves credit for forcing the ignored paper on welfare reform back on Thatcher's desk again, and thus re-opening the discussion with his intended health-service cuts, *The Guardian*

(28.9.83) states that “Mr Norman Fowler seems to have plunged headlong into a trap sprung by his own political ineptitude”, a MOBILITY metaphor that operates *against* the tenets of the Thatcher Revolution. Furthermore, in “Mr Lawson’s massage parlour” (17.2.84), the government’s public expenditure white papers are denounced as “damned lies”:

(232) Within the overall totals of public spending, what is most remarkable is the sad sense of the Government’s priorities which emerges. Two of the sharpest increases in spending since 1978-79 are unemployment and debt interest [...] without anyone of the unemployed getting more than before. Is this really the economics of good housekeeping? [...] The emphasis has been exclusively on law and order, agriculture and defence. (*The Guardian* 17.2.84)

Discussing the 1984 budget in “Small revolution?”, *The Economist* (17.3.84: 11) claims that the budget was “Not as Howeish as it sounded”. One alternative before Mr Lawson was to continue with Sir Geoffrey’s policy of pushing budget deficits steadily lower to attempt to get inflation down to virtually nil. The other alternative was to stop reducing budget deficits to accept an annual 3-5% as the target inflation rate for the rest of this parliament, and to use the small resultant leeway to introduce a budget aimed at securing the maximum possible reduction in unemployment. *The Economist* argues that Mr Lawson has opted for this second alternative, although many both of his backbenchers and his detractors in favour of expansionary fiscal policy want to believe that he has not. According to *The Economist* (17.3.84: 11) Mr Lawson’s principal 1984 budget decision has been to grasp the huge changes in business taxation and to push them through amid loud Tory political acclaim:

(233) For more than 30 years, his predecessors as chancellors of the exchequer have been building up incentives for labour-saving investment in plant and equipment and industrial (though not commercial) buildings. Mr Lawson now rightly calls their expensive structure a “taxation system that encourages low-yielding or even loss-making investment at the expense of jobs”. Until last Tuesday Britain had an industrial policy of the sort advocated in the United States by Mr Walter Mondale – ie, the most perverse impediment conceivable for a country that needs to get out of the products manufactured one quarter as cheaply by South Korea and to enter the post-industrial age [i.e. service-industry]. [...] More than all of these big reductions in industrial subsidies will then be given back during a four-stage reduction in corporation tax on company profits, from 52% today to only 35% in 1986-87 [...]. The extraordinary package is then gilded by the decision to abolish, in October, the £850m-a-year national insurance surcharge (“Mr Healey’s tax on jobs”).

This and more will be paid in 1984-85 by levying Vat on imports into Britain as early as it is levied on British exports to the rest of the EEC. Victor Keegan in *The Guardian* (18.4.84), however, wonders “if the budget looks as rosy from Detroit as it does from Downing Street” and concludes that “the question is whether Mr Lawson’s cold douche will persuade international companies like Ford to think twice before investing more in the UK”. The abolition of the national insurance surcharge of 1 per cent of relevant wage bills, however, is “overdue and welcome” and should also “boost industry’s competitiveness on home and world markets” (*The Guardian* 14.3.84). When it comes to easing the ‘poverty trap’ Mr Lawson embarks on a programme of lifting the lowest paid out of the ranks of income-tax payers. In this respect, however, *The Economist* warns that Mr Lawson’s simple method of raising tax thresholds is not the most discriminate way of easing the unemployment trap, since a raising of tax thresholds helps everybody. It would have been better to have undertaken a wider reform, including scrapping the married man’s allowance and overhauling the Victorian schedular system under which different types of income are arbitrarily and quite differently taxed, with tax paid in one year relating to income earned in several previous years: “The whole inefficient administration of British income tax has been gathering barnacles since the Napoleonic Wars”.⁵⁷ Moreover, *The Economist* (17.3. 84: 12) concludes that Mr Lawson’s radicalism would have had freer rein if he had moved towards an expenditure-based, instead of income-based, tax system. In “Splutter and fizz, but some way short of bang”, *The Economist* (17.3.84: 19) argues that “Mr Nigel Lawson may have set a bomb under Britain’s musty tax system. He may even have lit the fuse this year. But a long fuse it is.” His promised radicalism is felt to be overestimated: “Behind the bold noises, the 1984 budget is some way short of being the radical tract implied by its reception. Public spending, once the arch enemy of Thatcherism, is set to remain constant in real terms as far ahead as 1988-89”. On top of that, the Thatcher government gets a “thumbs-down” verdict from the right-wing think tanks and academics who had tutored the Tory party on the free-market, smaller state philosophy:

(234) *From the pamphleteers*
The eccentric message came:
Things are no better
Things are much the same

⁵⁷ cf. *The Economist* (25.2.84:15): “Tax reform could sweep away the reliefs which protect numerous special-interest groups – the farmer, the company-car user, the house-buyer who needs no extra help. By broadening the tax base, a Labour government could make room for a more egalitarian distribution of income, without damaging economic efficiency by large increases in marginal tax rates”. In short, a wider tax base allows for tax reductions.

The think tankers are as sure as ever of their case, but believe that Mrs Thatcher and other wets (!) are letting them down. [...] Tory paternalists retain a strong mercantilist streak [...]. Why is it that ministers, even the driest of Thatcherites, become mercantilists once they go to the department of industry? (*The Economist* 21.4.84: 21)

Fearing the looming danger of (new) inflation, *The Economist* in “Tighter money, please” (28.4.84: 14) claims that demand is growing too fast in Britain still painfully slow to produce more. Britain’s economy is overheating, and interest rates need to rise to cool it down:

(235) That view will appal those who gauge the economic temperature only by the jobless rate. But unemployment is a bad thermometer, and a supposedly radical government has done so little to shake up the Labour market that demand can be too strong even with 12,5% unemployed. [...] A shortage of skilled labour is said to be holding back output [...]. Much of the rapid growth in British demand has already leaked abroad in imports. [...] Although the Tories are proud of bringing inflation down from 22% to 4% in their first term, the Labour government (and the IMF) managed a steeper fall between 1975 and 1978. But it never persuaded people that the fall was permanent. The Tories’ bigger success was to break Britain’s inflationary psychology, so that employers, unions and the City stopped building the assumption of double-digit inflation into everything they did. That was how economic recovery began in 1981 after a budget that, by Keynesian standards, deflated demand. All those benefits to the real economy would be reversed if inflationary fever returned.

The Economist advises the government to go for less loose money and points to bank lending to the private sector as the culprit. This demand for credit could be moderated without killing off the economic recovery. The best monetary option would be for the Bank of England to engineer a rise in short-term interest rates, which would well calm inflationary fears by enough to produce a fall in long-term rates: “Cheaper long-term finance would strengthen company balance sheets, while dearer short-term borrowing would encourage sharper day-to-day management” (28.4.84: 14). The aim should be to slow demand without slowing output, – which can happen only if Britain becomes more competitive internationally and favours labour-intensive industries over capital-intensive ones :

(236) Improved competitiveness will not come until Britain’s labour market behaves like other countries’. [...] Britain loses once by failing to compete internationally, and again by making

it uneconomic for companies to employ men rather than machines. When government bosses and workers do something to prevent these losses by letting the labour market work, a boost to demand will mean more jobs. Until then, tighter money is the least-bad alternative. (*The Economist* 28.4.84: 15)

In “London’s pride”, *The Economist* (19.5.84: 20) discusses the intended abolition of the Greater London Council in 1986. It claims that Mrs Thatcher has made herself unpopular while rightly killing Mr Ken Livingstone’s Greater London Council, which *The Economist* criticises for its financial irresponsibility, IRA sympathies and ratepayer support for gay co-operatives:⁵⁸ “A large proportion of the staff at London’s County Hall must have a net production that is actually negative” (19.5.84: 20). The problem is that GLC’s left-wing leader, Mr Ken Livingstone, has emerged “as the sanctified apostle of electoral freedom” while Mrs Thatcher is now presented as the embodiment of centralist dictatorship: “Now, Mr Livingstone’s campaign has struck a chord among people who think some democratic representation is being taken away from London” (*The Economist* 19.5.84: 20). Furthermore, in “Thatcher steps out”, *The Economist* (7.7.84: 11) claims that Mrs Thatcher’s second government is stepping out to become Britain’s most inept since the war. The mishaps, mistakes and omissions which have characterised its first full year now have ministers in difficulty with farmers, miners, peers, local authorities, EEC allies, even City financiers. Nothing seems to be going right and what goes wrong is increasingly portrayed as somebody else’s fault – sign of ministers losing their grip:

(237) Mrs Thatcher, apostle of strong government and emphatic leadership, still holds the helm, but the rudder is taking on a life of its own. The government’s strengths are still considerable. Its economic strategy, set out at the last election and reasserted in Mr Nigel Lawson’s first budget, is at bottom sound. [...] Nobody doubts Mrs Thatcher’s sense of direction. Yet Mrs Thatcher has lost her ability to move in that direction without slipping on a banana skin and falling on her face. She looks alarmingly like Mr Harold Wilson in the closing years of his 1966 administration. [...] Despite Mrs Thatcher’s reputation for ideological politics, she does

⁵⁸ Mention should be made, however, of *The Economist’s* highly tolerant stance towards homosexuality. *The Economist* has been criticized by social conservatives for its utilitarian moral endorsements such as supporting the legalization of prostitution, illegal drugs, euthanasia and same-sex marriage. As early as 1985, *The Economist* (2.3.85: 14) argued that “a more liberal attitude could help contain Aids”. It therefore claimed that “attacking homosexuals will not help matters,” and acted as a groundbreaker in the proposal to sanction “some sort of legal marriage for gays in the hope that this will give them more reasons to be less promiscuous”. With trenchant intelligence, it denounces conservative “gay-bashing” by emphasising that “the Christian churches could help by focusing less on St Paul’s hang-ups and more on Christ’s compassion.”

not find it easy to think long-term, except in vague terms on the structure of the economy and the confrontation with communism. (*The Economist* 7.7.84: 11)

A different instance of the same malaise is the prime minister's handling of the EEC negotiations and related agricultural reform. The deal she brought back from Fontainebleau "was not the one she adamantly put before the country a year ago" (7.7.84: 11). According to *The Economist* (7.7.84: 11), it was neither a permanent settlement of the budget nor did it embrace a fundamental reform of the common agricultural policy: "Her immediate difficulties are all results of previous short-term palliatives in areas which bore her: her neglect of Northern Ireland; her unconcern over the future of local democracy; her casual attitude to the environment; her belief that trade union power will wane if she ignores it; her appeasement with the farming lobby". In "Thatcher's Whitehall", *The Economist* (25.8.84: 20) claims that Mrs Thatcher has long declared her ambition to streamline Whitehall to make it a more effective tool for the implementation of her policies. Yet apart from the abolition of the civil service department, formal changes in the machinery of government are said to have been "remarkable by their absence". Therefore, *The Economist* argues, one mechanism usually advocated to assert political prerogatives over the bureaucracy is the deployment of political appointees in senior civil service posts. President Mitterrand did this effectively for his first year in power.⁵⁹ This view is qualified in *The Guardian* (24.8.84), which claims that "one of Thatcherism's most startling gifts to British society is to have thoroughly politicised it". *The Guardian* argues that "in Whitehall no civil servant can rise to the top without having proved his or her positive adherence to the government's objectives".

It is further mentioned that Thatcherism has drawn recriminations from the once safely Tory Church of England, which unremittingly denounces Thatcherism as being dangerously "libertarian". *The Guardian* (9.10.84) mentions that "the human cost of Thatchernomics is becoming more than some people and some communities can bear". During the miners' strike, church leaders are reported to have held talks with miners' union officials (*The*

⁵⁹ The desire to establish a more politically aligned Whitehall is repeated in "No minister" (*The Economist* 31.5.86: 17-18): "Britain would be governed better if its civil service were more political. After seven years of a supposedly radical government, much of Britain's civil service remains overpaid, demoralised and unreformed. [...] The head of the civil service, Sir Robert Armstrong, peddled the old line that civil servants are the loyal executors of ministers' policy. This is archaic fantasy: witness the trouble Mrs Thatcher has had with, for instance, the Foreign Office over the EEC [...]. With the armed forces and the churches, the mandarins think that no one should be admitted to their upper echelons whose career has not been devoted to their calling." Therefore, *The Economist* claims, it is necessary "that all posts of under-secretary and above (including diplomats) be filled by open advertisement, subject to all applicants having worked in the private sector for a spell. [...] ministers having a right of veto."

Economist 24.11.84: 34). There were vigorous attacks on the government's economic policy: "The new Bishop of Durham, the Rt. Rev. David Jenkins, likened the government's monetarist philosophy to Marxism in its dogmatism".⁶⁰ In "Parting amid sweet and sour myths", *The Guardian* (29.3.86) relates the abolishment of the GLC to the widely held view that Thatcherism is bent on diminishing the scope of democracy:

(238) Labour's five years in control of the Greater London Council, which end with the abolition of the GLC and the six Metropolitan counties at midnight on Monday, have been the stuff on which myths are made. Myth number one, which dominated the period up to the 1983 General Election, was that the Labour GLC was widely unpopular. Initially, this was based on London Tory leaders' assumption that ratepayers would not stand for a cheap fares policy paid for through the rates. [...] In fact it was an albatross, as the opinion polls soon and consistently showed. The government has had to live with its mistake ever since. It has had a long, hard parliamentary battle. It has lost support in the capital while Mr Livingstone has been transformed from a demon into a much loved cheeky chappie. And it has had to armtwist and spend money to ensure that there will be anything to show for abolition. The net result of the whole exercise is that the Conservatives have appeared vindictive and intolerant of dissent and that popular support for an upper tier of local government has never been greater.

The aforementioned set of controversial issues (deflationary policy, rate-capping, GLC) gives rise to an impressive array of CONFLICT metaphors against the backdrop of a decisive miners' strike (cf. *infra*), which enhance the image of Mrs Thatcher as an outsider in British politics: "The prime minister flaps round its corridors like a solitary hawk looking for prey" (*The Economist* 7.7.84: 11). This simili illustrates Mrs Thatcher's anti-establishment 'radicalism', which she cultivates to antagonise traditional Tories, Whitehall mandarins, the BBC, universities⁶¹ and the Church of England:

⁶⁰ In "Almighty defeat", *The Economist* (19.4.86: 25) reports on the Church of England's opposition to Thatcherite deregulation, such as the Shops bill, designed to remove restrictions on Sunday trading: "Although public opinion consistently showed a majority in favour of Sunday trading, it was in the four weeks before the vote that ministers received many letters in favour of liberalisation. By then the church militant had virtually won the war. Letters poured in to individual Tory MP's, urging them to oppose deregulation. [...] Many were inspired by "Keep Sunday Special", a coalition of shopworkers, church-goers and some (mainly small) retailers. [...] Its weapons were prayer cards left in pews, sermon notes for ministers, draft articles for parish magazines, and public meetings to brow-beat local Conservative MP's.

⁶¹ In "Baker has a lot to learn", *The Economist* (24.5.86: 19-20) discusses Thatcher's controversial stance on education finance. The reforms in the schools which Sir Keith began (like the introduction of the new GCSE exam, and the improvement of in-service training of teachers) were often popular in theory but difficult to put into practice: "Sir Keith has too often given the impression that he thinks all teachers and academics are left-wing layabouts. Universities resented the cuts in their cash since 1981, but they have been changed by them:

- (239) Tebbit hails his novelist henchman, Jeffrey Archer appointed Conservative Party deputy chairman. (*The Guardian* 4.9.85)
- (240) The danger is that, as before the Falklands war, a simmering rebellion in the party and steady advance of Labour at the polls will render the prime minister even more aloof, embattled and rash in her decisions. If Mrs Thatcher is prepared to open up her government to advice from colleagues [...] then revolt will spread from the lords to the commons and from the miners to the local authorities. It will be no good Mrs Thatcher blaming the country. Ultimately the country will blame her. (*The Economist* 7.7.84: 12)
- (241) “Liverpool millions, Jenkin nil”
After all its huffing and puffing, the government this week capitulated to Liverpool city council’s threats of an illegal budget – and set the scene for a full-scale rebellion next year by Labour councils threatened with rate-capping. [...] Meantime, the government has to limit the damage that the Greater London Council and other metropolitan county councils can do during the extra year in office that it has been forced to concede them. The main weapon, revealed this week, will be to limit their power to sign contracts. (*The Economist* 14.7.84: 26)
- (242) “Tory backbenchers. Mutiny in the sergeants’ mess”
Mrs Thatcher led her lately demoralised parliamentary troops into the recess this week with a devastating flourish of despatch-box aggression. [...] More trouble can be expected next session over the EEC contribution, local government and, possibly, agriculture. The trouble has not sprung from mutiny among the army of new MP’s, but from those more senior figures worsted by Mrs Thatcher [...] suggesting that rebellion is personal, not ideological. Thus on rate-capping, the metropolitan counties and housing regular rebels have included wets such as Mr Edward Heath, Mr Francis Pym, Sir Ian Gilmour [...]. (*The Economist* 4.8.84: 21)
- (243) “My lords may be revolting”
The ceremonial fanfare which greeted the government’s new legislative programme will soon be drowned by the sound of whips cracking, guillotines falling and nobles rumbling in rebellion. [...] defending local government and the rural interest against a predominantly

dons and administrators are more aware that money matters, and productivity has improved a bit. [...] The distribution of grants has also been affected by a new assessment of the universities’ research departments. The government, and many within the universities, agree that it makes sense to concentrate expensive research in the places which do it best.” Nevertheless, Thatcher’s alma mater, Oxford University, refused to award her an honorary degree in 1985 because of government cuts to education funding, with members of the science faculty being particularly vociferous in their opposition to her.

urban and suburban commons; asserting themselves against Britain's elected dictatorship.
(*The Economist* 10.11.84: 16)

(244) "God's picket line"

Mrs Thatcher may be winning her war of attrition against Mr Scargill's massed miners. But now she is facing opposition from another declining social group, the once safely Tory Church of England. (*The Economist* 24.11.84: 34)

(245) "Can the builders bulldoze the budget?"

Arrayed against the prime minister and her chancellor are junior ministers, members of the treasury select committee, the party's backbench regiment of elder statesmen, and a phalanx of [pro-public spending] bodies such as the Confederation of British Industry (CBI) and the National Economic Development Council (NEDC).⁶² (*The Economist* 5.1.85: 15)

However, the one thing that unites the Tories in the 1984 Conservative party conference (apart from the IRA bomb attack in the Brighton Grand Hotel) is the persistence to curb union power, of which the miners' strike is a decisive staging post. In "Scargill unites the Tories", *The Economist* (13.10.84: 27) claims that Mr Scargill is a gift to the party conference season since he gives Mr Nigel Lawson a vindication of his economic philosophy: "Mr Lawson repeated the Thatcher philosophy that unemployment is the fault of unions, not governments: "The main cause of unemployment in Britain," he insisted, "is the determination of monopolistic trade unions to insist on levels of pay that price men out of work altogether". In "Thatcher after Scargill", *The Economist* (6.10.84: 13) argues that the test of Mrs Thatcher's economic policy is whether her Tory radicalism could restructure British industry by shaking out the restrictive practices and protectionism which encased it, ending its subsidies, cartels and closed shops. The vision she must therefore project is of "a post-Scargill Britain which is exciting enough to overwhelm the political handicap of unemployment and which can challenge Mr Kinnock's invitation to rejoin the past". However, since unemployment, remains the bane of the Thatcher government, Tory backbenchers and some cabinet ministers urge for fiscal reflation. In "Walker speaks up", *The Economist* (24.11.84: 33) informs that Mr Peter Walker, Mrs Thatcher's energy secretary, "has once again distanced himself from

⁶² In "Star chamber wars", *The Economist* (18.10.86: 34) explains the role of the "star chamber": "Its purpose is to resolve those arguments between the Treasury and individual spending departments which would otherwise not be agreed in time to be announced in the chancellor of the exchequer's mid-November statement. Anything they cannot agree on goes before the star chamber."

the thrust of the government's economic policy". It is mentioned, however, that Mr Walker's speech contained no clear policy proposals to which members of the government could take exception. But it argued that "unemployment was a social waste and an affront to dignity, and was not beyond the power of government to solve". Mr Walker is reported to have dismissed Mr Lawson as a "high priests of economic theology" and monetarists as "economic calvinists". *The Guardian* (21.11.84), emphasising the regional ravages of unemployment and the ripping fabric of British society, claims that "Mr Walker is dead right to talk about the evils of "economic calvinism"," thereby perpetuating its use of RELIGION metaphors to imply a negative bias against the government's economic conservatism (cf. infra). However, in "Getting Britons into jobs. Proposals for cutting British unemployment" *The Economist* (20.10.84: 15) investigates whether fiscal reflation as a job-creating measure would be an option to solve unemployment:

- (246) First question: would an increase in Britain's budget deficit from its present 3% of gnp to America's 4,5% have any hope of cutting much off Britain's unemployment rate? Straight answer: Britain could not afford anything like its equivalent of the \$130 billion trade deficit to which a loose fiscal policy has driven America in 1984 – and, since about 30% of each extra £1 of demand in Britain goes into imports versus only around 10% of marginal demand in America, any fiscal laxity in Britain could hit the trade balance thrice as hard. In low-importing America, Reaganomics has confirmed some hopes of the moderate reflators: first, that loose budgets with tight money can reduce unemployment by favouring labour-intensive industries over capital-intensive ones; second, that some exciting entrepreneurial growth industries are now sparkable by tax cuts. In high-importing Britain, the scope for fiscal reflation, though not necessarily nil, is very small.

A shortage of skilled labour and an inflexible labour market are held responsible for holding back output and keeping production costs high in Britain, which compares unfavourably to America where President Reagan has brought American unemployment sharply down mainly by tax cuts. Therefore, much of the rapid growth in British demand has already leaked abroad in imports. As an alternative strategy, *The Economist* (20.10.84: 15) proposes reductions in income tax and cuts in the cost of employing relatively cheap labour by further reducing employers' national insurance contributions (nics), thereby improving the supply-side of the economy. The answer to the question "Can the builders bulldoze the budget?" (*The Economist* 5.1.85: 15) is therefore a negative one:

(247) Those who believe the conventional argument that public investment creates more jobs than tax cuts (on the grounds that more money from tax cuts is saved, or spent on imports) have been seduced by first-round-only computer models. [...] Even labour-intensive public investment may, at the end of the day, put no more money in the wage-earners' pockets than tax reductions. [...] The chancellor's main point this year is that tax reduction "scores decisively" over increased public capital spending as an unemployment-reducer, because it increases "willingness to work". (*The Economist* 5.1.85: 15)

Sterling's slide in early 1985 against an overvalued dollar and the threat of a larger than expected public sector borrowing requirement (and the prospect of difficulties in funding it) are perceived as intertwining problems. In "The clouds over Lawson's strategy", *The Economist* (19.1.85: 19) claims that "sterling's slide is not the only factor behind the 2,5% rise in bank base rates". Fear of inflation after excessive public spending is a determining factor as well: "Faced with a jittery pound and an uneasy gilt market, it will be much harder for Tory rebels to protest that the government should be spending more than it is" (*The Economist* 19.1.85: 19). Worries about underlying monetary growth have been compounded by the realisation, in the wake of the public spending white paper, that the miners' strike is not the only reason why the public sector borrowing requirement is running above target. In this respect, *The Economist* claims that the boom in equity prices and the rise in house prices in 1984 have suggested that the money supply has been growing faster than official numbers showed. In "The fallen pound" (*The Economist* 19.1.85: 13), it is argued that, although the pound's slide (see 3.2.2) began in 1984 for two good reasons – weaker oil prices, a bounding dollar. It continued to slide against every major currency for the most avoidable reason: "Money men were scared that Mrs Thatcher had gone soft". Only when she raised interest rates twice in two days did the pound steady:

(248) The government's main mistake was to take its own slogans too seriously. "Let the market decide" is shorthand for saying that freely adjusting prices are in principle better than controlled ones. It does not mean that a government can ignore what those prices do. On the contrary, they deserve its fullest attention. Being free, they provide masses of information about basic economic forces, some of which the government can influence. In the Labour market, for instance, Mrs Thatcher would never fall into the trap of assuming that the scrapping of all wage controls meant that the market would then work perfectly. The fact that average earnings in Britain are still rising by 7,5% a year even though the jobless rate is nearly 13% speaks unhappy volumes for continued trade-union power. (*The Economist* 19.1.85: 13)

The idea that Mr Lawson could “do a Reagan”, borrowing more while reining in monetary growth, appeals only to a minority in the City (*The Economist* 2.3.85: 40). This concern is underscored by the MOBILITY metaphors, the value judgment of which urges for restraint public spending and monetary control:

(249) “Anybody here trust the pilots?”

Mrs Thatcher’s attempts to share the joystick with her chancellor bear some responsibility for the buffeting her craft of state has received. [...] [The treasury] accepts that the weak exchange rate may have been a signal that underlying monetary growth was faster than published figures show. Mr Lawson is keener than ever to emphasise his concern to reduce inflation. [...] In the City, he has suffered a loss of credibility. (*The Economist* 2.2.85: 19)

(250) “Cut to revive”

Mr Lawson has failed to cut British government spending, so he had better now earnings-related pensions and reduce richer people’s mortgage and personal allowances. The Thatcher revolution is shuffling to a halt. One of its earliest aims, to cut public spending, is emphasised as often as it is disappointed. By the next general election [...] the government hopes that public spending will be some 39,5% of gross domestic product. That is the same as in 1979-80. (*The Economist* 26.1.85: 16)

Moreover, *The Economist* (26.1.85: 16) argues that some of the things the treasury has done to make the spending estimates fall, are implausible, harmful or just plain shifty: “It is still treating sales of public-sector assets as a reduction in public expenditure rather than a means of financing it”. Mr Lawson is advised to widen the tax base in order to reduce taxes. Therefore, tax shelters are “the other “spending” area ripe for surgery [that] needs more political courage”:

(251) The inland revenue is now giving taxpayers more than £70 billion a year in allowances and exemptions. About 10% of that comes from tax relief on mortgage interest and pension plans.⁶³ Although both may be cherished by natural Tory voters, they have also made them cautious investors. If those tax allowances were reduced – only available, say, at the basic rate of tax – the government could find the money to revive its dreams of cutting other taxes. (*The Economist* 26.1.85: 16)

⁶³ cf. *The Economist* (31.1.87: 15): “Britain’s most wasteful tax shelter: relief on mortgage-interest payments”

Clear monetary targets, a wider tax base, reductions in income tax and nics create employment and stimulate economic growth. Tax shelters and public spending, on the other hand, hamper economic growth. Therefore, *The Economist* treats tax reform (widening the base to reduce taxes) and monetary targets (cf. *infra*) as indispensable safeguards in the upcoming budget.⁶⁴ Ideally, a shift from direct (income tax) to indirect taxation (Vat) would prove a job-creating measure:

(252) With his weak pound, Mr Lawson can no longer talk tight and act loose. Like a vicar caught in a brothel, he has some explaining to do. [...] Mr Lawson could bring rates down by showing that he has a strategy which the markets can trust. That might mean re-adopting as a monetary target the broadest measure of private liquidity, PSL2, which has risen by a horrid 15% this past year. [...] The fiscal side is harder, because Mr Lawson needs both to tighten it and provide new incentives for jobs. [...] The case for a lower PSBR is that the economy is growing fast and does not need a fiscal kick. [...] a huge reform of taxation that will give him big money to use in job-creating ways. That would mean scrapping the exemptions from value added tax – in order of desirability, tax newspapers (like *The Economist*), then books, then new building work, children’s clothing, fuel and food. It would mean attacking tax relief on mortgages and pension contributions – starting by limiting it to the standard rate of tax. (*The Economist* 16.3.85: 17)

⁶⁴ cf. *The Economist* (4.10.86: 13-14): “Since the heart of supply-side reform is changing the tax system, the next government will have to be far bolder than the Tories have been under Mrs Thatcher. [...] [R]educe all the exemptions, from mortgage-interest relief through to the big anomalies like excluding food from value added tax, and then use the revenues to lift the lowest-paid out of tax and cut employers’ national insurance contributions.”

⁶⁵ Maddox in *Maggie: The first lady* (2004: 193) argues that Thatcher’s ‘literary’ fathers were limited to Milton Friedman and William Simon. The governmental indifference since Thatcher has left minority high culture to the mercy of private money with its attendant social snobbery and intellectual lethargy.

⁶⁶ In this respect, Sir William Rees-Mogg, chairman of the Arts Council, states in *The Economist* (9.3.85: 91): “At the Arts Council, I may occasionally be depressed by the way many artists seem to be trapped in a dated and provincial set of attitudes, the post-Fabian Guardian consciousness of genteel and academic English collectivism.”

This view is diametrically opposed to the concerns articulated in *The Guardian*. In “A tax on diversity and innovation”, *The Guardian* (18.1.85) reacts against the looming Vat on books, which it relates to Thatcher’s alleged reactionary anti-intellectualism:⁶⁵

(253) If VAT comes for books, it is infinitively predictable that the smallest – and weakest – [publishing] houses and sellers will crumble first. And that the less profitable publications of the bigger houses will be pared away. Specifically: first novels, serious literature, academic work and poetry. The coffee tables of the nation will remain glossy safe. But the vital margin of experiment and innovation will be gone.⁶⁶

However, *The Economist* is heavily disappointed with Lawson’s 1985 budget: “His second, much trumpeted “budget for jobs and enterprise” had been battered and squeezed and lobbied into caution – mostly, it seems, by the prime minister” (23.3.85: 21). With the next election probably in 1987, Mrs Thatcher is said to have preferred the familiar security of fiscal and monetary conservatism to the tax-reforming excitement that Mr Lawson hinted at last year: “Having done the easier bit – company tax reform – the chancellor has funkled personal tax”:

(254) Tentative radicalism was confined to Mr Lawson’s commendable determination to free the bottom end of the labour market, with changes to labour law and, the one real excitement of the budget, the long-overdue introduction of graduated national insurance contributions [cut from 9% to 5-7% for lowest-paid workers].. [...] Once again, tax reform has come to a halt in the shadow of the ballot box. (*The Economist* 23.3.85: 22)

The failure of the tax reform is damaging because a sound tax system would have encouraged private provision for pensions: “The government’s insistence that all employees must take out private pensions is wrong: it would have been better to allow those who wished to save to do so – and to alter the tax system to encourage all savings equally” (*The Economist* 8.6.85: 14). The impending abolition of the state earnings-related pension scheme (serps) is another bone of contention, both within and outside the Conservative party. *The Economist* concludes: “It is odd to see Labour pinning its flag to a promise to restore the Serps. A powerful socialist argument against an earnings-related pension is that it is earnings-related. Serps offered most help to old people who had earned more than average”. Norman Fowler, social services secretary, eventually agreed with the prime minister’s desire for a modest level of compulsory

private pensions. He would have preferred to scrap Serps quickly, but has settled for phasing-out over three years (*The Economist* 8.6.85: 21).

In “Mrs Thatcher’s cold feet”, *The Economist* (15.7.85: 16) evaluates the government in its mid-term. It concludes that Margaret Thatcher’s second government “has been radical in some areas – trade union reform, privatisation (cf. infra) – its caution in others is all the more depressing”. Impeding restrictions and regulations in housing still exist. But the government is not proposing deep cuts in public spending: “If the government did its sums properly, its fiscal policy over the past two years would look much looser than the PSBR or official rhetoric suggests” (*The Economist* 24.8.85: 12). In that period the general government financial deficit – probably the nearest off-the-peg measure to what other countries call a budget deficit – has been much larger than the PSBR, and rising sharply. Moreover, with the exception of council housing, not one substantial programme has fallen in real terms under Mrs Thatcher. Therefore, *The Economist* contends that the inflexibility of the housing market is a crucial deterrent to Britain’s labour mobility, as reflected in its use of, not coincidentally, MOBILITY metaphors:⁶⁷

(255) This month alone her cabinet has fudged its plans to relax solicitor’s monopoly on house-conveyancing; decided against decontrolling private rented housing, even for new lettings; pondered the partial survival of the government’s wage-fixing councils; prepared to back down over cuts in housing benefit needed to finance radical changes in the social security system. In each case, the reason given (privately, through the lobby) for backtracking had nothing to do with the merits of the case; it was the damage reform might do to the party’s electoral standing just two years from a possible general election. Pragmatism – despite a public image to the contrary – is nothing new to Mrs Thatcher. (*The Economist* 15.7.85: 12)

(256) Yet there was no drastic reassessment of progress, no shaking-out of dud ministers, no radical forward charge. (*The Economist* 5.10.85: 15)

(257) The British government is reflating, while hoping that nobody except the voters notices. Britain’s economic policy is now being pulled by the magnet of the next election. (*The Economist* 16.11.85: 16)

⁶⁷ cf. *The Economist* (3.1.87: 11): “[A]bolish all rent controls, instantly. In year one, rents would rise and the Conservatives would be vilified as the landlords’ party. By year five, as rented housing proliferated, rents would be falling, and a few million people moving easily round the country for the first time in 50 years would start to think of Tories as the tenants’ friends.”

It should be pointed out that *The Guardian* uses a similar metaphorical mapping. In “Why Mrs Thatcher will fight to the end”, Hugo Young mentions that:

(258) The second Thatcher government has, by comparison with the first, lacked shape and direction. It has meandered on. (*The Guardian* 15.5.86)

However, an implication of the metaphorical mapping THATCHERISM is MOBILITY can count as an entailment if THATCHERISM has already been accepted as the source concept. *The Guardian*'s clear rejection of ‘dry’ policies provides a clear example of non-acceptance, which is typical for public disputes:⁶⁸ *The Guardian* questions the suggested ‘entailment’ of the MOBILITY JOURNEY metaphor (i.e. the advocacy of small government and self-help) and immediately introduces a new one (i.e. that it is better not to be committed to or follow a ‘dry’ course of action). *The Guardian* thus demonstrates that it is perfectly possible to accept a metaphor mapping (i.e. A POLITICAL PROCESS IS A JOURNEY) without subscribing to all its entailments.⁶⁹

Two other policy changes, reform of the welfare state and the abolition of domestic rates are postponed until after the next general election. In “Thatcher under pressure”, *The Economist* (5.10.85: 15) reports that the Tories are trailing not just Labour but also the Liberal-Social Democratic Alliance in too many polls for comfort. A paper on the economy by a group from the ‘realistic left’ under Labour’s employment spokesman, Mr John Prescott, shows a commitment to a new form of “dynamic, entrepreneurial, decentralised and democratic” industrial planning system: “His call for continued democracy in trade unions all are the things that those who voted Tory and Alliance in 1983 want to hear” (*The Economist* 5.10.85: 25). The Tories are scared of by-elections and Margaret Thatcher is no longer their trump card:

(259) This unforgiving party is pointing its finger at its leader who deliberately identified its public appeal with her own personality. To many Tories, the Great Asset has become a liability”. [...]

⁶⁸ Musolff (2004: 31) wonders how a metaphor, i.e. a semantic or conceptual structure, can ‘commit’ politicians or whole nations to follow a certain course of action. Lakoff and Johnson give the answer to this question in terms of their theory of metaphorical “entailments”: “Metaphors have entailments through which they highlight and make coherent certain aspects of our experience. A given metaphor may be the only way to highlight and coherently organize exactly those aspects of our experience. Metaphors may create realities for us, especially social realities. A metaphor may thus be a guide for future action. Such actions will, of course, fit the metaphor. This will, in turn, reinforce the power of the metaphor to make experience coherent. In this sense metaphors can be self-fulfilling prophecies.” (Lakoff and Johnson 1980: 156)

⁶⁹ In this respect, Musolff (2004: 32) claims that “Lakoff and Johnson’s theory seems to work only as an explanation for those metaphors that become self-fulfilling prophecies: their source implications are confirmed in the target domain by actions that ‘suit the words’ and thus give them a *practical political* coherence.”

In practical fact, total income from taxes, rates, and national insurance has risen 20% in real terms since 1979, a faster increase than under the previous Labour government. Yet most of the beneficiaries of this largesse – students, miners, parents, artists, nurses, bureaucrats, public-library-users, even policemen – have been induced to believe they are worse off: “They believe this because Mrs Thatcher keeps telling them they should be. Millions of Britons feel that or six years Downing Street has been the home not of Lady Bountiful but of Mrs Scrooge, a travesty of the truth for which Mrs Thatcher’s rhetoric is largely to blame. (*The Economist* 5.10.85: 15)

The Economist sadly concludes that “what should have been the golden year of 1983, now appears in retrospect a sadly lost chance. Then, with the Falklands victory behind her and political opponents within and without the party at bay, she had a window for reform not seen in Britain since 1945” (*The Economist* 5.10.85: 15). Furthermore, the Westland Affair seriously undermines the credibility of the government. Thatcher acted with Leon Brittan, the new trade and industry secretary⁷⁰, to allow the helicopter manufacturer Westland to refuse to link with the Italian firm Agusta in order for it to merge with Sikorsky, an American company. Defence Secretary Michael Heseltine, who had pushed the Agusta deal, resigned in protest after this. In “Thatcher’s style wars”, *The Economist* (18.1.86: 13) claims that the affair is all the more damaging since Mrs Thatcher has made her personality an issue. The Westland affair has stripped Margaret Thatcher’s leadership of vital authority. Her hesitant handling of a rebellious colleague, her misleading explanations to Parliament, the departure of two good cabinet ministers have undermined her authority:

(260) This personality - energetic, self-willed, bossy – has been the dominant force in British politics for a decade; it has its virtues. [...] Since she became prime minister, the noise of breaking glass and splintering wood in Downing Street, the regular ministerial ejections from the front door, have been a sign that a long overdue medicine was being administered to the body politic. Even if she often did not get her way, said her admirers, the style was medicine enough. Yet an electorally exploitable personality does not necessarily make good government. [...] Rebels on the back benches. Mr Heseltine. (*The Economist* 18.1.86: 13)

⁷⁰ Leon Brittan, former Home Secretary, replaced Norman Tebbit as Secretary of Industry and Trade in October 1984 after Tebbit was seriously injured in the IRA's bombing of the Grand Hotel in Brighton during the 1984 Conservative Party conference and his wife was permanently disabled. Tebbit was appointed Chairman of the Conservative Party in 1985.

It should be noted that *The Economist* (anti-‘wet’) uses far more salient HEALTH, CONFLICT and MOBILITY metaphors to describe the often mutinous mood within the Tory party between June 1983 (General Election) and October 1985 (Conservative party conference): an average of 8.3 (HEALTH); 18.5 (CONFLICT) and 9.4 (MOBILITY) clear instances per stretches of 5,000 words versus only 5.7 (HEALTH); 8.3 (CONFLICT) and 7.2 (MOBILITY) clear instances in *The Guardian* (anti-‘dry’). Including the ‘vague or ambiguous’ category, the ratio is 15.3; 22.9 and 14.1 versus 6.7; 15.7 and 8.9:

(261) In Canada and America last week she spoke as if she was presiding over a national revival set single-handedly in motion. The truth is that she is presiding over a continuing economic decline. When, in say two years time, it becomes fully plain that her cruel and drastic remedies have failed to cure the chronic ailments of slow growth and uncompetitiveness she will have nothing to offer and nowhere to go. (*The Guardian* 3.10.83)

(262) When government has ceased to be a healer and becomes for its own good reasons, a fighter, others begin to fight back accordingly. (*The Guardian* 24.9.84)

In the run-up to the 1986 budget, *The Economist* (1.2.86:13) holds out the hope that Mr Lawson would please wets and dries alike by entering Britain into the European Monetary System (see 3.2.3) and allowing for tax cuts via higher oil duties, which “would show that the government had not lost its way” (*The Economist* 1.2.86: 13). He could please green-minded conservationists and all taxpayers by raising excise duties on petrol and diesel, and use the proceeds to cut income tax. In this respect, “A frugal way to win votes” (*The Economist* 22.3.86: 21) congratulates Mr Lawson on his balancing act. The chancellor produced the surprise of a basic-rate tax cut while still increasing allowances in such a way as to direct most benefit towards the middle-income groups: “That ingenious combination was greeted with delight”. So was a series of measures intended to promote “popular capitalism”: a tax-relieved personal share-owning plan, halved stamp duty on share transfers, abolition of gifts tax, profit-sharing for employees, and tax relief for corporate gifts to charity. The chancellor switched his attention from raising tax thresholds to trimming the basic rate of tax – by a modest 1p. *The Economist* explains that Mr Lawson abandoned his strategy of raising thresholds because this measure no longer seemed an efficient way to ease the poverty trap by removing the lower paid from tax. Britain’s tax thresholds are already high compared with other big industrial economies. But Britons start paying tax at a much higher rate than elsewhere. However, *The Economist* warns that an increase in allowances gives a bigger

proportionate rise in net earnings to the lower paid which will weaken once the proposed reform of the social-security system is in place. Under the new system, means-tested benefits are determined by net income rather than gross. For low-earning workers, gains from a rise in tax allowances will be largely offset from losses in benefits withdrawn. Concerned with monetary policy and exchange rate harmony (see 3.2.2), *The Economist* (22.3.86: 29) claims that the chancellor's balancing act was no mean achievement, "because the monetary-policy side of his strategy has all but collapsed". Targets for sterling M3, a broad measure of monetary growth, were the centrepiece of the original programme unveiled by Sir Geoffrey Howe in 1980. They have been an embarrassment ever since:

(263) Last autumn, Mr Lawson suspended [M3] as broad-money growth speeded well beyond the permitted ceiling. Now he has stubbornly reinstated a target, but in a way that means almost as little as dropping it altogether. [...] Allowing for the effect of asset sales, the budget deficit will rise next year, to give the economy a modest fiscal boost. [...] One way for Mr Lawson to fill the vacuum on the monetary side of his strategy would have been to announce that Britain will negotiate entry into the European Monetary System (EMS). (*The Economist* 22.3.86: 29)

The 1986 budget made it clear that Mr Lawson is determined to go steadily for the 'nirvana' of a 25p basic rate of income tax. This raised the question on the backbenches whether higher public spending should take precedence over lower taxes with a view to creating employment. In "So much for meritocracy – vulgarity and indecency rule", Christopher Huhne in *The Guardian* (20.3.86) argues that "[t]he Chancellor at least spared us the claim that this was "a budget for jobs." It was nothing of the sort. [...] Tax cuts are top priority, and unemployment is to be left to look after itself. [...] In present circumstances, income tax cuts have only the flimsiest intellectual justification. They benefit the better off in work rather than the worst off out of work. [...] Nor is there evidence that tax cuts even improve incentives". It is also mentioned that "the borrowing numbers (PSBR) themselves are now hardly worth printing, so distorted are they by the bizarre accounting convention that public asset sales reduce public spending". Therefore, *The Guardian* (13.5.86) claims that if Mrs Thatcher's instincts are towards survival – in both personal and party terms – she will surely have to react speedily on the calls for increased public spending made by Mr John Biffen and Mr Malcolm Rifkind: "Seldom, since the Conservatives came to power in 1979, has there been a more favourable conjunction of economic and political portents in favour of abandoning proposed tax cuts which hardly anyone wants (and which tend to be spent on imports) in favour of selected increases in public spending – schools, hospitals, roads and houses – where the cumulative

burden of neglect is now wreaking electoral vengeance”. Moreover, *The Guardian* argues that fiscal expansion can be justified not only by domestic political and financial expediences, but as a contribution to the global economic recovery. Mr James Baker, the US Treasury Secretary, has been urging the stronger industrial economies – mainly Japan, West Germany and Britain – to adopt extra expansionary measures to provide fresh sources of growth at a time when the US economy is slowing down. Likewise, the proposals of the Oxford Economic Forecast (“Moderate growth but no boom in store for Britain”) concur with those of *The Guardian* (14.5.86):

(264) Nigel Lawson is committed to income tax cuts financed by tight control of public spending. However, other Cabinet ministers will stress the importance the electorate now gives to the quality of many public services, such as health and education. [...] The rundown in the levels of general government investment over the last 10 years or more provides a likely explanation of the widely held view that public services have deteriorated despite the rise in overall government spending. High investment in roads, hospitals etc. in the past would still be providing substantial benefits today. It is possible that the problems arising from a failure to invest in these areas in the past is responsible for the widespread feeling of overall decline and neglect. Beside the social benefits, there are several good reasons for boosting government investment. First, much of the work sponsored by government investment spending is carried out in the private sector and involves job creation in industries with high unemployment, such as the construction industry.

In “The road from Perth is banana strewn” (*The Guardian* 17.5.86), the paradox of Thatcherism is further explained: “In the real world the income of poorer unemployed people is being reduced at a time when Ministers are trying to turn a post-monetarist Conservative government into a party of compassion. On Sunday it was increased public spending from Mr Biffen and Mr Rifkind. By Friday it was squeezing the poor yet more”. The main reason for Britain’s low inflation rate is ascribed to the collapse of oil and commodity prices, not to the much vaunted supply-side miracle: earnings are still rising at 7,5 per cent.⁷¹ The state of the

⁷¹ In this respect, Christopher Huhne (*The Guardian* 11.9.86) draws on the conclusions of Professor Layard with regard to the Philips Curve in the 1980s: “Professor Layard’s latest book argues that the government is afraid to reduce unemployment in case inflation flares up again. [...] Layard’s argument, squarely in the mainstream of the new synthesis between neo-classical and Keynesian ideas, is that unemployment is essentially due to the Government’s fear that if the jobless total fell inflation would take off again. Unemployment is the main weapon curbing pay rises, which are in turn the major cost affecting prices. There is thus a rate of unemployment above which domestically-generated inflation will fall, and below which it will rise. This is the ungainly Non-accelerating Inflation Rate of Unemployment (NAIRU) – sometimes misleadingly called the “natural” rate. The

country's infrastructure, roads, bridges, hospitals, schools and above all houses is deteriorating fast. Spending on such capital assets would easily have justified extra borrowing since every unemployed person recruited generates tax revenue and saves the Treasury unemployment pay. By contrast, in "A rather thicker blue line" (*The Guardian* 21.5.86), higher public spending for defence and the police since 1979 is related to the government's social conservatism and its reliance on 'law and order' politics:

(265) Five thousand new jobs in the police on the same day as five thousand lost jobs in railway engineering just about sums up Conservative Britain in 1986. But Mr Douglas Hurd's announcement yesterday of increases in police manpower is also a blow for those who hoped that the new Home Secretary might be the man to put a stop to the Government's hapless policy of pouring good money after bad in law and order. Over the last decade, faced with rising crime and increased disorder, the police themselves have had only one solution. Give us more. More powers, more weapons, more bodies, more technological aids, above all more money. From any other industry, service or workforce in the detested public sector, such propositions would be scorned as degenerate and greedy dependency. Yet right from 1979, Mrs Thatcher has made an exception for the police and has pandered to their identical appetites at every turn.

In "The stuff of high tragedy...the failure to use N.Sea bonanza for investment" (*The Guardian* 27.5.86) it is mentioned that "wages have stubbornly refused to come down monetarism or no monetarism" while the micro-economic reforms do not survive scrutiny:⁷²

graph shows that when unemployment has been below the estimated NAIRU, inflation has gone up. And when unemployment has been above the estimated NAIRU, inflation has gone down. The sharp drop in inflation in 1976, when unemployment was still below the estimated NAIRU, was due to the initial success of the incomes policy. Up until a couple of years ago, we thus had a fairly convincing explanation for both unemployment and inflation. Domestic inflation depended on the NAIRU. And the rise in unemployment was partly due to a rise in the NAIRU and partly due to overkill: the Thatcher government allowed unemployment to go a lot higher than it "needed" to if inflation was to come down even without other means – such as incomes policy – of influencing pay. [...] However, the graph shows that unemployment has stayed high – relative to the 11 per cent or so at which it should have been cutting inflation – but that inflation (measured by the GDP deflator which looks at all domestic prices, not just the ones in the shops) has gradually stopped decelerating. What accounts for the discrepancy? Or, to put it another way, why have wage settlements not come down faster? The best single answer is that the long term unemployed are less likely to get jobs (because employers are distrustful of them) and gradually become so discouraged that they give up looking hard, and therefore exert little pressure on those in work. They cease to do the only job they were enlisted to do: scaring pay bargainers."

⁷² In this respect, Christopher Huhne (*The Guardian* 19.9.86) admits that an incomes policy may be desirable but wonders if it is practical: "Without a policy, the only way of stopping inflation edging back beyond 5 per cent will be renewed recession. [...] The question, though, is whether some form of incomes policy can actually be made to stick. However desirable a policy may be in theory – as a means of channelling cash into output and jobs rather than wages, costs and prices – is it practical policy? Last time round was not quite as disastrous as has occasionally been painted. While it worked, it brought inflation down from a peak of 27 per cent in August 1975

(266) It is, of course, perfectly possible – as the early Thatcher years confirm – to increase productivity without capital investment. You can sack less productive workers, close less efficient factories, and give management more scope to improve marketing and the undoubted inefficiencies which plague the typical UK factory. But you cannot go on improving productivity in this way for ever without the benefit of the long-term technological improvements which alone come from new capital investment.

Thus, *The Guardian* claims that high investment in roads and schools will pay off in the long term because it improves the supply-side of the economy (better transport facilities, more skilled workers etc.). Beside the social benefits, there are several good reasons for boosting government investment. Moreover, much of the work sponsored by government investment spending is carried out in the private sector and involves job creation in industries with high unemployment, such as the construction industry. The case for higher public spending on social services and infrastructure is related to the issue of North Sea Oil, which *The Guardian* regards as “as an epitaph for a lost opportunity” (*The Guardian* 17.3.86):⁷³

(267) The North Sea oil bonanza was nature’s gift to Mrs Thatcher. [...] The oil won’t disappear overnight. But production will steadily fall and unless prices recover their former strength, the North Sea’s contribution will gradually erode. [...] But where else are the fruits of the North Sea? In dilapidated schools? In deteriorating industry? Or in 3 to 4 million unemployed? And worst of all, if all this had been happening during a once-and-for-all period of balance of payments surpluses (and claimed economic recovery) what on earth is going to happen when

to a low of 7.4 per cent in June 1978. Moreover, the subsequent rise in inflation back up to 21.9 per cent in May 1980 was as much to do with the policy mistake of doubling VAT and the coincidence of the fall of the Shah and the oil price as it was to any post-policy catch-up or explosion. [...] The final and crucial reason for Labour’s failure was that there was no form of sanction. [...] Mr Denis Healey’s sanctions package – the threat to withdraw government contracts from companies which breached the pay guidelines – failed to be approved in part because it appeared to be arbitrary. What would happen to those companies who sold nothing to the public sector, or whose dependence on it was negligible? [...] The Chancellor [i.e. Nigel Lawson] argues that any such policy would merely penalise success, because it would restrain those companies which wanted to attract more people from paying higher wages.”

⁷³ cf. *The Guardian* (17.3.86): “When Mr Lawson rises tomorrow to deliver his budget speech he will be forced to admit that the tax rug has been pulled from under his feet. The collapse of oil prices has deprived him of nearly £6 billion of revenues much of which could have been recycled as income tax reductions. [...] The only consolation for the Chancellor is that lower oil prices – having rather similar budgetary effects as tax cuts in the way they increase purchasing power – will prolong an economic recovery in danger of fizzling out. [...] Mrs Thatcher said at the weekend that British industry was better than it had been for 30 years. Fact: manufacturing output is still well below the level the Government inherited in 1979. Mrs Thatcher added that investment last year was a record £60 billion. Fact: manufacturing investment is still 18 per cent lower in real terms than in 1979. She added that Britain had enjoyed a balance of payments surplus for six years. True, but this was entirely due to oil. The manufacturing deficit has got dramatically worse and the balance of payments in information technology (the crucial post-North Sea Oil indicator) is chronic.”

Britain sinks once more back into institutionalised trade deficits? It is difficult to believe that historians will look back on this period as the halcyon years. (*The Guardian* 25.9.86)

In “If Thatcher spends more”, *The Economist* (24.5.86: 12) attempts to answer the question whether higher public spending should take precedence over lower taxes with a view to creating employment. *The Economist* reiterates that extra public spending is no guarantee of more jobs. Wets argue that instead of cutting taxes in his budget next spring, the chancellor, Mr Nigel Lawson, should be ready to boost public spending in ways to create jobs. *The Economist* emphasises that, unlike the Labour party, the Conservative wets are not demanding bigger deficits and, with them, a higher level of aggregate demand: “To that extent, Thatcherism still rules” (*The Economist* 24.5.86: 12). The quarrel within the cabinet and on the backbenches is over a simple question: is a high-tax, high-public-spending mix of fiscal policy more likely to create jobs than a low-tax, low-spending one? *The Economist* argues that, in the short term, higher public spending feeds into the economy more quickly than lower taxes – unless it be public investment projects that are held up by endless planning inquiries. In the longer term, however, lower taxes will prove a more efficient measure since they facilitate the shift from public to private sector:

- (268) First, most of the jobs that extra public spending can quickly create are chosen by bureaucrats and end to be less productive than ones that would otherwise have been chosen, after a while by the private sector. They are therefore less likely to prompt a virtuous, widening circle of rising output and employment. Second, higher public spending has a nasty habit of meaning little more than higher public-sector wages. [...] Opinion polls show a 60-70% public preference for higher public spending, especially on programmes such as education, health and training. [...] Mrs Thatcher is clearly not going to be deflected from her determination to lower taxes. She could, however, direct her cuts to achieve the biggest benefit for employment. For example, Mr Lawson could cut the payroll tax (employers’ national insurance contributions) as well as or instead of cutting income tax. (*The Economist* 24.5.86: 12)

HEALTH metaphors advocate the reduction in the ‘tax on jobs’ (i.e. cut nics), which create the demand for labour. The alternative measure is to concentrate any increases in public spending on high-profile projects with maximum appeal to floating voters, from by-passes to universities, cottage hospitals to inner-cities home improvements. Extra money would go, wherever feasible, on sub-contracts with local private-sector employers and suppliers. Such a

programme would be easy to publicise. It would help the private sector. It could be made labour-intensive but would still be a second-best solution:

(269) [Cutting the payroll tax] might help remedy the biggest funk in seven years of Thatcherism: the failure to make Britain's arthritic labour market work more smoothly. [...] [Extra public spending] would not do much for Britain's long-term vitality, but it might work wonders at the polls. (*The Economist* 24.5.86: 12)

Moreover, 1986 is dubbed “the year monetarism dies” (*The Economist* 4.1.86: 11). The core of the original policy – its target for monetary growth – has been abandoned. The target for sterling M3 may be dropped altogether in 1987. The goal that still matters to the Treasury is the public-sector borrowing requirement (PSBR), and that was originally conceived merely as a means of hitting the target for money. Distorted by the inclusion of privatisation proceeds, it is flawed as a target in its own right. Monetary growth has soared through the ceiling and this monetary development lends weight to a second threat: that the economy may overheat during the Lawson boom. When inflation is rising and the trade balance sliding into deficit because extra demand has leaked abroad, a gratuitous boost to demand is the last thing Britain needs:

(270) Therefore, Mr Lawson must adjust his financial strategy in a way that (a) dampens excess demand, and (b) makes that plain to financial markets – which might otherwise do the job for him by forcing interest rates even higher. [...] Mr Lawson should therefore cut planned borrowing by £1 billion, and preferably more – leaving less than £2 billion of his revenue windfall to give back in lower taxes. The City will reward his prudence with an early cut in interest rates. That leaves a hole where monetary policy should be. [EMS]. (*The Economist* 31.1.87: 14)

In “Lawson's bounty”, *The Economist* (14.3.87: 14) argues that the British economy would gain more from tax reform than from extra demand. Mr Nigel Lawson will introduce his pre-election budget “in the first week of a prosperous spring”. Revenues are pouring in so fast that he can pay for the generous public-spending plans that he announced last autumn, cut taxes, and still impress the City by reducing public borrowing. A bigger PSBR would mean even faster growth in demand, and the risk of higher inflation. The central task should be “to set monetary and fiscal policy to keep total demand in line with the economy's ability to produce”. In practice, this means aiming for a steady increase in money GDP: “The right charge to make against Mr Lawson as a tax reformer next week will probably be “not

sufficiently Reaganite”. It will be a pity if at the last ditch he simultaneously becomes too Reaganite as a tax-reducer, by fiscally overboosting demand” (*The Economist* 14.3.87: 14). *The Guardian* (18.3.87) voices similar concerns when it repeats that what the country truly needs in the 1987 budget is “not tax cuts to fuel an already too strong spending spree which goes disproportionately on imports, but spending to boost industrial investment and to meet the strong public desire - real demands in the market place - for increased spending on housing, hospitals and education”. These are the things which people would be spending more of their income on irrespective of whether facilities were located in the public or private sector.

While acknowledging Thatcher’s improvement in the polls from the 1986 budget onward, MOBILITY metaphors in *The Economist* continue to convey a sense of lost opportunity. The government is felt to have reneged on its ‘dry’ election promises with a view to winning the General Election of 1987:

- (271) “The lost drive back to market” The Thatcher government can hardly be accused of a pre-election U-turn. It is, alas, still doing most of the things it has done throughout its seven years in office: spend too much, give too little heed to markets, and, one way or another, pretend to stick to the macro-economic guidelines. The reward for such consistency may be a third wasted term. (*The Economist* 15.11.86: 19)
- (272) One of the landmines on Mrs Thatcher’s road to an early election is a review body’s recommendations for the pay of British hospital nurses, due in April. If she resists them, she will be called mean to ministering angels; if she yields, watch how quickly other public-sector inflation could spread. (*The Economist* 24.1.87: 18)

In “Up she goes”, *The Economist* (21.3.87: 15) concludes that Nigel Lawson’s budget did everything that Margaret Thatcher needs to win another general election. He cut income tax and paved the way for a big fall in interest rates. Nevertheless, *The Economist* conveys monetary scepticism when it states that “it would be more reassuring if the government had some stronger levers [than M0] to keep money GDP on course”. Instead its sole monetary target involves a measure of the money supply [M0] “which includes only notes and coins – implying that the British do all their spending from a jam jar on the mantelpiece – and which is widely regarded as a joke”. The pound’s exchange rate, instead of being firmly anchored inside the European Exchange Rate Mechanism (ERM), is still being left to the discretion of ministers. The toughest test for them over the next six months may be to spare sterling from

being pushed so high that British industry gets another 1979-81 battering: “The way to prevent that – letting interest rates slide – carries the obvious risk of faster inflation later”. Because Mr Lawson has been fairly cautious on the fiscal side, however, “he has at least not made that risk much worse”. Mr Lawson did not raise excise duties and the higher-rate income tax thresholds in line with the retail price index, “which is odd for a government that says it wants to discourage smoking and alcohol in the interest of health, and to encourage the higher paid by reducing their taxes. It is doubly odd because the Tories have often said that they want to shift the burden from direct to indirect taxation” (*The Economist* 21.3.87: 15). Meanwhile, unemployment is falling rapidly. Output, and with it the demand for labour, is rising strongly and the inflation rate is still under 5%. That is thanks partly to “Mr Lawson’s irresponsible decision not to revalue excise duties in line with prices in his 1987 budget”. The cut in interest rates brings closer another fall in the mortgage rate, and will make consumers feel that their own (heavy) debts are more affordable. *The Economist* (21.3.87: 15) argues that “if even the sleepest Tokyo fund manager now wants to buy British, sterling’s recent ascent will gather speed and a strengthening pound brings benefits: it puts downward pressure on the inflation rate by making imports cheaper. But it will also chip away at the competitive advantage provided by sterling’s long fall since 1981”. *The Economist* repeats its regret that the treasury no longer has a target for broad money (“whose fluctuations defy explanation”), so that an implicit exchange-rate target has become the core of British monetary policy. It will be an explicit one once Britain is in the EMS. But using interest rates to hit this target means that the task of managing nominal demand falls to fiscal policy: “Mr Lawson assured the country that higher taxes would not be needed for the government to achieve its long-term goal of stable prices. If the foreign-exchange markets boost sterling because they continue to be impressed by such talk, they may prove him wrong”. Commenting on the last budget before the election, *The Guardian* (18.3.87) claims that “this was not Lawson the gambler, but Lawson the chessplayer: paying a back-handed tribute to the moral conscience of the British public by not dangling what could have counter productive pre-election bribes”. However, *The Guardian* warns against the danger of an overheating economy during an economic boom:

- (273) The Chancellor's decision to use part of the (almost certainly short term) bonanza in tax revenues to reduce his borrowing rather than finance yet more expansion will trigger a fresh fall in base rates (at least one per cent) and then mortgage interest rates. This, together with the 2p off tax, will fuel a consumer boom which is already raging hard. So hard that inflation,

already ahead of most of our competitors, is forecast to go up, albeit slightly to four per cent by the end of the year. This helps to explain why the duties on beer and cigarettes were not increased and why income tax was not reduced further. Both would have exerted still more upward pressure on prices in the shops.

Distrust and criticism of the government's recent economic history lie in the reminder of the chancellor's abandonment of Sterling M3 as a way of measuring the growth in the money supply. Moreover, *The Guardian* claims that the economic upturn is the result of the abandonment of monetarism and a strong pound in favour of a (Keynesian) expansionary fiscal policy in the run-up to the 1987 election:

(274) Sterling M3 (cash in circulation and deposit accounts) was the ark of the covenant when Britain was subjected to the monetarist experiment in the early Thatcher years as the British economy was forced through an unnecessarily steep recession from which we have still not emerged fully. It is a salutary reminder that much of today's impressive growth rate of three per cent a year for a UK economy has resulted from the Government's abandonment of its original reliance on monetarism and a strong pound in favour of a much lower, more competitive currency and a pragmatic form of Keynesian expansion. (*The Guardian* 18.3.87)

In "Unfinished revolution", *The Economist* (16.5.87: 15) admits that "the Britain that goes to the polls on June 11th is a changed country from the one that gave Mrs Thatcher a small parliamentary majority in 1979". However, it claims that "not all the changes have been for the good. Had they been, the Conservatives would surely not still be opposed by six out of ten voters, as the opinion poll suggests". But in some vital respects Britain has changed enough to allow hope that its next 40 years will be a lot more invigorating than the past 40 have been, as indicated by some sympathetic MOBILITY metaphors that convey the message that Britain has found the way on the right track again, although the way to go is still a long one:

(275) [I]t is too soon to be sure that Britain's decline is being reversed. But the sliding has stopped. [...] As the economy has picked up speed, so British society has been changing too. Two-thirds own their own houses, unionists have shrunk, the capitalists have blossomed; the two groups are now virtually identical in size. [...] In housing, education, health, social security, agriculture and the nationalised industries, the policies of the Thatcher government have too often stopped half way [...]. Too few Britons have had the freedom, as consumers, to appreciate the virtues of choice – because too many of them, as producers, are still protected from competition. (*The Economist* 16.5.87: 15)

Between October 1985 and June 1987 (General Election) *The Economist* (pro-‘dry’) still uses more salient HEALTH, CONFLICT and MOBILITY metaphors: an average of 5.3 (HEALTH); 8.2 (CONFLICT) and 7.9 (MOBILITY) clear instances per stretches of 5,000 words versus only 4.5 (HEALTH); 7.8 (CONFLICT) and 6.1 (MOBILITY) clear instances in *The Guardian* (anti-‘dry’). Including the ‘vague or ambiguous’ category, the ratio is 8.9; 10.2 and 9.3 versus 5.2; 9.1 and 7.2, respectively. The markedly lower incidence of HEALTH, CONFLICT and MOBILITY metaphors in both newspapers during the second part of the second term may be explained by the favourable ‘Lawson Boom’ and the vote-winning budgets of 1986 and 1987:

- (276) Such selling of capital assets to finance a boost to spending [...] would be the road to ruin for any normal company. For the government it is merely the latest phase of an economic policy which has constantly put short-term palliatives above long-term cures. This will work as long as there is North Sea oil to fritter away. (*The Guardian* 10.10.85)
- (277) The house of Commons was witness yesterday to a performance without precedent in the annals of metallurgy: an iron lady, brazening it out. The spirit which finished the Argies still flickered from time to time, but there was precious little ammunition to go with it. (*The Guardian* 25.1.86)
- (278) “Clever ideas in search of a heart”
Instead of loading all the spare money on increasing tax thresholds (which would have benefited poorer people more) Mr Lawson delighted the party faithful with a one penny reduction in the standard rate of tax. [...] But it is not election winning in the sense of providing anything to cure rampant unemployment beyond cosmetic job schemes. The Government presumably hopes that familiarity will anaesthetise moral outrage, leaving a hard core minority of tax relief pampered punters to vote Thatcher for self interest. (*The Guardian* 19.3.86)
- (279) “How the Tories fell headlong into the TINA trap” (Hugo Young, *The Guardian* 13.5.86)
- (280) The economic growth which North Sea oil should have bestowed on us from the beginning of the 1980s has now emerged having been almost suffocated by repressive monetarist policies. (Victor Keegan, *The Guardian* 8.6.87)

It should also be pointed out that *The Guardian* perpetuates a distinct metaphorical pattern which hinges on the conceptual metaphors THATCHERISM is CRIME as well as THATCHERISM is RELIGION, which imply a negative bias against the tenets of monetarism. In this respect, Social Darwinism (“the survival of the fittest”) is metaphorically framed as being morally flawed and, thus, deeply problematic: Thatcherism is criticised for having moved the welfare state upmarket. This has happened by simultaneously reducing per capita benefits and subsidies available to the poor (from increasing council rents to cutting unemployment pay) and increasing very substantially the scope of tax reliefs enjoyed by richer people (from mortgage interest relief to subsidies from the taxpayer for buying shares). The extent of this underlying shift has been concealed by the fact that the absolute level of spending on the welfare state has increased quite substantially because of the inexorable rise in unemployment. In “Mrs Thatcher’s secret economic achievement – privatisation of the poor in Britain”, Victor Keegan, (*The Guardian* 8.6.87) claims that Mrs Thatcher “has unashamedly aimed her scatter gun of favours at the rich. Let them eat more national cake”:

- (281) The top rate of income tax was reduced from 80 to 60 per cent, capital and inheritance taxes were greatly eased, the investment income surcharge done away with and tax relief increased for retirement schemes, house purchase and numerous other perks. Much of the increased poverty can be traced to the government’s early decision to break the link between average earnings and changes in pensions, unemployment pay and supplementary benefit. In future they were to be linked to prices thereby breaking an automatic mechanism whereby the poor shared in increased national prosperity. [...] Mrs Thatcher has achieved the huge redistribution of growing prosperity from poor to rich. [...] By recycling the proceeds [of North Sea oil and asset sales] in cuts in income tax the government has ensured that the poor who – by definition – pay little if any income tax have been passed completely by. Is that what Mrs Thatcher meant by the Conservatives being the party of Christianity?
- (282) There is, of course, nothing wrong with investing in shares, which is a vital part of a dynamic economy. What is difficult to comprehend is the priorities of a Government which claims there is not a penny more available for such vital things as school books or houses, but which can throw yet more millions behind already well heeled people in a fresh expansion of the middle class welfare state. Where is the real world? [...] All the basic problems Mr Lawson inherited remain to haunt future administrations – appalling infrastructure, desperate housing conditions, low manufacturing investment, a withering technological base and a growing army of disenfranchised poor and unemployed. Yesterday’s performance – for all its clever shifts

and bright notions – didn't even begin to address that grim and growing legacy. (*The Guardian* 19.3.86)

This concern was already voiced by *The Guardian* (23.4.79) in reaction to the Conservative Manifesto of 1979 and has now become the main operator in the value judgement against Thatcherism:

- (283) “A system which excludes 3 million people” The process of national indoctrination began early. The ascendancy of TINA, or There IS No Alternative, was one essential accompaniment. Another was the palpable fact that neither Mrs Thatcher nor any of her closer colleagues cared, in the conventional political way, about what happened to unemployed people. It literally did not bother them. Any fugitive feelings of compassion which may have assailed traditionalists like Chancellor Howe were wiped out by a conviction that was not open to debate: it was ultimately for their own good that thousands upon thousands, especially in the northern cities, should be thrown out of work. [...] Employed people were taught to thank their lucky stars. Self-interest was now blessed with the unction of righteousness. We were the survivors in the contest for the fittest. [...] The readjustment of values has been profound indeed. It is one of Thatcherism's most enduring marks. (Hugo Young, *The Guardian* 9.9.86)
- (284) This Robin Hood-in-reverse act would be understandable if it were aimed at creating more wealth which would eventually revitalise the economy and help to finance the original welfare state. But the aim appears more to buy votes than regenerate industry. [...] The truth is that profit sharing is in danger of becoming Mr Lawson's new panacea to replace monetarism which, having failed to bring earnings down to “realistic” levels (despite high unemployment), has now been formally abandoned in favour of old fashioned manipulation of the exchange rate. (Victor Keegan, *The Guardian* 12.5.86)
- (285) Yesterday's earnings figures merely underline the growing strength of the case for incomes policy. Even the Chancellor implicitly recognises the fact every time he delivers another homily about self-restraint on pay. (Christopher Huhne, *The Guardian* 19.9.86)
- (286) “The brutal price of worshipping the new Almighty”
The Thatcher-Lawson calculation is that even [the brutalities of Thatcherism] – the unfeeling relegation of jobs and poverty and squalor and deprivation to the bottom of the league of concern – can be put to positive political advantage, by a government that says this is the price

to be paid for propitiating the new Almighty, known as the Business Imperative. (Hugo Young, *The Guardian* 20.3.86)

(287) The zealots of Thatcherism want to see the enterprise boards marginalised and distorted. The boroughs have rightly decided to save as much of the board's original character as possible. But for the present, the government's political vandalism has done serious damage to a pioneering initiative which has given hope to the despairing in our economic wasteland. (John Palmer, *The Guardian* 18.3.86)

(288) "City limits to Nigel's popular capitalism"

Thanks to Mr Lawson, and to a lesser extent to Lord McAlpine's activities as the party's fund raiser, the Conservatives have contrived to tie themselves more closely than ever to the City financiers just when the City's public image is plunging downwards. [...] Most people can see that the giant takeover bids currently sweeping through the City have nothing whatsoever to do with output or exports, let alone "real jobs". They are also well aware that the huge sums being handled about in these transactions represent money that is being denied to productive investment. It is not necessary to be a socialist to regard that as morally indefensible. Even more offensive is the knowledge that most of these acts of piracy are being financed by the merchant banks which are literally touting for takeover customers. (Ian Aitken, *The Guardian* 24.3.86)

In this respect, Hugo Young in "SDP's fading view of fair shares for all" (*The Guardian* 25.3.86) argues that the omission of one word in Dr Owen's book "A United Kingdom" concerns something once dear to the Social Democrats: the matter of equality. When the Gang of Four broke loose, equality was high on the agenda of three of them – Roy Jenkins being more dubious:

(289) They emphasised liberty rather more, but Dr Owen's earliest personal manifesto as a Social Democrat included a clear commitment to the need "to reduce inequality." He still called himself that much of a socialist, and Shirley Williams insisted in similar style that she was a Christian Socialist. The key document published five years ago wrote it down in stone: "The State should lean towards greater equality." [...] Dr Owen's new book contains no discussion of equality. Any references to the word, and there can't be more than half-a-dozen, are incidental. The idea of greater equality as an open and desirable objective of political action appears to have been removed from the vocabulary of social democracy. Much other policy is discussed at length. [...] His search, however, is not primarily for justice but for efficiency. [...] What the SDP has become is a party more interested in method than in substance, in

instruments not objectives, in structures and systems rather than in moral purposes. It takes the objectives for granted. [...] Equality has quite simply ceased to be a prime preoccupation of anyone outside the Labour Party. Carried to socialist extremes, it is seen as inimical to the regeneration of Britain. [...] Maybe the values of Thatcherism have bitten deep enough into the electorate to make equality seem at best an impossible dream, at worst a pernicious heresy.

The Economist contends that the weakening of class differences is affecting how people vote, and it helps to explain the rise of the Alliance at the expense of the two class-based parties. Britain is not yet a classless society in the way that America and Australia are. But its class system is less rigid, and its people less inclined than they were to do things in big tribal groups. In “Switch loyalty call by Kinnock and Thatcher”, *The Guardian* (10.6.87) reports that Mrs Thatcher appealed directly for traditional Labour voters' support because their party had moved leftwards, and Mr Kinnock asked for the votes of dissident Tories unhappy that their party had moved rightwards. *The Economist* recognises the merits of “brand new Labour” (see 3.3) when stating that “belatedly, Labour has learned something from its defeats in 1979 and 1983. It now accepts the principle of selling council houses. It no longer opposes membership of the European Community” (6.6.87: 14-15). Yet *The Economist* warns that at the heart of Labour’s programme lie the same old ideas: “more public spending on almost everything [...] nationalisation, in all but name [i.e. social ownership], of some industries; restoring trade-union immunities; unilateral nuclear disarmament” (6.6.87: 14-15).⁷⁴ In “June’s choice” *The Economist* warns the Thatcher government against tiredness and ossification in a third term:

(290) A government in tune with the times is apt to grow complacent. Worse, a third-term government usually deteriorates, its ministers jaded and its momentum lost. The real test for Margaret Thatcher is not whether she will win this election, but what her party would do with

⁷⁴ A future Labour government would take back into public ownership some of the utilities (like British Gas and British Telecom) privatised by the Conservatives. Hamish McRae in *The Guardian* (9.9.86) discusses the Pros and Cons of social ownership: “In essence, what the plan is designed to do is to buy back BT without having to issue more regular stock, gilts, to pay for it. [...] Existing shareholders would be offered instead two types of security: a new form of non-voting security, carrying some of the advantages of existing shares, but not all; and a loan stock without a Government guarantee. [...] Unlike the nationalised industries, an industry taken into social control would not be subject to almost day-to-day interference. And in theory, at least, it ought to be more responsive to consumers. Three worries: The first is that the new participation certificates might become second-class citizens in the world of international securities. [...] The second is that the very cleverness of the scheme might cause problems for any incoming Labour government in its relations with the world investment community: it is almost a bit too sharp for comfort. And the third is that it would not change management very much anyway. The trick that the Tories missed was not breaking up the BT monopoly once and for all time.”

a third term. Can it pick up a changing mood, and lead the people rather than merely reflect what it wants to see? Until a year ago, the answer seemed to be no. The Thatcher government seemed to have run its course. [...] The past year has been different. The government has recovered its bite. (*The Economist* 6.6.87: 14-15)

“The warning in her win” (*The Economist* 13.6.87: 13-14) sums up the concerns. So long as the government spurns inflation, protectionism and subsidies, much of British business will push on with its recent improvement. Other areas of British life have changed less, and some of them for the worse. The Thatcher Revolution will only be a reality once the old privileges have been overturned and impeding restrictions, regulations, tax shelters and exemptions scrapped. More competition is imperative (see 3.4):

(291) Near the top of society, many groups remain largely immune from competition. In their different ways, farmers, doctors, dentists, teachers, lawyers, academics and civil servants have all retained either price-fixing powers or barriers against arriviste competitors. Tackling the privileges and deprivations of these extremes is the central challenge for this third Tory term. [...] [T]he first guide to whether third-term Thatcherism will be radical or cautious is whether the prime minister keeps Mr Nigel Lawson at the Treasury, Mr Kenneth Baker at education and Lord Young at employment. If she does, they will help set the pace of change. Mr Baker can get on with the job of establishing a national curriculum and giving more financial freedom to individual schools. [...] [pursue] tax reforms, abolish tax shelters [...] [T]he only thing that stands between the Tories and [cutting the standard rate of tax to 20% and the top rate to 40%] is Mrs Thatcher’s insistence on maintaining mortgage-interest-relief and (unlike ten of her 12 EEC partners) exempting food from value-added tax. The real danger in Mrs Thatcher’s victory is not that she will go on and on, a phrase she unwisely blurted out at the start of this campaign. It is that she will forget what victories are for.

3.2.2 About the bankruptcy of monetarism: from M3 over PSL2 to M0

In “Banking societies, we presume”, *The Economist* (28.7.84: 16) applauds the biggest overhaul of British building societies for more than a century. A building society is a financial intermediary that historically obtained its funds from saving deposits and made long-term mortgages to home buyers. Until the 1980s, building societies concentrated on their traditional function of lending to home buyers. But their role began to change during the late 1970s when they offered depositors accounts that gave them instant access to their funds but paid interest. This type of account put the banks under pressure. Moreover, *The Economist*

claims, “in recent years, the big banks have encroached on the building societies’ only business of home mortgages while the societies have not been allowed to retaliate” (28.7.84: 16). The Building Societies Act of 1986 proposes putting that right and allows for deregulation of the building societies, which enables them to offer financial products that bring them into direct competition. It wants societies freed to do more than just lend for home purchase, and so to offer some overdue competition to the oligopolistic banks on the high streets of Britain. The act also enables building societies to give up their mutual status and become banks⁷⁵:

(292) New legislation is required to ensure that building societies are not left as the corner grocer’s shops in an age when everybody is shopping in financial supermarkets. The best legislative changes would free these sleeping giants of the high street to compete with other related services. (*The Economist* 27.8.83: 54)

As a consequence, *The Economist* (8.10.83: 25) promotes PSL2 as a replacement of Sterling M3: “Sterling M3, a wobbly indicator at the best of times, has never been more useless than it is now. A main flaw is that it does not include building-society deposits – which are included in the broader aggregate PSL2”. Broader measures of money supply are growing much faster than sterling M3. Therefore, “PSL2 is favoured by many monetary economists”. Critics in the treasury, however, find PSL2 “distorted” by the rapid growth in the building societies’ business but “many commentators reply that sterling M3 is distorted because it ignores it” (*The Economist* 10.11.84: 18). The case for sound monetary targets is related to the case for lower interest rates. The Confederation of British Industry (CBI) and others have advocated a simpler, non-monetary case for lower interest-rates:⁷⁶

(293) They say: Britain’s economic recovery is too slow. [...] Lower interest rates will create some jobs. [...] Lower interest rates should improve the shape of the recovery. They encourage investment, first by reducing the relative cost of capital spending, and second by increasing companies’ profits [...] Lower interest rates should also help to boost Britain’s exports, by pushing down the exchange rate. (*The Economist* 8.10.83: 25)

⁷⁵ cf. Parkin (2005: 586)

⁷⁶ cf. *The Guardian* (10.5.86): “A sliding pound will help industry to go faster: A gradual decline has been taking place ever since the ridiculous, but sustained, burst of strength brought about by Mrs Thatcher’s first administration’s espousal of monetarist doctrine and deflation.”

As discussed in 3.2.1, *The Economist* argues that the best updating would start from first principles. The medium-term financial strategy (MTFS) was originally intended as a framework for monetary policy; the PSBR targets were there largely as support. Only when the government was thrown by the bucking of sterling M3, its chosen measure of the money supply, did it put more weight on the PSBR: “At that time it was right to do so; its counter-inflationary intent would otherwise have seemed pretty feeble” (*The Economist* 10.3.84: 17). But the PSBR is a messy guide to fiscal policy, growing messier as the government sells more public assets and treats the proceeds as though they cut it: The treasury counts the proceeds from selling shares in state-owned industries as “negative public spending” – ie, they reduce the PSBR. In fact, they finance it. On this bizarre convention, a long-term programme of privatisation will mean that the PSBR can fall each year though the impact of the government’s deficit is not changing. In this respect, MOBILITY metaphors make monetary controls (and hence, monetary targets) indispensable safeguards in the process of economic recovery with low inflation:

- (294) Mr Lawson need not fudge the goal of an MTMS [medium-term monetary strategy]. The Bank of England and the treasury can more credibly [judge what the money supply statistics were saying] now that the government is targeting several measures of money. And waiting in the wings is a new measure, M2, which should one day prove the least distortable guide to monetary conditions. The government need not be embarrassed by the plethora of Ms. America’s Federal Reserve has targets for three measures of money, and watches others. [...] A strategy aimed at slowing growth in the various Ms to, say, 4% by 1989 would be the surest proof of the government’s intentions. Mr Lawson would also prove that, on economic policy at least, the Tories have not lost their feet or their way. (*The Economist* 10.3.84: 17)

Moreover, in “Monetary, not monetarist”, *The Economist* in its Central Banking Survey (22.9.84: 10-11) evaluates monetarism from a general perspective and then investigates its application to the British economy in 1979-83. It starts by outlining the history of Keynesian Economics:

- (295) The 25 years after the second world war seemed like a triumph for Keynesian fiscal policies. The rich countries that today belong to the Organisation for Economic Co-operation and Development (OECD) expanded their real gnps by 5% a year. Their unemployment rates averaged only 3%, inflation only 2%. By the mid-1970s, the triumph was tainted. Inflation in

the OECD economies had reached 14%, and unemployment rates more than doubled [...]. Although it was easy to blame Opec and quadrupled oil prices, many governments and economists began to suspect that Keynesian formula itself was the culprit.⁷⁷

The Economist (22.9.84: 10-11) claims that the pendulum was swinging, but only macroeconomically: “Governments were not disenchanted with public sectors that had almost doubled their share of gnp in 30 years, nor with labour markets clogged by subsidies and “job creation” laws; only with the belief that fiscal policy could do much for growth and jobs. Since they had to swing in favour of something, they shifted to the other arm of macroeconomics, monetary policy”. Finance ministers became more interested and involved in monetary issues, but operational responsibility lay largely with central banks. This change coincided with the intellectual resurgence of monetarism, “so many outsiders assumed that central bankers were all paid-up members of the Milton Friedman fan club”. This belief, *The Economist* argues, persists though it was and is wrong:

(296) Among leading central bankers and their advisers, the number of true monetarists can be counted on one hand. “True” monetarism boils down to three propositions: Fiscal expansion has no independent effect on prices or on the level (as distinct from the composition) of output. Its impact exists only to the extent that the central bank turns it into money. Monetary growth has only a transitory influence on output and employment, but a permanent one on prices. The velocity of circulation – the amount of spending by a dollar (or whatever) of money – is stable, or anyway changes at a predictable rate. These three principles lead to the Friedmanite policy prescription: central banks should allow the money supply to grow steadily, and no faster than the economy’s underlying growth in productivity. On every point, most central bank economists would insist on caveats or flatly disagree. [...] [Leading central banks] were prepared to believe that announced policy restraints would (a) reassure financial markets that inflation would not be allowed to keep rising, while (b) persuading businessmen and workers to moderate their price-and-wage-setting behaviour because their excesses would no longer be financed. (*The Economist* 22.9.84: 10-11)

⁷⁷ In this respect, it is apt to quote Mr James Callaghan, addressing his unreceptive Labour party in 1976: “We used to think that we could just spend our way out of a recession and increase employment by cutting taxes and boosting government spending. I tell you in all candour that that option no longer exists, and that in so far as it ever did exist, it worked by injecting inflation into the economy. And each time that happened, the average level of unemployment has risen. Higher inflation, followed by higher unemployment. That is the history of the last 20 years” Quoted in *The Economist* (14.5.83: 13) and (22.9.84: 10-11) and mentioned Pugh (1993: 143).

By these two yardsticks, *The Economist* argues, monetary targets have failed. On (a), real interest rates are a measure of the “inflation premium” that financial markets demand for lending money: “Since monetary targets became common in the mid-1970s, real interest rates have risen, suggesting that financial markets have grown more sceptical of the central banks’ anti-inflationary resolve”. On (b), unemployment rates are now higher in every OECD country than they were in 1975: “no sign there that companies and workers have been dissuaded from pricing themselves out of work”. On the central issue, however, *The Economist* claims that targets have been a success: inflation has tumbled: It rose briefly to an OECD average of 14,5% in the first half of 1980, but was 4,25% three years later:

(297) What is more, its fluctuations have been closely linked to movements in monetary growth two years earlier [...], as Friedmanite monetarists predicted all along. Whatever its results, targetry has caused many headaches for central banks. [...] The Fed has been the most ambitious, aiming for several targets at once. The Bank of England has had a poor record, which made Sir Geoffrey Howe, the chancellor of the exchequer from 1979-1983, an easy target himself. Only in his last year as chancellor did his three chosen measures of the money supply obligingly grow to plan; civil servants framed the achievement and presented it to Sir Geoffrey when he left for the foreign office. [...] sterling M3 in Britain has lousy predictive powers [...] and its growth can be hard to control, because an increase in interest rates encourages people to switch to interest-bearing deposits, so sterling M3 grows even faster. (*The Economist* 22.9.84: Central Banking Survey 10-11)

The Economist’s overall vindication of Friedman’s economic philosophy is repeated in “Monetarism. The right stuff” (*The Economist* 4.5.85: 23) where it disproves the common charge raised against monetarist policies in 1980-81, namely “that they promoted recessions and caused vast unemployment”. Since Britain was the only OECD country under ostensible monetarist management, Mrs Thatcher’s policies were deemed the cause of the increase in unemployment. *The Economist* retorts by claiming that “since then, however, unemployment has risen even more rapidly in countries which have manifestly not been infected by monetarism”. It continues by stating that “the decline of inflation vindicated the monetarist thrust of British policy” and concludes that “monetarists accurately predicted the great inflation of the early 1970s, while the Keynesian modellers as well as miscellaneous pragmatists failed to forecast the surge in prices. Similarly, monetarists [...] foretold the great disinflation of the early 1980s but non-monetarists underestimated it”. Therefore, *The*

Economist in “Steady now” (26.10.85: 20) accepts the fact that the one consistent theme of the Tories’ economic philosophy has been that governments can and should control inflation:

(298) The logic in that view needs explaining: governments can control the total flow of spending in an economy – nominal GDP – though they can do less about how it splits between real output and inflation, or between consumption and investment, or profits and wages. This was the original purpose of “demand management”, which became a dirty phrase only after politicians in the late 1960s and 1970s thought they could achieve targets for real growth. When they produced faster and faster inflation but less and less growth, Mrs Thatcher rode into Downing Street and dropped the language of demand management. She was right to do so while she broke Britain’s inflationary psychology and habits. They have not all gone, but the government could now safely become more open about its goal – to manage the growth of nominal GDP, probably aiming at 6-8% a year. The Tories once thought they could do that by steering a broad measure of money supply, sterling M3. But sterling M3 has been the devil to control, and misleading. (*The Economist* 26.10.85: 20)

This vindication of monetarism is a far cry from *The Guardian*’s ruthless criticism of “the counter-revolution in economics” (14.12.83). In “Monetarism’s guru distorts his evidence” it is reported that Milton Friedman, the “emperor of international monetarism” has effectively been accused of distorting evidence for his theories in a devastating critique to be published by the Bank of England. The study is said to cause considerable embarrassment to the government:

(299) In an attempt to prove that inflation is “always and everywhere” due to too much money chasing too few goods, Professor Friedman manipulates official statistics to reduce the money supply between 1921 and 1955, and to increase prices after the second world war. But even then his theory does not stand up, according to Professor Hendry. It is essential for Professor Friedman to prove a stable link between money supply and total money spending, but the relationship varies so widely and unpredictably as to be random. A given level of money supply is thus able to finance widely different levels of total money spending and inflation, so that the money supply numbers themselves are a very poor indicator of the state of the economy. They could be unduly restrictive, despite an apparent overshooting of monetary targets. (*The Guardian* 15.12.83)

In “Ritual dance of monetary targets”, *The Guardian* (5.3.84) reports that “an implicit recognition of both the theoretical and practical problems of “monetarism” has come with the Government’s abandonment of its sole monetary aggregate of 1980, to which it had itself unswervingly devoted”.

In October 1985, the pretence of steering a broad measure of money supply seemed once again to have ended: “In his Mansion House last week the chancellor dumped the target for sterling M3 and confirmed that the exchange rate would play a bigger role in determining interest rates” (*The Economist* 26.10.85: 20). Therefore, the conclusion was drawn that “Monetarism is dead”. *The Economist* claims that the headlines were overdue: “Pure monetarism has been in rigor mortis for at least a year”. The financial revolution in America and Britain has blurred many of the lines between different types of “money”, and introduced new versions as well. Money is now much harder to define and control, and individual measures of monetary growth are a poor guide to short-term movements in demand. It has been replaced by a monetary policy of using interest rates to control the exchange rate, and the exchange rate to squeeze inflation:⁷⁸

(300) This policy is already bringing inflation down fast and could carry on doing so. But it carries a risk. In focussing on inflation itself, there is no guarantee that nominal GDP will grow by 6-8% or anything like it. If it grows by much less, there will be a squeeze on real demand. Happily, the new monetary regime provides Mr Lawson with a “new” instrument to unsqueeze it – fiscal policy. (*The Economist* 26.10.85: 20)

In the original medium-term strategy, fiscal policy had an essentially subordinate role. It was to be steadily tightened, to achieve monetary control at lower interest rates. Now that the monetary control has little quantitative meaning and Mr Lawson is ready to raise interest rates if sterling weakens, fiscal policy becomes the main way of affecting the growth of nominal GDP. If the recovery seems to be slowing in 1986 and 1987, *The Economist* (26.10.85: 20) argues, a looser fiscal policy would be justified as long as the microeconomic conditions (no restrictive practices, flexible labour market) make it possible for higher demand to be met by

⁷⁸ cf. *The Economist* (27.2.88: 22): “Mr Lawson’s chosen weapon against inflation is the exchange rate. He has signalled to employers that he is not prepared to underwrite excessive pay rises with a cheaper pound. This may impress manufacturers, facing strong foreign competition. But few service businesses are so exposed. They can raise prices without too much trouble. Mr Lawson’s weapon is looking blunt.” In this respect, it should be noted that real exchange rates, not nominal ones, matter for businesses and consumers. Currencies that are stable in nominal terms often hide big swings – caused by differing movements in inflation rates, labour and other costs - in the underlying pattern of international competitiveness.

higher productivity (instead of higher inflation and more imports). In this respect, *The Guardian* (18.3.87) claims that the Lawson Boom 1986-87 is the result the government's abandonment of monetarism in favour of a lower pound and a pragmatic form of Keynesian expansion.⁷⁹ With incisive wit *The Guardian* (30.9.85) concludes that "the funeral of monetarism during the summer months was surprisingly subdued, a family affair little commented on outside the City. There were few mourners: partly because there were few real believers, and partly because the coroner's verdict – death by a thousand missed targets – had been trailed well in advance". In "The year monetarism dies?", *The Economist* (4.1.86: 11) claims that British and American governments brought inflation down to 4% in 1985 by means of monetarist policies of reining in money supply. But, it argues, one bit of pure monetarism has gone wrong – the view that the best way to make macroeconomic policy both stable and seen-to-be-stable is to set targets for monetary growth: "Ungratefully, the most assertively monetarist governments then turned on the ism that had saved them. America's money supply grew faster than planned. Britain's Treasury dropped its main target for monetary growth" (*The Economist* 4.1.86: 11). However, *The Economist* warns governments against the baby-water danger: "Instead of concluding that everything about monetarism is wrong, governments ought to keep its long-term principles and ditch only its short-term targets. [...] The City is rightly dismayed that the chancellor's medium-term strategy has collapsed into pre-election ad-hocery: a target dropped here, an asset fudge there, robustly worded but entirely non-committal commitments to take the exchange rate into account (hasn't he always?)" (*The Economist* 4.1.86: 12). *The Economist* emphasises that this is not the stable climate of expectations that the Thatcher government proclaimed in 1980: "Month-by-month, monetarism may have become a fickle guide. For the long haul; it rules still surprisingly useful" (*The Economist* 4.1.86: 12). This wisdom is metaphorically illustrated by the PATH and HEALTH metaphors which advocate supply-side/ microeconomic improvements (deregulation, union reform), not activist macroeconomic policies injecting inflation into the economy:

(301) Before the two governments let monetarism vanish from their minds, they should remember some of the painful lessons from the 1970s. What mattered most in monetarist thinking is still

⁷⁹ In hindsight, *The Economist* (30.1.88: 49) too relates the Lawson Boom to 'Keynesian fine-tuning': "Thus, avowed anti-Keynesians created the [microeconomic] conditions under which a Keynesian expansion of demand could spur output rather than prices and wages – and that expansion was duly delivered in 1986 by sterling's depreciation against the D-mark and by a gentle reflation." However, *The Economist* (24.10.87: 22, 28) remains 'monetarist' when stressing that "Thatcherism rejected fine-tuning - that is, trying to tie demand to targets for real output" and supports the idea that "microeconomic reforms almost certainly matter more for long-term growth than macroeconomic ones."

true: the idea that, except in the short run, an economy's output is determined by its microeconomic structure, not by aggregate demand. Governments that try to get more output simply by expanding demand will sooner or later get more inflation instead. From this kernel of truth two other things followed. First, activist macro policies will often lead to exaggerated cycles of inflation and depression; stable policy means a more stable economy. Second, if workers and firms know that policy is stable, the economy will reach the path of non-inflationary growth all the sooner, and with less pain while it does so. These broad principles are no longer distinctively monetarist; many modern Keynesians accept them.

In the last budget before the 1987 General Election, *The Economist* (21.3.87: 15) informs that Mr Lawson scrapped the target for sterling M3, with the target for growth in M0 set at 2-6%. Thus, the remaining money supply target is for M0 – in effect cash in circulation. *The Economist* fears that it will do little to fill the vacuum. Its link with total demand is flimsy. More important, hardly anybody in the City thinks that the chancellor takes M0 seriously. As an expectations-stabilising device it is therefore useless: “Without an effective medium-term strategy, the government's monetary policy has become a matter of pure discretion. That makes it vulnerable, at the hands of a less scrupulous chancellor, to political whim” (*The Economist* 21.3.87: 27), as illustrated by the scepticism conveyed by its MOBILITY metaphors:

(302) [It] would be more reassuring if the government had some stronger levers [than M0] to keep money GDP on course. Instead its sole monetary target involves a measure of the money supply [M0] which includes only notes and coins – implying that the British do all their spending from a jam jar on the mantelpiece – and which is widely regarded as a joke. And the pound's exchange rate, instead of being firmly anchored inside the European Exchange Rate, is still being left to the discretion of ministers. (*The Economist* 21.3.87: 15)

3.2.3 About Reaganomics and Exchange controls

In “That mighty dollar” (13.8.83: 10), *The Economist* investigates the way President Ronald Reagan has brought economic recovery in the US. Apparently, things were better in the US, where Ronald Reagan also said he was pursuing monetarist policies. Output rose by 10% between 1982 and 1984. Unemployment peaked at 10% at the end of 1982 – the by-product of tight monetary policy – and then fell to 7% in 1985. Inflation fell from 12% in 1980 to 5% in

1985.⁸⁰ *The Economist*, however, claims that recovery in the US came with a price, and often at the expense of others: “One way is to look at America’s “real economy” – its spending and output and the way both are booming. Since the rest of the world is still not booming, the United States has sucked in imports while its exports have stagnated”. The result is a big current-account deficit which has been financed by borrowing from abroad. Therefore, *The Economist* (14.1.84: 11) argues, whatever Reagan said or thought he was doing, he was in fact pursuing not monetarist, but Keynesian policies (“Keynes by mistake”). Taxes were reduced to improve the supply-side of the economy (increasing willingness to work, stimulating consumption and investment) but large public expenditure, much of it military (e.g. defence system *Stars Wars*) was put in place:

(303) President Reagan has by mistake become what Candidate Reagan deplored – a Keynesian, on a large scale, running a government budget deficit worth 6,4% of gnp in the middle of a deep recession. [...] A re-elected Mr Reagan who luxuriated during his second term in the same budget policy on the ground that it had salvaged his first term, would undo the healthy, recession-induced attitudes to growth, efficiency, and inflation that the first half of his first term achieved. By the same token, a Reagan who used his capital as the re-elected slayer of inflation and the midwife of recovery in order to balance spending by taxes, and even to reform the tax system itself, could purge misfortune from America’s economy for a long time. (*The Economist* 14.1.84: 11)

In “France and America. Back to bickering”, *The Economist* (3.9.83: 52) mentions that the French are worried about the American budget deficit, interest rates and the dollar, which is too strong: “In the early days of his presidency, Mr Mitterrand hoped Mr Reagan would act to bring all three down. He and his finance minister, Mr Jacques Delors, also believe a new monetary system is needed to save the world from chaos. Their preaching has fallen on deaf ears in Washington”. France has an immediate interest in seeing the dollar fall: its dollar-denominated oil import bill has been soaring with the American currency (“the overblown dollar”)⁸¹. The rise in the dollar is said to damage a world economy still in that awkward phase between recession and solid growth. The damage is most obvious to people who live outside the United States. They are getting none of the benefits from cheaper oil, because oil is paid in dearer dollars. Moreover, developing countries pay huge debt interest in dear dollars. *The Economist* (17.12.83: 10) unravels the tangle why the American economy has

⁸⁰ cf. Pugh (1993: 153-154)

⁸¹ *The Economist* (17.12.83: 9)

been shrunk by the strong dollar if it has been growing so fast in 1983: “Because the shrinking has been concentrated on those bits of the economy exposed to international competition. American manufacturers have been hit; American builders and retailers have not”. The American economy is changing shape, with consumption and imports being encouraged at the expense of investment and exports. It is the precise reverse of the savings-and-investment-led growth that Candidate Reagan promised in the election campaign of 1980. An array of HEALTH metaphors in both newspapers point at the danger of lost export possibilities against a backdrop of European and Japanese import floods (mostly in manufacturing). The backlash could take on the identity of protectionism, and, eventually trade war:

- (304) Like all economic change, this brand is claiming casualties, some of the vocal and well-organised: big business, big trade unions. Their remedy is to keep out the imports that undercut them. At any time, protectionism has a superficial charm. In an election year, only the most determined politicians can resist it. Waverers in the Reagan administration and congress should remember that trade barriers always harm those who raise them. The latest proof is that Japanese exporters have been increasing their prices in protected markets and keeping them low in open ones. (*The Economist* 17.12.83: 10)
- (305) The huge US trade deficit revealed on Wednesday was a reminder that the grotesque trade distortions which are throttling the recovery of the world’s economy have not gone away. We have become accustomed to an American deficit running at more than \$100 billion a year and an annual Japanese surplus amounting to more than \$60 billion, but the problems these imbalances pose have not diminished and will be among the main issues for discussion at next week’s Tokyo summit. (*The Guardian* 3.5.86)

Another danger lies in the asymmetry of America’s balance of payment.⁸² Theoretically, any current account deficit must be offset by a surplus on the capital account, which is basically foreign direct investment (“borrowing from abroad”), lured by high interest rates. When, however, sooner or later, faith in the economy and the currency is lost, foreign creditors may suddenly go for a run on the dollar, which then devalues markedly, or worse, dramatically.

⁸² cf. “There he goes again” (*The Economist* 27.10.84: 13): “Paradoxically, the man who has always thought that government is the problem has allayed most Americans’ fear of it. [...] Although Mr Reagan’s ultra-Keynesian America is barrelling along towards full employment, all its trading and budget accounts are frighteningly out of balance.” The problem of the budget deficit is further discussed in “The dollar’s down” (*The Economist* 10.11.84: 12): “Let it slide further, for the sake of world trade.” The underlying idea is that the American economy would benefit from a cheaper dollar, and hence, more export possibilities that reduce the trade deficit.

This ruthless mechanism of currency appreciation and depreciation, and its effects on a world economy, is well illustrated by the MOBILITY metaphors in both newspapers that speak in favour of “slides” rather than “freefalls”. *The Economist* (17.12.83: 10) holds with the idea that the Federal Reserve could nudge the dollar down by letting America’s money supply grow a little faster – “provided the Fed relaxed while the central banks of West Germany and Japan simultaneously slowed their monetary growth”. Such concerted action could persuade the markets that the central banks were, together, taking no risks with inflation: “Prices in any large industrial country are now probably affected more by what happens to the world’s money supply than domestic money alone”. A peaceful landing of the dollar, however, is only feasible if the budget deficit were cut, inflationary fears soothed, and faith in the US economy restored. In “Will the dollar vote Reagan?” (*The Economist* 4.2.84: 14) it is argued that the main domestic threat to the president’s re-election is that foreigners may suddenly stop lending America so much money. Worse, *The Economist* reports that Reagan has set his policies on automatic pilot (4.2.84: 14):

- (306) Currencies rarely move smoothly and slowly: the significant changes have occurred in disruptive jerks, as currency markets are stampeded by the opinions they form about the policies being pursued by particular governments. [...] Yet rapid movements in the dollar cause huge financial and political tensions around the world – as much during the dollar’s 1977-79 fall as in its 1981-83 rise. Every extra point that the dollar rises now means another point that it needs to fall some time in the future, making it harder to engineer a smooth, untroubled slide. Fears that the fall, when it comes, will be unmanageable have begun to be voiced by some international economists [...]. They see parallels between the policies that preceded the currency freefalls of the past 10 years and what is now happening in the United States. They recall that Britain in 1974-75 and Mexico in 1979-82 had been growing rapidly; had large budget deficits; had run big and growing deficits on their external current accounts; and had, therefore, to borrow heavily from abroad. Their exchange rates had risen in real terms – either because the peso had not fallen fast enough to offset inflation (Mexico) or because sterling’s nominal value had risen at the same time as inflation had (Britain). Foreign creditors started fidgeting, but went on lending because interest rates were so high. Sooner or later, something happened: inflation accelerated or companies became illiquid or elections loomed. Creditors decided that they had too many Mexican loans or British treasury bills in their portfolios. The currency weakened and then crashed. This could happen to the United States dollar. One crucial ingredient is missing however. In every country where the currency has nosedived, the central bank has let the money supply rip and so speeded inflation. The Federal Reserve has not done that. [...] With a tight monetary supply, the dollar is unlikely to plunge.

[...] When the White House and congress agree to reduce these deficits, the Fed will be free to help the dollar slide. Were the Fed to make the first move before government borrowing is cut, the dollar's slide could turn into a plunge. (*The Economist* 17.12.83: 10)

In view of the huge federal deficit that refused to shrink during the Reagan Years (cf. infra), *The Guardian* (20.1.84) equally warns that “disaster may well be nigh for the US boom”:

(307) “Tackling the trade winds that threaten to blow the world's economy off course” (*The Guardian* 3.5.86)

(308) “The American economy grows into recession”

The United States, and thus the Western community is tottering on the edge of an economic precipice less than two years after President Reagan swept back into the White House on a wave of optimism, declaring it “morning again” in America. (Alex Brummer, *The Guardian* 10.9.86)

In “Tory king, Whig policies”, *The Economist* (18.8.84: 11) analyses the American primaries in the run-up to the 1984 presidential election and concludes that “the essence of Mr Reagan's current popularity is contained in three qualities, each stolen from the Democrats”: optimism and Keynesianism at home, and a sense of the president knowing his mind abroad. After Herbert Hoover's depression, Roosevelt made the Democrats the party of hope, change and prosperity and thus helped to confirm the Republicans as the party of caution, conservatism and austerity, an image which JF Kennedy reinforced by oratory, by “standing up to the Russians”, and by tax cuts. But over the past 20 years, culminating in the reign of Reagan, those roles have somehow been reversed. In “Lean donkey, fat elephant” (18.8.84: 11), *The Economist* mentions that “America is booming today thanks to an anti-inflationary Federal Reserve, over which Mr Reagan has little control, and to a demand-led recovery based on a huge federal budget deficit, for which he can take full credit”:

(309) The name for this is turbo-charged Keynesianism. Some conventional economists think it may blow up. No matter. During this election year of 1984 the traditional roles of the two parties are reversed: the Democrats are the party of balanced budgets and tax rises, the Republicans of deficits and tax cuts. The role reversal extends to foreign affairs. [...] Rid of their old image of caution and hard times, [the Republicans] can make themselves into the party of innovation. [...] And, if Walter Mondale obliges by not changing his spots, they will have little difficulty in painting the Democrats as yesterday's politicians, timid, inward-looking, hostile to change – in other words, conservatives. [...] [T]he Republicans put off their prospective adherents with

their disregard for equity (and sometimes law), their apparent antipathy to civil rights [...] and their readiness to entangle religion and politics.⁸³ The combination of New Right and Old Wrongs is not what most disaffected Democrats are after.

In this respect, *The Economist* mentions that Ronald Reagan ironically served as an example for Thatcher's opposition parties: "As Mr Kinnock eagerly points out, President Reagan is implementing Labour policy in running up huge budget deficits. Reaganomics means jobs" (6.10.84: 13). In "As America slows" (1.12.84: 14-15) *The Economist* claims that the right economic policies for the US are cheaper money and fewer tax shelters (tax-deductible interest payments on borrowing which indirectly raise interest rates). Therefore, moderation with respect to exchange rates and interest rates is promoted through the use of MOBILITY metaphors:

(310) A bounding economy took Ronald Reagan to electoral triumph a few days before new statistics showed it slowing to a walk. [...] Two things are needed to lift this walk to canter: lower interest rates and a lower exchange rate for the dollar. The first is happening. The second is not, because foreigners reckon that America is going to need their cash to finance its huge budget and trade deficits – and will continue to pay them handsomely for lending it. [...] As Americans can deduct all interest payments from taxable income, it pays them to borrow even when the real rate of interest seems, by other countries' standards, painfully high. Rich Americans ought to be the world's biggest savers. Instead, they borrow to buy a holiday home or yacht or oil rig, largely because these are tax shelters. If that kind of borrowing were curbed, interest rates would fall – happy news for Latin American debtors, paying dollar interest rates but denied the tax breaks. (*The Economist* 1.12.84: 14-15)

Set against an overvalued dollar, pound sterling is sliding towards record lows in the 1984-85 period. Since exchange controls were abolished in 1979, the British economy has also been completely open to international flows of capital. And since it has become the world's fifth largest oil producer, it has become "prey to the vagaries of a semi-cartelised, semi-spot commodity that is exported mainly from the troubled Middle East". Petrosterling rises when oil is expensive, it slides when oil is cheap (*The Economist* 12.1.85: 10). The MOBILITY

⁸³ In 1979, the controversial televangelist Jerry Falwell started the Moral Majority, which had an agenda of evangelical Christian-oriented political lobbying. As a pillar of the American New Right movement it was staunchly pro-family, pro-life, and obsessively crusading against evolutionism and gay rights. In 1980, Falwell moved the organization behind Ronald Reagan. In line with Reagan's social conservatism, Falwell repeatedly denounced certain teachings in state schools and secular education in general, calling them breeding grounds for atheism and secularism which he claimed to be in contradiction with Christian morality. *The Economist's* antipathy towards such 'bigotry' has been well illustrated.

metaphors that advocate gentle “slides” rather than sudden “jerks” and “freefalls” apply to the British economy as well, hampered as it is by an inflexible labour market and high production costs:

- (311) “These realities, old and new, cause two sorts of economic difficulties: short-term market jumpiness and long-term pain for Britain’s many stodgy industries. The markets have been edgy for nearly a month, watching sterling slide to record lows against the dollar. (*The Economist* 12.1.85: 10)

The Economist agrees with the analysts that the dollar’s strength, weak oil prices and excessive monetary growth are responsible for the pound’s slide: “The first two are said to be beyond Britain’s control, since it is pointless to resist market pressures”. However, as discussed in 3.2.2, excessive monetary growth is on account of the Bank of England, which “confused the City with a hurried response to a falling pound, so interest rates eventually had to rise”. In this respect, *The Economist* (12.1.85: 10) points out that “once sterling M3 is growing at around the middle of its 6-10% target annual range, the government should not engineer higher rates to protect the pound”: “Steadiness for a steady recovery” (*The Economist* 12.1.85: 10). Moreover, in “Messing about with interest rates” (*The Economist* 18.8.84: 19), it is emphasised that “its immediate objective is clear enough: to force interest rates down as fast as possible without prompting another slide in the pound”. This is a broad strategy advocated by the Confederation of British Industry as well, since low interest rates encourage investment (*The Economist* 8.10.83: 25). Thus, interest rates become a lever in macro-economic policy once exchange rate controls have been abolished.⁸⁴ The result is a monetary policy of using interest rates to control the exchange rate, and the exchange rate to squeeze inflation:

- (312) But according to the chancellor’s oft-stated view, the market is the best judge of what interest rates should be. For the time being this approach seems to be forgotten, as the authorities

84 *The Economist’s* stance against exchange controls has been illustrated: “By the early 1970s, British companies had become dangerously anaemic. They lacked the cash to spend more on machinery, buildings, R&D and training, yet they could offer investors little or no real return on their capital. Company chairmen got away with this only because they had a captive supply of savings. Once exchange controls were abolished, British firms had to compete in the world market for goods. Not enough of them are there yet, but many are moving that way.” (*The Economist* 4.10.86: 13-14)

pursue the more traditional approach of trying to use interest rates to influence the exchange rate of economic expansion. (*The Economist* 18.8.84: 19)

The benefit of sterling's steady depreciation, however, is explained in "Basking briefly in the black" (*The Economist* 6.7.85: 31). The British economy is said to enjoy an unfamiliar experience, namely export-led growth: "Between 1981 and 1984, domestic demand grew by over 9%; but almost a third of this leaked abroad in net imports, so gdp grew by only 6,6%. [...] British exporters are benefiting from the steady depreciation of sterling – down 30% in the four years to February – and the upturn in world markets". As discussed in 3.2.2, *The Economist* advocates exchange rate alignment (and harmony) at European level (ERM), which would offer safeguards against inflation through the European Monetary System (EMS). It is mentioned in "Time to join EMS" (*The Economist* 1.2.86: 13) that "markets have learnt to distrust the promises and will of British governments to resist a falling exchange rate" and therefore emphasised that many businessmen, economists and politicians (including almost all Tory wets) would like sterling to join the EMS, at about a rate against the D-mark – DM 3,40 to the pound: "The new Mrs Thatcher should oblige them, and with a single decision turn herself into a good European and please British industry" (*The Economist* 1.2.86: 13). This advocacy is indicated by its pro-European use of MOBILITY metaphors in "Till death us do part" (*The Economist* 21.9.85: 15):

- (313) The second, better reason for not joining [the EMS] in 1979 was that Britain wanted to pursue its own macroeconomic policies. [...] If sterling does join [the EMS], the biggest change will be the transfer of responsibility for Britain's monetary policy from the Bank of England to Germany's Bundesbank which, as the central bank keenest on sound money, sets the pace for others to follow. This would be a blessing: Tory governments would like appointing City gents as governors of the Bank; but Mr Karl Otto Pöhl would do a better job.

Exchange rate harmony on a world-scale is advocated in "Superdollar overdoes it" (*The Economist* 2.3.85: 11). Since the US relies on foreign investment to observe the rules of the balance of payment, high interest rates prop up a strong dollar at the expense of developing countries which pay debt services in dollars, but also to the disadvantage of American industries that depend on export:

- (314) Everybody should understand why Superbuck is a menace to the planet. The United States is not just the world's leading financial centre; nor is the dollar just a sign on IOY's with exotic names like nifs, tigers and treasury-bond strips. America is also the biggest trading nation – in

everyday things like oil, wheat, clothes and computers. Its traders count their costs in dollars, and a dear dollar is hurting many of them. [...] America is nearly always a magnet for investors, especially when it has a non-inflationary boom while Europe and Latin America stutter and even Japan halves its growth rate. If Europe had more flexible labour markets, pushier entrepreneurs and lower taxes, it would attract more of the cash that now flows to the dollar. Yet America's understandable pride in its strength is blinding it to a weakness that thoughtful people in Washington fear most of all. The United States is borrowing heavily from abroad and running down its overseas assets. [...] It would not be able to borrow so easily and cheaply unless lenders thought the dollar was going to rise. Once they think it will fall, higher interest rates will be needed to persuade them to keep lending to America. But higher rates would revive all panic about Latin America's debt, overborrowed American companies and the health of the banking system. [...] But unless Superbuck returns to earth fairly soon, he will be too late to prevent a trade war. (*The Economist* 2.3.85: 11)

In this respect, *The Guardian* warns that “markets topple into madness” (26.2. 85). It is emphasised that the world's central banks should intervene boldly and in concert to restore some sanity to the foreign exchange markets “which are reverberating yet again from the manic disorder of the dollar”. In “Talking the dollar down”, *The Economist* (28.9.85: 13) welcomes the result of the G5 Plaza Meeting (September 1985) since it put an end to a dangerously overvalued dollar: “That meeting was a response to the greatest current threat to the world economy, protectionist pressure in America. The five leading governments are still politically brave enough to know they can beat it if Americans are priced back into international competition by a falling dollar”. Moreover, in “Props for the pound” (*The Economist* 19.7.86: 12) it is argued that “high interest rates are a damaging way to keep sterling damagingly strong”. A sliding oil price is “the only good reason for letting the pound fall”. Furthermore, *The Economist* claims that if British exporters are to fill the gap left by lower oil revenues, their international competitiveness must improve – ie, sterling's real exchange rate has to drop. However, “government officials worry that the liquidity “glacier” could become an inflationary flood if interest rates were cut”: Sterling M3 has been swollen by the financial revolution. The second reason for keeping money dear and sterling high was to put pressure on companies not to concede excessive pay rises. In this respect, *The Guardian* (26.2.85) claims that a strong currency indirectly pushes people back to Victorian values of thrift: “Suddenly with lower income tax rates and higher real returns, the old-fashioned way of building wealth is becoming possible again”. In conclusion, the pound's

slide would be feasible only when it is safely embedded within ERM and EMS against the backdrop a falling dollar:

(315) The longer the government tries to delay the pound's inevitable decline, the bigger the risk of a collapse next year. That would give Mr Nigel Lawson, the chancellor of the exchequer, the unenviable task of raising interest rates in the weeks before polling day – and almost certainly having to accept a drop in the pound as well. How much better to allow the slide now for a good economic reason than later for a bad political one. A slide has other virtues if it happens in the next few weeks. Sterling would probably go down against the D-mark but stay steady against the still-falling Dollar. This should allow the government to follow America's lead and cut interest rates soon, while leaving the way clear for popping the pound into the European Monetary System at a super-competitive rate. (*The Economist* 19.7.86: 12)

Hamish McRae in *The Guardian* (6.1.87) actually recognises two deficits in the US: the current account and the federal budget. Although the two are related, there is no satisfactory answer to the question what the relationship is:

(316) You could say that if the US Federal authorities borrow more than their savers can provide, the US sucks in savings from abroad to cover the difference. You could say equally that if the Government spends more than it raises in tax from US citizens, some of that spending will be reflected in increased imports. But once you get beyond these general propositions you run into trouble. There are plenty of explanations of the relationship. In fact there are far too many. [...] What conclusions can one possibility draw from this? Perhaps this. If, and it is a big if, the US Federal deficit is indeed about to be less of a problem, all logic points to a benign adjustment in the US current account. Such an adjustment might well involve a lower dollar: indeed it almost certainly will. But panic will be avoided. The current account deficit will be financed until the fall of the dollar corrects it. The correction of the Federal deficit would have come just in time.

We can conclude that *The Economist* and *The Guardian* regard a cheaper dollar as a precondition for America to export more and import less, and thus for a more balanced pattern of world trade. The alternative is not an option: a huge US budget deficit, protectionist measures (tariffs) to keep imports out, retaliation from Japan and Europe and, eventually, trade war. This alternative is disparagingly dubbed “Economics by lobotomy” (*The Economist* 18.4.87: 9), as the HEALTH (or rather: ILLNESS) metaphors indicate:

(317) The United States declares trade war on Japan; then, with the Reagan administration egging the protectionists on, Congress raises tariffs against all countries whose trade surplus with America is bigger than Mr Lester Thurow thinks fit; the victims retaliate, either with tariffs of their own, or with restrictions on the flow of capital to America, or both; American interest rates jump into the teens; Latin American debtors default; the slump which follows it is as deep as in 1980-82. [...] Even now, a couple of aspirins and a breath of fresh air would still do the trick. But the three governments, after much earnest discussion and a few raised voices, have decided to go for brain surgery instead. [...] Congress and the administration are still ignoring the obvious cure – a smaller budget deficit – in favour of the import controls which history and man's intelligence have shown to be ruinous. (*The Economist* 18.4.87: 9)

Hamish McRae in *The Guardian* (18.9.86), however, voices pessimism when explaining the much dreaded 'J-curve': the Reagan Administration has counted on the magic of foreign exchange markets and the devaluation of the dollar to solve its trade imbalances. But a year after the Plaza Pact, the US currency has fallen 30 per cent but the trade gap is still widening:

(318) [W]hy has the devaluation of the dollar failed to bite into the US trade deficit? [...] After a devaluation a country's trade account should look like a J on a graph. To start with things get worse because the change in value is immediate, while it takes a while for volume to respond. Then things get better as the change in volume more than offsets the change in value. [...] As far as manufactured exports are concerned, the US economy has to make structural changes to take advantage of the fact that the dollar is cheap. [...] In the US Congress, a trade deficit is seen as exporting jobs, which in a sense it is. And this is extremely sensitive ahead of the mid-term elections in November.

In this respect, Alex Brummer in *The Guardian* (10.9.86) mentions that "[t]he US's exhortations to the allies in West Germany and Japan to expand their economies by reducing interest rates and expanding public spending have fallen on stony ground, heightening the possibilities of an economic slowdown". In conclusion, he claims that the effort by the Treasury Secretary, Jim Baker, to solve the trade deficit by lowering the dollar has been "a notable failure". This in spite of the decision of the Federal Reserve to temporarily abandon monetarism for growth with half-point cuts in its key discount rate. Brummer concludes that the US economy needs "some Keynesian stimulus to keep the growth in the service and high-tech sectors of the economy moving":

(319) For most of its history the US has been a surplus nation sending its steel aeroplanes, high technology, agricultural produce, insurance and other services to the rest of the globe. This has changed dramatically: the run of deficits which began a decade ago has expanded at an exponential pace. [...] Given the current trend, the US trade deficit this year is on target for \$175 billion, a potent symbol of industrial and agricultural decline. For the first time in 27 years the US, whose great plains were once a bread basket to the world, is importing more farm produce than it exports. Indeed, efforts to manage the international economy through a new cooperative declaration made at the Tokyo summit this spring have all but collapsed. [...] Traditional economic laws – the so-called J-curve which delayed the impact of Britain’s 1967 devaluation – together with structural rigidities have combined to ameliorate its impact, leaving America hopelessly at risk for a populist flight into protectionism. The trade gains from the dollar’s decline have been illusory for several reasons. A devaluation assumes that American consumers buy Japanese on price grounds alone. This is not the case: the quality of Japanese goods from cameras to motor cars outstrips that of American products. Thus even if the price of imports is raised 30 per cent, it does not choke off purchases. [...] The stubborn refusal of the deficit to respond to the devaluation means that both US import competing industries and manufacturing are being drained of confidence. [...] The effect of this is that US economic growth is barely strong enough to prevent adding people to the unemployment lines.

3.3 *About Labour and trade unions*

For all the SDP’s merits, as highlighted by *The Guardian* (13.9.83) (“having a thirst for social justice which forms no part of prevailing Conservative philosophies”), *The Economist* in “The doctor buys some time” (17.9.83: 25), wonders what benefit Dr Owen from the SDP can squeeze from a prolonged and frustrating courtship with the Liberals: “Although he has put a stop to the promiscuous talk of Jenkinsites such as Mr Dick Taverne, who can see no point in postponing the inevitable marriage, the resolution looks more like a manoeuvre to arm delegates for another tough bout of “alliance” seat allocation talks with the increasingly rebellious Liberals. [...] Dr Owen’s new slogans to fill the gap are “toughness and tenderness” and the “social market economy” (*The Economist* 17.9.83: 25). In “Dr Owen’s way” (*The Economist* 15.9.84: 14) it is suggested that the alliance of Britain’s Social Democrats and Liberals is not nearly allied enough: to the Liberals’ vague progressivism, yen for decentralisation and conservation have been added the SDP’s “social market” economics, given more a social plan than a market twist this week by Dr Owen’s new emphasis on unemployment”. It is furthermore mentioned that “this impression was strengthened at the

SDP conference of a group of well-meaning individuals borrowing clothes from the two major parties as and when they needed them – and disputing with each other when it suits them”. During Thatcher’s mid-term, *The Economist* in “You call this Alliance?” (25.5.85: 20) reports that the coalition has drifted on, “mainly to humour the conflicting ambitions of its two leaders, Mr David Steel and Dr David Owen”. By refusing to move towards a merger, “the two parties may keep each other’s warriors from one another’s throats”. Clearly, the difficulty of the Alliance constellation is cast in terms of antagonism and belligerence, as indicated by its use of CONFLICT metaphors. It should be noted that this particular categorisation is not only earmarked for the Alliance. As we have already discussed and amply illustrated in 3.2.1, the Tory party with its persistent ‘wet-dry’ division is metaphorically framed by much the same pattern. Likewise, the conceptual metaphor PARTY POLITICS IS CONFLICT applies to Labour as well. In October 1983, Neil Kinnock replaced Michael Foot as leader of the Labour party. He had the thankless task of leading the Labour Party during a protracted period out of government. His first period as party leader—between the 1983 and 1987 elections—was dominated by his struggle with the hard left. Although Kinnock had come from the left of the party he parted company with many of his previous allies on his appointment to the shadow cabinet. In 1981, Kinnock was alleged to have effectively scuppered Tony Benn's attempt to replace Denis Healey as Labour's deputy leader. All this meant that Kinnock had made plenty of enemies on the left by the time he was elected as leader, though a substantial number of former Bennites gave him strong backing. *The Guardian* (3.10.83) hails him as “the leader from the realists left” but adds that “there is a suspicion that for all his charm and wit Mr Kinnock lacks substance”. In “Can he save Labour?”, *The Economist* (1.10.83: 9) claims that the answer at present must be not much:

(320) The Callaghan government’s exposure of socialism’s inherent contradictions in 1976-1979, Mr Michael Foot’s shambolic interregnum, then the battle of the Bennite bulge in 1980-82 sapped Labour’s governmental credibility, even before Mrs Thatcher’s Falklands triumph and Labour’s disasters of the Social Democratic defections. In last June’s election, Labour’s traditional constituencies of support were put to fire and the sword. None of them – the pensioners, the young, the unemployed, the unskilled, the trade unionists, even the council-house tenants – gave Labour majority support. More than one in three of Labour’s 1979 voters moved away. [...] Mr Kinnock’s left-wing image has been strictly opportunistic. By the time of the leadership struggles of 1980-81, he was Michael Foot’s closest comrad-in-arms. (*The Economist* 1.10.83: 25)

The Economist claims that “governmental power is now his ambition, and he is already moving out of fortress Labour to hunt for it”. He has suggested that Britain should stay in the EEC. He wants to “woo the house-owner as well as the homeless” (*The Economist* 1.10.83: 9). It is said that Mr Kinnock is not a traditional egalitarian: “His complaint against Thatcherism, he says, is its inefficiency. It is from its practical failure that its social injustice stems” (*The Economist* 1.10.83: 27). Nevertheless, *The Economist* argues that the new Labour party is unlikely to be appreciably different in actual policy from the old. The bonds with the unions, with protectionism, with the institutions of the corporate state are too strong, giving rise, not only to CONFLICT metaphors to illustrate clashes between the party’s hard left and centrist forces, but also MOBILITY metaphors expressing the incredulity with respect to Labour’s attempts to bring economic prosperity:

- (321) In government, it would probably turn neither right nor left but pass through the same agonising self-education on defence, nationalisation and macroeconomic policy as it has so often done in the past. [...] [The Labour party] may try, as some of the left are already threatening, to shackle him with the new ideology. As will doubtless be proved yet again in Brighton next week, there are still constitutional chains enough for the purpose. If the party ties him with them, it will merely ensure yet another defeat. (*The Economist* 1.10.83: 10)

This incredulity is enhanced in “Piling cliché on fallacy” (25.2.84: 15), where *The Economist* accuses Labour’s deputy leader, Roy Hattersley, of cheap populism and economic illiteracy:

- (322) [Hattersley] postpones the laws of economics. [...] [He] proposes a bigger public sector borrowing requirement (PSBR), to pay for more public sector investment, lower taxes on the low-paid and the abolition of the employers’ national insurance surcharge. He wants lower interest rates, a lower exchange rate, “selective and temporary” import controls, lower energy prices, lower rates on industrial property, and structural changes in wage negotiation [...]. How, in 1984, can a shadow chancellor expect to be credible and yet argue simultaneously for higher borrowing and lower interest rates? [...] the Labour party is unlikely to win the next election - or in the meantime force the government to frame its policies more intelligently – just by saying that higher government borrowing will make everything all right. (*The Economist* 25.2.84: 15)

Moreover, in “Labour party. Class conflict.” (28.1.84: 22), *The Economist* informs that right-wing union leaders, like Mr Alastair Graham and Mr Frank Chapple, have been urging unions to adopt a more independent stance towards Labour since the general election. Likewise,

Labour's deputy leader, Mr Roy Hattersley, predicted a sharp decline in the unions' influence on Labour and society as a whole. He wanted the party to become a "coalition of ideas", to replace the old coalition of interests. In "Lionel Murray's low ebb at Blackpool" (3.9.83: 19), *The Economist* analyses the gradual decline of trade union membership and the left-right opposition that accounts for the damaging discord within the TUC. The left wants no co-operation with a Conservative government; the right – including the general secretary, Mr Len Murray – is looking for ways of negotiating the best from a bad deal: "The right's reasoning is simple: unless the union leaders can demonstrably win some concessions on practical matters, their irrelevance to their members will grow". At the 1983 TUC conference in Brighton, new rules were passed: each union with more than 100,000 members would be automatically entitled to one seat on the general council. Bigger unions would be given more seats in proportion to their membership; 11 places would be reserved for representatives of those unions with fewer than 100,000 members, and only these smaller unions would be permitted to vote for those nominated. This reform marks the end the old method of block voting – a system of patronage whereby the big unions, such as the left-led transport workers', threw their voting weight behind other left-wing candidates, in an attempt to dominate the TUC. The result is that small – and often moderate – unions gain seats at the expense of, e.g., the miners who will lose one of their two seats on the general council:

(323) Long since banished from most ministers' waiting rooms, [the unions] have suffered laws cutting them down to size in Westminster and a recession which has blunted their power on the factory floor. [...] The congress [TUC] will open with the battle over the new system of elections to the ruling general council. The skirmish over election procedure will herald the real left-right clash on where the unions go from here. (*The Economist* 3.9.83: 19)

The mood of reluctant realism which hung over the TUC conference "allowed the moderate tendency to triumph in Blackpool this week" (*The Economist* 10.9.83: 21). However, "Despite its victories, the new right appears almost as bereft of fresh ideas as the old left". Still, *The Economist* reports that "the loudest applause was reserved for those on the unreconstructed left who continued to spout the old religion". But the alliance of the Labour left and the Communists, "which has called so many of the shots in recent TUC history, found itself on the wrong end of the block vote". The moderates had a two-to-one majority, and they used it to give themselves a similar majority on the general council. They also won votes to talk to the government about its renewed determination for union reform and to reassess TUC policy:

(324) The left-wing transport union, Britain's biggest, took several bloody noses as it tried to stop the new realism from spreading. Its leader, Mr Moss Evans, has lost all control over his activists; they have reduced his union to anarchy and impotence. Mr Scargill, the far-left and now pro-General Jaruzelsky president of the coalminers was so out-of-sorts with the temperate mood of the conference that he stomped back to Sheffield on Wednesday, with the taunts of platform speakers about his inability to make his members follow his militant line ringing in his ears. By contrast Mr Len Murray [...] ridiculed those who wanted to go to the barricades against Mrs Thatcher when they could not even entice their members to go into the ballot booths on Labour's behalf on June 9th. [...] Nobody thought the TUC's deliberations were worthy of the annual ritual bomb threat. Now that's a real sign of lost status. (*The Economist* 10.9.83: 21-22)

In this respect, *The Guardian* (7.9.83) notes that "with its decision yesterday to abandon the boycott of Mr Norman Tebbit [...] the TUC (or more accurately, two thirds of the TUC) has recognised that Labour lost the General Election and did so largely as a result of substantial defections from within the union ranks". In "Time for Tebbit's Law", *The Economist* (16.7.83: 14) argues that the government's plans for more union democracy are shrewd, modest and popular. Shrewd, because the proposals concentrate on returning power from the bosses to the members: "When the Heath Conservative government tried to reform the unions over a decade ago, union activists marched under "Kill the Bill" banners in their thousands, and managed to rally enough rank-and-file support to neuter the reforms. Fewer will rally under banners which are effectively saying "No to Democracy". The Tebbit package is also modest, in that it avoids elaborate, legal frameworks for industrial relations. Nor does it make government the primary vehicle for reform. The ill-fated Heath-Howe plan, and Harold Wilson's in-place-of-strike scheme before it, involved radical changes in labour law and gave government the main responsibility for enforcing these changes. The unions were able to exploit their complicated and threatening provisions and both Tory and Labour governments found themselves in inevitable confrontations, which they lost. But Mr Tebbit is "doing no more than laying sensible ground rules for union behaviour, then stepping back and leaving it to union members to see that they are enforced". His approach is therefore "the right one for a government which distrusts detailed government intervention and which claims to trust people". *The Economist* concludes that "this newspaper has campaigned for many years to make union leaders democratically accountable to their members. Under Tebbit's law, it should happen" (*The Economist* 16.7.83: 14). Likewise, in "Mr Tebbit's proposals", *The Guardian* remarks that "it is the laid back style of this government to set the ground rules and

then stand aside to allow the players to act out their part as they see fit” (13.7.83). In “Union reform. No joy for martyrs” (*The Economist* 16.7.83: 32) it is reported that under the new three-pronged Tebbit proposals, trade unions will be compelled to hold secret ballots (a) to elect their governing bodies; (b) before a strike is called; and (c) on whether or not the union wants to continue with a political fund (*The Economist* 16.7.83: 32). These laws take effect at the time when the coal board is broke while producing too much of a basic commodity, from too many uneconomic pits. In 1983, Thatcher appointed Ian MacGregor as head of the National Coal Board. He had previously been head of the British Steel Corporation, which he had turned from one of the least efficient steel-makers in Europe to one of the most efficient, nearly bringing the company into profit. His reputation of axeman raised the expectation that jobs would be cut on a similar scale in mining, and confrontations between MacGregor and the Marxist leader of the miners, Arthur Scargill, seemed inevitable. The government had made preparations to counter a strike by the National Union of Mineworkers (NUM) long in advance by building up coal stocks, ensuring that cuts in the electricity supply — the legacy of the industrial disputes of 1972 — would not be repeated. In “King Arthur’s men in civil war” (*The Economist* 14.1.84: 25) all the germs for a decisive miners’ strike are developing. Arthur Scargill’s NUM supporters are presented as henchmen, their headquarters an undemocratic Camelot from which they ram down half-witted ideas, issue decrees and upset moderate fellow miners. *The Guardian* (6.7.83) uses the same rhetoric when ironically dubbing Arthur Scargill a “king” who demands “substantial wage demand” which he has persuaded the mineworkers’ conference to endorse. MacGregor’s strategy is to turn the NUM’s division over the 5,2% pay increase and overtime ban into an advantage. The ban was called after a union delegate conference, but without the ballot of ordinary members that the union needs for a strike. To hold a ballot, or to discontinue the ban, would involve another embarrassing climbdown for leadership which has been rebuffed three times by miners in ballots since Mr Scargill got the job in November, 1981:

- (325) There can be nothing more satisfying for the present chairman of the National Coal Board in a pay dispute with the miners’ union than to see the unions’ members fighting publicly with each other. That was the happy lot this week of Mr Ian MacGregor. His strategy is to divide and rule, though he is too careful ever to admit that publicly. He has his eye on the middle-class, home-owning mining commuter in a profit-making pit – the sort who sees himself as part of the suburban community rather than the pit village. These are the people to whom Mr MacGregor can offer a future. [...] The board has considered paying the miners the 5,2% increase without signing any deal with the union. (*The Economist* 14.1.84: 25)

In “Coal: they’re in the ring, but how hard will they fight?”, *The Economist* (10.3.84: 25) reports that Scargill demanded an end to pit closures and redundancies, increased subsidies, a write-off of the board’s debt to government, no more nuclear power, increased grants to promote coal use and so on. To make his point he is leading with his left the radical local union executives in Yorkshire and Scotland. Both of these have voted to strike, and need only the national executive’s approval to do it. A national strike, in contrast, requires a 55% majority vote of all union members. In this respect, *The Guardian* (1.5.84) claims that “Mr Scargill spurns the national ballot which the rule book ordains before a national strike”. In “Black days at the pithead” (17.3.84: 31), *The Economist* claims that the outcome of the worsening miners’ dispute could have a more lasting effect on the British economy than Mr Lawson’s budget. What is being played out is seen as the first nationwide test of the government’s employment laws, under which an injunction was granted to the National Coal Board by the high court. It ordered the withdrawal of flying pickets, mostly of Yorkshire miners, who were blockading pits in the Midlands. The injunction was fiercely attacked by Mr Arthur Scargill, but the immediate result was a withdrawal of the pickets. *The Economist* concludes that, even if the NUM leadership is ultimately defeated, a strike could close the pits for months. Economically, that would be of little significance. But, politically, “the sight of miners slitting the throat of their own geriatric industry might strengthen the government’s resolve to make further inroads into what is left of unions’ power” (*The Economist* 17.3.84: 31). With respect to the divisions within the NUM, *The Economist* argues that 1984 is not 1972 (the miners’ strike against the Heath government), let alone 1926 (General Strike). While the miners in some areas – Yorkshire, South Wales, Scotland and Durham were called out without ballots, others have voted, and mostly voted no. Flying pickets still stopped many mines in these areas – even though, under the employment act of 1980, it is illegal for workers to picket except at, or near, their place of work. Unions which organise or endorse distant action can be held liable for civil wrong. Therefore, the police interfere on the picket lines and are signed up as the NCB's own security firm to ensure that working miners (“scabs”) get to work on time and in one piece regardless of numbers and costs. Roadblocks and curfews are imposed and the striking villages are saturated with an occupying police force. Solidarity with the striking miners starts to come through from other sectors. Some power stations take blacking actions. *The Economist* recognises that legal action against miners could push other trade unionists reluctantly into Mr Scargill’s camp, merely out of political concern, which gives rise to the fear that the strike might spread and hijack the country (“Towards a general strike?”, *The Economist* 14.7.84: 14). Secondary picketing, blacking coal trains, solidarity

actions and police action enhance the spirit of belligerence, as illustrated by an impressive array of CONFLICT (and even WAR) metaphors in both newspapers (both anti-Scargill): 30.2 clear instances per stretches of 5,000 words in *The Economist* versus 21.4 in *The Guardian* during the miners' strike (1984-85). Including the unclear instances, the ratio is 37.7 versus 34.8. It should be noted that *The Guardian* rejects Scargill's methods while recognising that the miners' strike is also a symbolic struggle against the loss of community values and the ripping fabric of British society:

- (326) “Fighting the class war in this fashion is like fighting the last war” [...] Meanwhile the generals are engaged in another battle, a battle to decide the war, the class war even, a battle to settle old scores and show “who governs Britain?” (*The Guardian* 4.4.84)
- (327) Mr Scargill's insistence on a veto over each and every pit closure, his refusal to admit even the concept of an uneconomic pit, no matter how uneconomic it may be, is eminently unreasonable and everybody knows that. But he has drawn up his troops against the landscape of what we know as “Mrs Thatcher's Britain”, a scene of industrial dereliction and urban decay inhabited by three million unemployed and three million more who live in poverty. In this context the miners' strike is coming to be seen as some kind of symbolic struggle, as a paroxysm of resistance which – misguided or foolhardy though it may be – transcends the cold economic logic of the Prime Minister. (*The Guardian* 26.9.84)
- (328) [Mr Scargill] sees this clash with the coal board as another skirmish in the class war [...]. [...] [The coal board] left the police to open up the besieged coalfields. Officially, the police have been keeping the peace on their own local initiative. Not in reality. [...] The chances of Mr Scargill and his red guards succeeding still seem slim. They have little public support, and not – so far, at least,- much more from other trade-unionists. Stacked against them are the massive coal stocks, unhelpful courts and a determined government. (*The Economist* 24.3.84: 19)
- (329) “The coal war rumbles on” (*The Economist* 7.4.84: 24)
- (330) Like generals sticking pins in campaign maps, the bosses of the coal, rail and steel industries were this week nervously plotting the small shifts in the progress and the effects of the coal strike. [...] The steelworkers were at open war with the miners, clashing over picket's attempts to block the two coal trains needed each day for the Ravenscraig works near Glasgow. The steelmen's leader, Mr Bill Sirs, said he did not want his industry “sacrificed on someone else's altar”. [...] The rail unions in the area were angry at being asked to black movements of coal produced by miners who refused to come out [on strike]. (*The Economist* 7.4.84: 24)

(331) “Training for the long fight” (*The Economist* 16.6.84: 19)

(332) Arthur Scargill organised a riot, joined the front line, and got a bloody nose of his own. [...] The baiting of police on Monday by several thousand picketing miners got far out of hand, with a formidable impromptu of weapons added to the usual oaths and fists.[...] (*The Economist* 23.6.84: 25)

The Economist considers the possibility that the fight may come to a head once “all the nationalised industries have taken up positions on shifting marshlands” (*The Economist* 14.7.84: 14). Mrs Thatcher could then face something like a general strike: “It would then be important that she should win on this, rather than slither into the usual British draw”. In this respect, “Thatcher’s police” (*The Economist* 13.10.84: 14) vindicates the government’s decision to mobilise the police (including Metropolitan Police squads from London) to stop further attempts by the pickets to stop miners who wanted to work. The government claimed these were to safeguard individual civil rights:

(333) Throwing the police into the breach against Scargill’s men raises problems, but it had to be done. Should Britain’s police forces be in front line of the government’s battle to defeat the miners’ strike? The answer, unfortunately, is yes. [...] No alternative.

Labour’s tightrope is discussed in “Kinnock, Kinnock – who’s there?” (*The Economist* 14.4.84: 16). Britain’s coal miners dispute has hit Mr Neil Kinnock, the Labour party leader:

(334) It has reduced him to four weeks’ silence on the main issue: should Mr Arthur Scargill have held a national ballot of union members before allowing the strike? Since, in democratic conscience, Mr Scargill clearly should, this is an occasion where Mr Kinnock’s silences, hitherto often golden, could look dross. Mr Kinnock has brought his party back to virtual equality with Mrs Thatcher’s Conservatives in the public opinion polls by saying practically nothing on any important issue, and generally saying it rather well. He has thereby given the impression that, as with the Wilson and Callaghan Labour governments, only a small margin of the acts of any Kinnock government would be significantly influenced by its party label. Much more would be determined by the momentum of events. (*The Economist* 14.4.84: 16)

The TUC officially offered Mr Scargill its collective support: “Thus do the trade union barons declare their interest in a strike, so as to manipulate the eventual settlement” (*The Economist* 21.4.84: 10). In the 1982 rail strike, the TUC offered itself as honest broker, enforcing a settlement on the train drivers by threatening withdrawal of collective support: Already the

engineers' moderate leader, Mr Terry Duffy, has told the government to opt for compromise, indicating that moderate union leaders' support for the miners' strike is only a middling one (*The Economist* 21.4.84: 10): "Britain's dockers – called out on strike for the second time in six weeks – demonstrated the predictable: a profound reluctance to join Mr Arthur Scargill's miners on the picket lines" (*The Economist* 1.9.84: 23):

(335) The moderate unions - led by the electricians – are tabling an amendment attacking the violence used by miners' pickets; they will probably be howled down. But the passing of support motions for the strike will not bring the power stations or the steel mills to a halt. There will be a day of action to support the miners but, apart from rail commuters, most of the public should be able to treat it with a yawn. [...] Virtually all the non-strikers are in the Midlands. [...] The campaign of the miners opposed to the strike is now well organised, with access to finance from sympathetic businessmen. (*The Economist* 18.8.84: 19)

The Economist argues that Mr Scargill's defeat will come from within the union movement itself, as workers "refuse to put their jobs at jeopardy to featherbed the miners" (*The Economist* 8.9.84: 13). Miners, dockers, railmen, steel and power workers in the Midlands, the south and even parts of Wales and Scotland no longer feel a sense of historical identity with Mr Scargill's faction within the NUM: "When the Labour leader, Mr Neil Kinnock, says he is "with the miners" he is risking being with the wrong ones" (*The Economist* 8.9.84: 14):

(336) The TUC in fact bought peace, time and a semblance of unity at the classic price of fudging things or issuing a bluff which most members hoped would never be called. [...] Is the TUC joining battle to carry Mr Scargill forward to total victory? (*The Guardian* 7.9.84)

(337) The TUC may be an ironic weapon for Mrs Thatcher to wave in the face of union militants. But at present it is the best she has. [...] [N]o other British industry has collected so many subsidies from successive generations of ministers terrified of the miners' industrial muscle. Mr Scargill's presidency is the direct consequence of that appeasement. (*The Economist* 8.9.84: 13)

(338) The statement calling for unions to black coal or oil that crosses National Union of Mineworkers picket lines was [the TUC's] first significant utterance on the strike. It was the work of Mr Len Murray, the about-to retire TUC general secretary, and of Mr David Basnett [...]. Their aim was quite crudely to avert a split: both these stout old troopers would sell their grannies to stop the brothers fighting. Only the electricians [...], through their about-to-

become leader Mr Eric Hammond, and Mr Lyon's power engineers spoke against them. Mr Laird's engineers too might not heed the call to battle (*The Economist* 8.9.84: 19)

In "The man with all the cards against him", *The Guardian* (2.5.84) claims that "Len Murray is a man who both tasted power and also the disappointment of rejection and dislike". He presided over the TUC at the height of its influence with the 1974-79 Labour government and when it was forced into a gradual and finally a humiliating retreat by a Thatcher government elected with a strong mandate in 1979 to do something about the unions. At the 1984 Labour conference, *The Economist* headlines "Labour in the shadow of Scargill's strike" (6.10.84: 27) and mentions that Mr Neil Kinnock is backing the miners but deploring the violence of their picket lines: "In vain did [Neil Kinnock] reiterate again and again the need for the party to gain power – and to adhere to its traditions of democracy and legality – so that it could one day carry through the policies for which it stood".

During the winter of 1984-85, more and more workers drift back to work. Some workers had earlier returned to work of their own accord, a symbolic victory for the government, although ministers later admitted that the figures of returnees were inflated. With the thaw in the weather, more than 40% of British miners are crossing picket lines each day. In "Want any more help?" (*The Economist* 8.12.84: 13) it is reported that Mr Scargill will not get TUC and Labour support much longer if he refuses either a ballot or to compromise on a settlement. More significant, the operation of the law and arrival of a receiver have forced him to appeal to the TUC for cash, which will not be granted without strings: "Plausible leverage on him at last looks possible. In the miners' lexicon, leverage on their union is called "treachery", a word as evocative in miners' history as the word scab. Yet the moguls of the TUC understand that, given leverage, they must sooner or later barter with the energy secretary, Mr Peter Walker, a revision of the plan for coal". For Labour's leader, Mr Kinnock, much will depend on the manner of his desertion of Mr Scargill and the firmness with which he resists – or capitalises on – the charge of treachery: "His slump in the opinion polls has been related to the strike and his forced [half-hearted] support for it" (*The Economist* 8.12.84: 13):

(339) Fighting talk that rallies the faithful striker (*The Guardian* 16.11.84)

(340) "Pit strike ends in defiance and tears" To the end, Mr Arthur Scargill, the NUM president, spat defiance at the NCB, the Government, the TUC and the media, maintaining that while the strike was at an end, the struggle would go on. (*The Guardian* 4.5.85)

- (341) “On the frozen picket lines, victory still recedes” (*The Economist* 12.1.85: 15)
- (342) Attrition is proving a losing strategy for Mr Arthur Scargill’s miners [...] He is getting bad publicity even through the action of would-be friends: like the “trade unions” in the Russian occupied part of Afghanistan who sent the most recent overseas donation to his striking followers. [...] Mr Scargill is a class warrior, not a fudger – which is why last October he rejected the board’s offer of an independent review of the social consequences attendant on pit closures. (*The Economist* 12.1.85: 15)
- (343) The worst news for Mr Scargill is that the tug-of-war between board and union has now shifted ground. (*The Economist* 26.1.85: 28)

The strike ended on March 3, 1985, nearly a year after it had begun. *The Economist* headlines “Going back to what?” (9.3.85: 13) and argues that the strike was a real argument: “not between miners and Mrs Thatcher but between the right and the wrong way of running a modern economy. The wrong way had ruled the coal industry for too long. It was essential for the right to win. It did”. The fact that the power workers and dockers turned their backs on Mr Scargill is said to reflect the steady, and overdue, restructuring of industrial Britain. A vicious circle of subsidy, protection and uncompetitiveness is regarded as the true cause of this strike (*The Economist* 9.3.85: 13). In “Guerilla war, not pitched battle, over public-sector pay” (*The Economist* 13.4.85: 19), the absence of serious public-sector unrest is ascribed to the failure of the miners’ strike, and something to the new legal provisions on strike ballots.

After the miners’ strike, Neil Kinnock is more adamant than ever to move the Labour party to the centre. A paper on the economy by a group from the ‘realistic left’ under Labour’s employment spokesman, Mr John Prescott, is committed to a new form of “dynamic, entrepreneurial, decentralised and democratic” industrial planning system; “his call for continued democracy in trade unions [...] are the things that those who voted Tory and Alliance in 1983 want to hear” (*The Economist* 5.10.85: 25). In “The paradox of unionism confronting Mr Kinnock”, Hugo Young (*The Guardian* 4.9.86) admits that “the Thatcher years and some of the Thatcher laws have done much to liberate union members from the yoke of the union bosses and from the rhetoric of class war which until quite recently – as recently as the Scargill ascendancy – composed the alpha and omega of the TUC’s effective political insight”. From 1985 onwards a series of moves led by Neil Kinnock against the Militant tendency ended its influence in the Labour Party, and the loss of its three Militant

supporting Labour Members of Parliament.⁸⁵ “Kinnock cleans Labour’s house” (*The Economist* 1.3.86: 21): Moreover, In “Labour finds a new leader” (*The Economist* 5.10.85: 25), it is argued that “the lesson of Mr Michael Foot’s 1983 manifesto, once called the longest suicide note in history, has been learnt”:

(344) The hard left knew that long before they arrived in Bournemouth, which was why they were in full cry for Mr Kinnock’s blood from the start. [...] They were all there: Mr Scargill; Mr Tony Benn, looking old and tired [...] Mr Knight denounced Mr Kinnock as a class traitor. [...] The attack on the left, they thought, would come on Wednesday when Mr Kinnock squared up to Mr Scargill at the debate on the miners’ demands for reimbursement of their funds lost to the law during the coal strike. They had got their dates wrong. Sixty years after the general strike, the miners still have a special place in Labour’s heart. The Militant tendency, and its councillors in almost-bankrupt Liverpool, do not. It was on them that Mr Kinnock launched his pre-emptive assault. [...]

The Guardian (3.10.85) claims that, by asserting his authority and leadership, Mr Kinnock has probably achieved the best set of results that could be obtained in the circumstances. He has “contained the damage which the miners could do to Labour’s policy commitment”. And he has confronted the party with the need to reapply itself to articulating democratic and realisable Labour values: “If he had acted more decisively earlier he might have done even better. But it is a considerable achievement nonetheless and Mr Kinnock has done well this week”. In “The unTory majority” (1.3.86: 19), *The Economist* contends that the weakening of class differences is affecting how people vote. Britain is not yet a classless society in the way that America and Australia are. But its class system is less rigid and class loyalty is declining. In 1976, two parties – Labour and the Conservatives – vied with each other, each relying for its core support on the tribal loyalties of a class-bound society: “Only 7,5% of the electorate supported the Liberals. In ten years, all has changed. Mrs Thatcher, the grocer’s daughter from provincial Grantham, has convinced many Britons that the old, limiting allegiances are there to be broken”. Moreover, Mr Kinnock “has skilfully drawn a line between Labour’s new, local government-based left on one hand, and hard-left Scargillism and the Militant tendency on the other”. *The Economist* recognises the merits of “brand new Labour” when

⁸⁵ cf. “Lessons from Liverpool” (*The Economist* 30.11.85: 20): “Because most Britons are growing crosser with lawlessness, Mr Neil Kinnock has suspended the Liverpool branch of his Labour party [Militant, a Trotskyist group].”

stating that “belatedly, Labour has learned something from its defeats in 1979 and 1983. It now accepts the principle of selling council houses. It no longer opposes membership of the European Community” (6.6.87: 14-15). Yet *The Economist* warns that at the heart of Labour’s programme lie “the same old nostrums”: more public spending, nationalisation of some industries (‘social ownership’), restoring trade-union immunities; unilateral nuclear disarmament” (6.6.87: 14-15).⁸⁶ In spite of Kinnock publicising a new product of social policies under the title of “Freedom and Fairness” (*The Economist* 26.4.86: 36) it is “rushing forward to its nationalising past” (*The Economist* 7.6.86: 15):

(345) The Thatcher government’s approach to selling state enterprises has often been inept, so Britain’s opposition parties could turn privatisation into a useful electoral weapon. [...] is looking at ways to renationalise many of the industries already privatised (including British Telecom) and others which might be sold before the next election (including British Gas). If such a plan finds its way into the party’s manifesto, a rumpus will break over the issue of compensation for shareholders. Some Labour politicians are already insisting that shareholders should get back no more than they originally paid. [...] If the Labour party threatens to reverse these sales through legalised theft, it will confirm the worst fears of uncommitted centrist voters and may even give some of its firm supporters a jolt.

In the run-up to the 1987 General Election, *The Economist* suggests that, for all its improvements, a Labour government is not an option. In “Labour’s wilderness” (*The Economist* 10.1.87: 15) it is argued that Neil Kinnock is leading a party with unappealing old ideas, “the oldest of which is socialism”:

(346) Labour’s leader, Mr Neil Kinnock, has good qualities displayed by neither his predecessor, Mr Michael Foot, nor his electoral opponent, Mrs Margaret Thatcher. Unlike Mr Foot, he has reined in the party’s far-left, and brought some appearance of unity to an intrinsically divided party. Unlike Mrs Thatcher, he has the gift of sounding as though he cared about the plight of the unemployed, the homeless, the elderly. Yet these are not enough. Mr Kinnock has still not

⁸⁶ cf. “Consumers in chains” (*The Economist* 16.8.86: 11): “Britain’s state industries do not give their customers a fair deal. The TUC recognises this, but wants it to continue. [...] According to the TUC, nationalised industries should now be known as public enterprises. Nationalisation should be renamed social ownership. [...] As a result, says the TUC, public ownership will become popular again and Labour can resume the process of nationalisation. [...] The Conservative government has also failed to produce a coherent policy to protect consumers of those public utilities which it is leaving in the public sector or converting into private monopoly. [...] But the best consumer watchdog is the freest possible competition all round. It is sad that Labour and the trade unions cannot accept that fact.”

emerged as a leader of the stature of his main opponents. And despite Mr Kinnock's valiant efforts to oust them, marxists and trotskysts still have an open presence in the parliamentary Labour party and a dominating role in several of Labour's urban strongholds of local government.

Similarly, in "Why Labour has yet to do its homework", Hugo Young (*The Guardian* 6.5.86) urges Kinnock to add more substance and realism to the Labour manifesto: "Just emerging from their own nuclear winter, perhaps Labour leaders are still trapped in the timewarp of a previous age when the conduct of politics was marked by the vagueness of the promise, the fullness of the purse, and the willingness of the grateful voter to be duped. In seven years of Thatcherism, some of us have grown up". In "Has Labour an intelligible answer to Thatcherism?" (*The Guardian* 2.9.86), Hugo Young investigates how Labour could revamp socialism by accommodating itself with the legacy of Thatcherism in the late 80s, an era characterised by an ever growing complexity of global economies ("the tidal flows of money across the global network exist in a world beyond the reach of any government"). Short of total control in a command economy, the best a Kinnock government could hope for is to rectify its ignorance in the global economy: The opportunities for a distinctive socialism seem limited: the commitment on jobs and tax against the Conservatives' 'Robin Hood in reverse', and the preservation of the welfare services:

(347) By warning the nationalised industries that a Labour government would make them take on workers instead of getting rid of them, it has rendered this priority clear and actual. [...] From serious Socialist politicians, one would expect nothing less. Nor is the idea economically crazy. While more jobs at British Steel are surely ruled out by world market conditions, more jobs at British Rail would seem justified on economic as well as social grounds to anyone familiar with the standard talk-out for BR's appalling lapses in service: shortage of manpower. It all depends on your frame of reference. The notion that Labour's plan would damage BR's current "efficiency" campaign turns on what efficiency means. The efficiency exclusively of profit and loss? Or the efficiency of customer service? As the heavily-subsidised railways on the Continent show, it is not self-evident that only the former definition applies. [...] Thatcherism [...] instilled into the public mind the idea that every public economic question must be determined by the test of the balance-sheet and the marketplace. [...] The tidal flows of money across the global network exist in a world beyond the reach of any government still claiming to operate in an open society. Even Labour sympathisers in the City believe that none of their party's senior politicians begin to understand the complexity of this world, or have worked out a policy for living with it. [...] As part of the mixed economy which [Kinnock]

vows to maintain, the City must be counted an irreversibly privatised element with all but unrestrainable power. With these [...] pillars of control missing, a Labour economic policy looks a stunted thing. The opportunities for a distinctive socialism seem decidedly limited. It comes down to two thrusts. One is the commitment on jobs, now made more real by the promises of greater public-sector employment – promise to be further made good by expansion of that other central Socialist preoccupation, the welfare services. The second is the commitment on tax. Redistribution of wealth being at the heart of the Socialist idea, it is hardly surprising that the party should say it will reclaim the vast tax gifts the Tories have made to the rich and middling rich. If Labour did not make these pledges, it would have ceased to be a Socialist party.

3.4 *About welfare and government spending*

In “Mrs Thatcher’s poodles. British local government is being fastened to the wrong leash”, *The Economist* (6.8.83: 12) informs that Mrs Thatcher forced the new environment secretary, Mr Patrick Jenkin, to “cap the rate”. He (or his officials) decide who are the overspenders, haul them in, tell them to cut their services to reduce rates and, if they refuse, fix a new rate by order of parliament. According to *The Economist*, there are problems with such tough approach: “First, such capital punishment may be no deterrent. Left-wing councils have been longing for Mr Jenkin to offer them martyrdom”. It is mentioned that the environment department under Mr Jenkin’s predecessor, Mr Heseltine, wanted a much better weapon: “It suggested a local rates referendum, a version of California’s Proposition 13 designed to increase accountability”. This was rejected by Tory backbenchers, “so Mrs Thatcher has felt obliged to take a sledgehammer to crush a few left-wing nuts” (*The Economist* 6.8.83: 12). *The Economist* argues that Mrs Thatcher could choose to follow the logic of her present centralism and go for “outright financial annexation”. This would involve treating local rates as part of central taxes, fixed overall by the treasury and for each local council by the environment department. Members might continue to be elected if they wished, but their budgets would be cash-limited by law. However, such a course would be “a recipe for gigantism and bureaucracy” (*The Economist* 6.8.83: 14). The rift within the cabinet over the rate-capping bill has already been discussed in 3.2.1. Rate-capping would become the portent of the controversial Poll Tax, the replacement of the rating system of taxes (based on the notional rental value of a house) to fund local government. This proposal was contained in the Conservative Manifesto for the 1987 General Election, implemented in 1987-1990, and will therefore be discussed in chapter 4.

In line with Milton Friedman's advocacy of deregulation and privatisation, Margaret Thatcher's political and economic philosophy emphasised the shift from the public to the private sector. The government sold off most of the large utilities which had been in public ownership since the late 1940s, starting with British Telecom in 1984. Early on, questions arose over the legal position of British Telecom before its sale. *The Economist* supports the idea that British Telecom should be split up into several pieces before selling its shares to private investors with a view to increasing competition. One worry is that BT is rigging its prices by using cross-subsidies from the telephone network. This has led to some dramatic price-cutting which private companies cannot afford to match: "Any industrial behemoth can always produce six good reasons why it cannot be split in half" (*The Economist* 15.10.83: 35). *The Economist* informs that "the present bad plan is to keep BT as a near-monopoly and sell 51% of it next October in what would be the biggest-ever share flotation in the City of London". A 'wet' argument for keeping the monolithic BT intact is that "only a giant BT could take on the titants of the converging computer and telecoms industries, American Telephone and Telegraph and International Business Machines, in international markets" (*The Economist* 1.10.83: 29). This quote puts the finger on the problem: privatisation should be a means to an end (competition), not an end in itself (state monopoly turned into private monopoly). In "Privatisation: now the government's troubles begin" (7.1.84: 19), *The Economist* claims that "Privatisation is not only the basis of the government's industrial policy, it is now also a prime instrument of fiscal policy" since the capital raised can be used for current spending (financing the PSBR). Apart from a general desire to cut down the public sector and to free resources for better employment under private-sector management, ministers also want to trim the considerable power of trade unions within government-owned state monopolies: "More nobly, the government is also interested in increasing competition. But introducing real competition for, eg, British Telecom would reduce its value in the sale planned to start in October [1984]". Fearing the looming danger of private monopoly (as opposed to private competition), *The Economist* points at the problem of rent seeking and deadweight loss. Compared to a perfectly competitive industry, a single-price monopoly restricts its output and charges a higher price. Thus, it attempts to capture consumer surplus. Moreover, the haste with which the government wants to turn nationalised industries into private ones worries *The Economist*:

(348) [T]he size of the government's programme requires it to form an orderly queue if the City is not to suffer indigestion. [...] The chairman of British Airways, Lord King, appears already to

have lost his battle to jump in ahead of British Telecom: his noisy lobbying last year – about the desirability of bringing the state airline to market while the industry was on enough of an upswing to tempt stock market investors – has not convinced ministers to put its sale ahead of the jumbo disposal of BT, reckoned to be worth £4 billion for the 51% of its shares that are to be sold. (*The Economist* 7.1.84: 19)

In “Labour and privatisation. Time for Mr Kinnock to be revisionist, taking advantage of Tory mistakes” (28.1.84: 20), *The Economist* claims that “the Conservatives look like regulating private monopolies very badly, and that Labour may play ping-pong between nationalisation and denationalisation again”. The Conservatives seem to favour “a plethora of regulatory bodies, starting with the office of telecommunications”. As Americans know, *The Economist* argues, “such bureaucrats end up in the pockets of their industries: far better to break the monopolies before privatisation; and to set up a single, high-profile regulatory body, with desks (not office-buildings-full) of bright experts for each still semi-monopoly industry.” Therefore, it is important to achieve privatisation by moderation and minimal but sound regulation, as indicated by the use of HEALTH metaphors. Impetuousness and deregulatory overzeal, on the other hand, take on metaphorical mappings that warn against monopoly formation and stifled competition. As an example, *The Economist* (24.8.85: 35) argues that since 1978, when congress passed the Airline Deregulation Act, America has freed many of its industries from federal rules that set prices and controlled the entry of new companies. President Reagan has pursued the course enthusiastically: the transport and telecommunications industries have been transformed in the past five years. However:

(349) [T]his policy of deregulation has created the risk that big firms in previously regulated industries will strangle competition before it can take root. (“When free markets throttle competition” (*The Economist* 24.8.85: 35)

In this respect, *The Guardian* (26.7.83) remarks that asset sales make little sense in terms of any government’s objectives for improving the efficiency of British industry, as indicated by its use of MOBILITY metaphors (in the case of British Airways) and RELIGION metaphors, which imply a negative bias against the dogmatism of economic conservatism with its insistence on privatisation and deregulation:⁸⁷

⁸⁷ cf. *The Guardian* (10.5.86): “US experience shows that deregulation flies in the face of airline standards. [T]here is the very clear evidence from the eight-year experience of US air travel liberalisation, known as deregulation – of the need for caution. [...] In America the “cost” of deregulation is now fully evident and there are sceptics in the US who believe that deregulation is in its death throes, heralding a new era of controls and

- (350) The Government rests its case for privatisation on the belief that any private company will automatically be more efficient than a public one because of greater market discipline, an inability to delve with ease into taxpayers' pockets, and a fear of bankruptcy. But the case has ironically been undermined by the Government's own experience. British Airways, once a steadfast milk cow, slipped into losses, but is now becoming profitable again: all in the public sector. Its varied fortunes cannot be attributed to its ownerships so much as to the varying quality and determination of its management and the state of its market. After all, privately owned Pan Am suffered worse problems than British Airways.
- (351) Mr Nicholas Ridley, himself an apostle of free enterprise, calls halt. [...] Mr Ridley, the high priest of deregulation [...] B[ritish] A[irways] has become a virility symbol of privatisation even though, ironically, as the world's most profitable airline, it has been doing rather well in public ownership. The last thing Mrs Thatcher wants is for the flagship of popular capitalism to take off in a blaze of glory only to crashland in a Bermuda triangle of unfettered competition in the run up to the next election. (The Guardian 18.3.86)
- (352) [T]he high priestess of popular capitalism owns some shares of her own. (The Guardian 26.3.86)
- (353) By all means take off with British Airways but beware of the possibility of having a bumpy ride [...] The industry is still vulnerable to swings in the oil price [...] That is not in itself an argument against buying the shares: but it is an argument against putting too large a proportion of one's savings into this particular investment. (The Guardian 28.1.87)

It is noteworthy that *The Guardian* has more reservations with respect to 'liberalisation', and is therefore markedly more prudent in its use of metaphors, which may account for the discrepancy in the use of HEALTH metaphors in *The Guardian* and *The Economist*: Only 5.2 clear instances urging for streamlining and (partly) privatisation per stretches of 5,000 words

restrictions. As Europe ponders deregulations, America faces re-regulation. The result of US deregulation have been wide and varied and must have surprised even its most fervent advocates. Deregulation has undoubtedly spurred competition, brought air fares tumbling on most routes, weeded out the inefficient airlines and encouraged the birth of low-cost carriers. On the other hand, deregulation has savaged the finances of nearly all airlines, forced a spate of airline company mergers, concentrated the power of US airlines into fewer hands, demolished trade union influence in the industry, cut wages, aroused growing fears about safety standards, and in some cases left communities without air services. [...] There is a powerful case for some liberalisation of air services in Europe, and that process is already beginning to move slowly forwards. But Europe will have to persuade the majority of member states to retain the firm belief that the commercial airline system is far too important to be left to US-style market forces."

versus 10.5, respectively throughout Thatcher's second administration (including the 'vague or ambiguous' category, the ratio is 7.2 versus 13.4, respectively). *The Guardian* remains sceptical of privatisation since "privatisation will leave some richer but most of us poor" (15.10.83). Shareholding democracy is "a myth", with the vast proportion of shares in former publicly-owned enterprises now owned by financial institutions, not individuals. In "Competition yes, privatisation no", Victor Keegan (3.11.83) argues that ownership is less important than the provision of capital: "The Government has become far more doctrinaire about privatisation than the Labour Party ever has been (at least in practice) about nationalisation":

(354) Insertion of the word "British" in the title – often when the UK content of the corporation's products is diminishing or under threat (British Airways, British Leyland, British Gas etc.) – lends an aggressive, chauvinistic appeal at a time of manufacturing decline. [...] [I]nsertion of "British" is a safe indicator of future privatisations. [...] If there is a moral in all this it may, sadly, be that Britain is more adept at manipulating words (a branch of the emerging service industries) than making things. (*The Guardian* 2.5.86)

The need to propel Britain back into the high technology race, preferably on a European basis, remains an urgent priority: "Merger mania, privatisation and selling off key industries to overseas companies is not an obvious panacea" (*The Guardian* 17.3.86). Moreover, Victor Keegan (6.4.84) warns that "in the end, it could be other countries that reap the benefits of privatisation" since public enterprises naturally want to buy the cheapest and most efficient equipment they can. But in national terms it is difficult to justify a huge opening of public sector markets to foreign competition without at least trying to get reciprocal access to hitherto closed government markets in countries like France and Germany: "The government's apparent indifference to the industrial consequences of all this reflects the growth of the "free competition" lobby in Whitehall urging the opening up of markets at any cost. Unless the liberalisation of markets is handled with more political acumen privatisation could end by giving a huge boost to industry. In other countries" (*The Guardian* 6.4.84). As an alternative, Victor Keegan (*The Guardian* 17.3.86) argues that if workers were given a share of the profits, the British disease could be cured":

(355) When GM makes losses it is part of the rough and tumble of a cut-throat commercial environment. When BL makes (smaller) losses it is a lame duck wasting the taxpayers'

money. [...] [E]mployee shareholdings would help to break down the class attitudes on the shop floor which are still the single most important reason why Britain cannot improve her economic growth by the one or two per cent a year necessary to keep up with competitors. The crucial point is to make sure that all employees are enfranchised so as to avoid creating yet more divisions on the shop floor. Above all – and this is its fatal weakness – such an approach could raise the question of ownership of industry above politics. Trilateral companies like this would be acceptable to the Labour Party, to the Alliance, to most of the Conservative party. But they would be considered wet beyond belief by you know who.

In “Selling state fossils” (*The Economist* 23.2.85: 15) it is mentioned that “state-owned fossils are being carted off into the private sector almost everywhere”. However, *The Economist* warns, “privatisation will be judged a success only if the privately-owned British Telecoms or Montedisons or NTT’s are more efficient”. *The Economist* concludes that “privatised monopolies are not necessarily more efficient than nationalised ones”. In “BL’s rejected suitors” (29.3.86: 16-17), *The Economist* claims that “nationalism is going to prove expensive”. It is deplored that Britain’s Tory government has thrown away the chance it once longed for: to sell the state-owned car firm, BL, and secure the future of the motor industry in Britain. By selling BL to two willing American multinationals, it would have done much to redeem its earlier reputation as a believer in open markets. Furthermore, “it would have helped the Reagan administration to maintain the generous welcome that Americans have extended to British firms that set up there”. Instead “it caved in to the crass anti-Americanism of many Tories, and of the entire Labour party”. First, discussions between Ford and Austin Rover were abruptly ended, then talks with General Motors on Leyland Trucks and Land Rover collapsed. In both cases, the government encouraged the initial discussions, then encouraged them to break down:

- (356) Its action means that more taxpayers’ money will be thrown after the £3.8 billion of grants and guarantees already committed to BL. It will also mean fewer people employed in Britain’s motor industry, because BL on its own will do nothing to halt the slide in market share and employment that it has suffered for most of the past 15 years. [...] If Honda decides not to get more closely involved with BL, then the British government in five years’ time is likely to find itself begging Ford or GM to buy Austin Rover. [...] BL needs GM to take over its loss-making lorries even more than it needs Ford to bail out its cars. [...] All this to keep Land Rover “British”, a prize that is just not worth the game. [...] If that means a Japanese takeover, the flag wavers and xenophobes will soon be on parade again.

Likewise, in “Musical chairs that undermine industry”, Hugo Young (*The Guardian* 27.3.86) relates the botched negotiations with Ford and General Motors to the contradictions of Thatcherism: free market mania combined with British nationalism:

(357) The only future for BL consistent with Thatcherism is that it should be fully privatised. The only way it looked possible for this to happen to BL Trucks was through a sale to General Motors. This was why Mrs Thatcher had few reservations about it, and would probably still, despite everything, have wanted it to go through. Through GM lay the route to investment, rationalisation and recovery, without the taxpayer making any further contribution. Many Tory backbenchers, vocal again on Tuesday, see this very clearly. But the politics of the Union Jack intervened. A smaller but more vocal group of Tory MP's said that GM's terms, which included the purchase of Land Rover, were unacceptable. So the Government, showing remarkable feebleness and the worst kind of symbolic chauvinism, pulled back. It was not prepared to ride over the minority in its party. In this, it showed itself, in my belief, weaker than it has ever done before, and has exposed itself to all the consequences of a part of the trucks industry in this country simply and brutally collapsing. This would not be so if it was prepared to step in where General Motors has pulled out. But here we enter the second high-sided trench the Government has dug for itself. [...] Without a rational private takeover, and without a public intervention, BL Trucks seems destined to languish in no man's land. It is trapped between the instincts of the jingo and the pledges of the dogmatist. It looks in serious danger of falling victim to the big squeeze between these two most devouring of Thatcherite species. [...] Labour at least has a policy it is not afraid of. It would aim to rationalise and subsidise at the same time. It would accept, from the examples of France and Japan, that industrial success and government direction are not incompatible. It would admit, in short, to the possession of an industrial strategy. And it would not put in charge of this a succession of politicians who, if they weren't openly hostile to everything about it, were wracked by palsied doubt as to what government's role should be in the regeneration of a basic British industry.

In “Go for the money” (22.11.86: 17), *The Economist* criticises the way Britain's main industries are privatised too cheaply. The British government prefers “to sell public firms to ordinary folk rather than to the Prudential Fincl Inc”. To achieve its political goal of wider share ownership, it is said to be financing a costly advertising campaign for British Gas (featuring a character called Sid) and is pricing the share to offer buyers an immediate capital gain: “Not only does this lose the Treasury money; it is theft disguised as generosity”. *The Economist* concludes that “privatising Britain can be learnt from Japan. [...] Japan's government plans to sell NTT at the highest price it can”.

From the perspective of *The Economist*, free market and competition are absolutely imperative. Competition is the safeguard for consumer surplus, the means to achieve popular shareholding and the cure for all social ills. Competition should not only pervade agriculture and the main industries, it should also streamline the welfare state, education and the arts. In this respect, Norman Fowler, the social services secretary, “would clearly like patients in the surgery to behave as if they were consumers in any other sort of shop” (*The Economist* 26.4.86: 35).

In “A touch of Gaullism” (*The Economist* 19.11.83: 15), Mrs Thatcher is advised “not to be afraid of being called a Gaullist at the European summit”. She is urged to insist on a reform of “the EEC’s cock-eyed finances”, because the community is virtually bankrupt. Most of its members are clamouring for an increase in the value-added tax payable to the community, mainly because they do not want to freeze farm subsidies, which keep farm prices artificially low and stifle international competition. Since no increase in taxation can be agreed upon unless all 10 governments and all 10 parliaments consent to it, Mrs Thatcher should refuse to give her consent unless the others accept (a) a permanent reform of the EEC budget, to ensure a reduction in Britain’s bill, and (b) a guarantee that spending on agriculture will be restrained:

(358) In the community as a whole, the maldistribution of wealth caused by the CAP [common agricultural policy] is even more striking. Non-farmers pay around £30 billion a year to help farmers. This year spending on the CAP has shot up by a third and the mountains of unwanted food are at record levels, despite the recent rise in world prices. The prospects for next year are no better, especially if the United States decides to unload some of its dairy surpluses on the world. [...] Mrs Thatcher should insist on a binding legal commitment to restrain farm spending before she agrees to let the EEC put its taxes up. [...] Mrs Thatcher should also impose a change of policy on her own agriculture minister [...]: he should revalue the green pound and slash national subsidies to British farmers. Britain’s policy of increasing subsidies to its own farmers – who are as much to blame for food surpluses as anybody – has undermined the credibility of Britain’s campaigning for CAP reform.⁸⁸ (*The Economist* 19.11.83: 16)

In “Profits on prescription” (*The Economist* 11.8.84: 15) a salient HEALTH metaphor dismisses the Pharmaceutical Price Regulation Scheme (PPRS): Guaranteed profits for

⁸⁸ cf. *The Economist* (26.1.85: 27): “The drain of EEC farm support will swallow 1,3 billion in 1984-85, and as much in 1985-86.”

suppliers are the wrong medicine for Britain's national health service. Profits are said to be guaranteed by the government's refusal to dismantle a drug-pricing regulatory system that keeps prices high, promotes inefficiency, discriminates against research, and is wide open to corruption. The exact rules, as is customary in Whitehall, remain secret.

- (359) Under the Pharmaceutical Price Regulation Scheme (PPRS), drug manufacturers are free to set their health service prices as they wish, so long as their profits square with a target rate of return set by the department of health and social security. For no good reason, the target allowed to each company is secret [...]. The taxpayer has to trust civil servants at the ministry and their chums in the industry. [...] [D]espite booming profits since the breakthrough discoveries of the 1960s, the number of new drugs coming on the market each year has declined sharply. [...] As drugs discovered in the 1960s come off patent, the spread of substitutes and imports will drive prices down wherever market forces are allowed to operate. Let them. The health service and its suppliers should strike prices drug by drug, just as sellers and buyers do for other products. [...] This is not a national security issue. It is, however, an issue for a free-market Conservative government. (*The Economist* 11.8.84: 15)

Similarly, it is argued that “today's private-sector giants prosper by cutting headquarters staff and decentralising” (*The Economist* 18.4.87: 12). In “Break up Whitehall” *The Economist* claims that “in the 1960s, businessmen believed that big was beautiful, size efficient” and that Britain's government departments followed suit: “Now, industrial companies have learned that economies of scale don't make sense in most brainwork; you cannot organise how an underling thinks” (18.4.87: 12).

“Failed by school” (*The Economist* 15.3.86: 17) offers salvation for the British education system, which unfortunately is “in a mess”. Instead of helping the already-rich to escape the state system (by giving private schools the fiscally favourable status of charities), tax allowances should encourage benefactors and profit-seekers to improve it. “If vouchers are to be used, they should not subsidise rich parents' school fees at Eton or Harrow, but attract people to start small schools in Hackney”. According to *The Economist*, Japan – where teachers instil better education into classes twice the size of the British average – is the classic proof that productivity per teacher and per pound spent matter far more than the total size of the education budget. *The Economist* concludes that teacher's pay should be linked, as it was before 1914, to the performance of their pupils and that Britain's schools need the flexibility that its voluntary housing associations provide for its worst estates. In this respect, *The*

Guardian (5.9.86) is a staunch detractor of the government's divisive 'assisted places' scheme in education, which aims to 'rescue' bright working-class children from state education and give them a public (i.e. private) school education by means of vouchers:

(360) If comprehensive schools don't contain either the privileged rich or the brighter poor then why call them comprehensive at all? What must concern the Government now is that the [assisted places] scheme does not seem to be fulfilling even its own aims. [...] If the government had only sublimated half the energy it has shown for "rescuing" pupils from state education into improving the quality of that education itself then the present crisis in the schools could have been avoided.

In "Baker has a lot to learn" (*The Economist* 24.5.86: 19-20), it is argued that Thatcherism instilled some financial realism into universities:

(361) Universities have resented the cuts in their cash since 1981, but they have been changed by them: dons and administrators are more aware that money matters, and productivity has improved a bit. [...] The distribution of grants has also been affected by a new assessment of the universities' research departments. The government, and many within the universities, agree that it makes sense to concentrate expensive research in the places which do it best.

In "Paying for the arts" (17.11.84), *The Economist* promotes the American way of fundraising for expensive and elitist art forms, such as opera. In America, the tax system gives more effective reliefs to those who support charity. The Metropolitan Opera in New York "broke even in 1983, with the lion's share coming from the 250,000 members of the "Met family". The Met's director denies that reliance on contributions income influences artistic policy. None the less, *The Economist* admits, the need to maintain capacity houses and not deter individual donors "has made each season a familiar round of Verdi, Puccini, Mozart and Wagner", indicating that reliance on donations obliges management to play safe with the traditional repertoire.⁸⁹ By contrast, London's opera houses enjoy the ostensible advantage of having only one important customer to keep happy each year: the state. The boards of American arts institutions are constructed of necessity from the pillars of private wealth. In

⁸⁹ In this respect, *Opera People* (Scott 1982: 14) mentions that "the fossilization of the Met's repertoire is clearly apparent." In this respect, Robert Thicknesse in *Opera notes* (2007: 7) claims that "[t]here is good *prima facie* evidence to support the frequently mooted idea that opera is a dead art form". Of the 90-odd operas in his introductory book, edited by *The Times*, which reflects the core repertoire as found in any of the world's major opera houses, "all but 18 were composed in fewer than 150 years between 1781, the year of Mozart's first featured work, *Idomeneo*, and 1926, that of *Turandot*."

London, the names are drawn from “a wholly different establishment whose qualifications are experience of Whitehall and the ways of the Arts Council”:

- (362) The distinguished position of secretary to the Royal Opera House is held not by a City tycoon but – to the amazement of many Americans – by Britain’s most senior practicing civil servant, the cabinet secretary, Sir Robert Armstrong. [...] British arts lobbyists regularly call for the introduction of personal tax deductibility for donations to the arts. [...] The overwhelming distinction between Britain and America is not in corporate but in individual giving. Tax-deductibility for the latter has freed American institutions from dependence on endowment, as well as generating a much wider base of support for the arts generally. [...] Individual giving is not an insecure revenue base. In America, it is proving more secure than any other. It is thus the best guarantee of institutional independence – and ultimately artistic freedom. It forms a bond between an institution and its public. [...] The conclusion, however dramatic, must be that London’s museums and opera houses would receive higher contributions revenue and higher income overall, when the bulk of their grants switched to tax reliefs to donors. (*The Economist* 17.11.84)

A vindication for art institutions “to go private” is found in the foundation philosophy of the Arts Council itself. When Lord Keynes (!) founded the Arts Council, *The Economist* argues, he hoped that “in many cases subsidy would build up the strength of artistic companies to the point at which it was no longer required”. *The Economist* concludes that “the great drawback to subsidy is that it can weaken the sinews of self-help” (*The Economist* 9.3.85: 92). In “Paying for the opera” (*The Economist* 6.12.86: 20) it is argued that the Royal Opera House, Covent Garden does not need more public subsidy to stay in the first league. Just like the fat opera diva, the Royal Opera House is cast in terms of overweight and obesity and therefore in dire need of “slimming” (i.e. rationalisation and self-help). In this respect, the highly efficient and profit-making tactic applied by musical king Andrew Lloyd Webber serves as an example for the whole sector:

- (363) Covent Garden’s £13m grant – half of its turnover – gobbled a tenth of the entire Arts Council budget; even then the [Royal Opera House] claims it is going to be £3m short for next year. To an Arts Council which wants to promote the provinces, Covent Garden looks like a fattie who should go on a diet. [...] It aims to provide world-class opera, which means a dozen megastars and lavish sets. [...] Even without a change in the tax system, Covent Garden could lure more donors. The English National Opera has doubled its income from donations in two years;

its chief executive goes onstage before performances to appeal for cash. Next, Covent Garden could cut its costs by lengthening its runs. What theatre would put on “Cats”, “Starlight Express” and “Les Misérables” within five days? Run a show for a dozen consecutive nights (with alternating casts) and staging costs would plummet. [...] Both these ploys would draw moans from the RoH that “world-class companies don’t do that”. But the best companies [e.g. the Metropolitan Opera] do maximise the ticket yield. So, charge more when Mr Plácido Domingo or Dame Kiri Te Kanawa are singing. (*The Economist* 6.12.86: 20)

3.5 Conclusion

If the recession years 1979-1982 were beset with TINA-problems (‘There is no Alternative but monetarism’), new contentious issues like rate-capping, the Greater London Council, EEC budget and cuts in social security payments present new divisions between (wet) spenders and (dry) cutters within the Conservative party, the realities of which are translated through an array of metaphors in *The Guardian* (anti-‘dry’) and *The Economist* (anti-‘wet’). It should be noted that *The Economist* uses far more salient HEALTH, CONFLICT and MOBILITY metaphors to describe the often mutinous mood within the Tory party between June 1983 (General Election) and October 1985 (Conservative party conference): an average of 8.3 (HEALTH); 18.5 (CONFLICT) and 9.4 (MOBILITY) clear instances per stretches of 5,000 words versus only 5.7 (HEALTH); 8.3 (CONFLICT) and 7.2 (MOBILITY) clear instances in *The Guardian* (including the ‘vague or ambiguous’ category, the ratio is 15.3; 22.9 and 14.1 versus 6.7; 15.7 and 8.9, respectively). Between October 1985 and June 1987 (General Election) *The Economist* still uses more salient HEALTH, CONFLICT and MOBILITY metaphors: an average of 5.3 (HEALTH); 8.2 (CONFLICT) and 7.9 (MOBILITY) clear instances per stretches of 5,000 words versus only 4.5 (HEALTH); 7.8 (CONFLICT) and 6.1 (MOBILITY) clear instances in *The Guardian* (including the ‘vague or ambiguous’ category, the ratio is 8.9; 10.2 and 9.3 versus 5.2; 9.1 and 7.2, respectively). The markedly lower incidence of HEALTH, CONFLICT and MOBILITY metaphors in both newspapers during the second part of the second term may be explained by the favourable ‘Lawson Boom’ and the vote-winning budgets of 1986 and 1987. According to *The Economist*, long-term public spending must be reviewed fundamentally and short-term expenditure decisions must be married to that review. In this respect, *The Economist*’s concern is that high borrowing leads to excessive monetary growth and correlates with high interest rates, leading to crowding out of private industry and reduced investment. This urging for long-term reform is linguistically

translated by means of its MOBILITY metaphors. HEALTH metaphors advocate the reduction in the 'tax on jobs' (national insurance contributions) and the shift from direct to indirect taxation with a view to improving the supply-side of the economy. *The Economist* concludes that the Thatcher Revolution has unfortunately stalled along the way, as indicated by some MOBILITY metaphors conveying the message that Britain has found the way on the right track again, although the way to go is still a long one: two-thirds own their own houses, unionists have shrunk, the capitalists have blossomed. In housing, education, health, social security, agriculture and the nationalised industries, however, the policies of the Thatcher government have too often stopped half way: "Too few Britons have had the freedom, as consumers, to appreciate the virtues of choice because too many of them, as producers, are still protected from competition" (*The Economist* 16.5.87: 15).

By contrast, *The Guardian* holds the view that there is no close connection between movements in the borrowing requirement and changes in the money supply or interest rates, which makes *The Guardian* obviously less squeamish about public spending than *The Economist*. Moreover, it is striking that *The Economist* sees competition as the ultimate remedy in the public sector, whereas *The Guardian* unremittingly attacks unfair cuts and squeezes in services on which a majority of the population depends (manpower targets in the NHS, government's centralising zeal, cash limits), thus producing (anti-'dry') MOBILITY and HEALTH metaphors that operate *against* the tenets of the Thatcher Revolution. An implication of the metaphorical mapping THATCHERISM is MOBILITY can count as an entailment if THATCHERISM has already been accepted as the source concept (as *The Economist* does). *The Guardian*'s clear rejection of 'dry' policies, however, provides a clear example of non-acceptance, which is typical for public disputes: *The Guardian* questions the suggested 'entailment' of the MOBILITY JOURNEY metaphor (i.e. the advocacy of small government and self-help) and immediately introduces a new one (i.e. that it is better not to be committed to or follow a 'dry' course of action). *The Guardian* thus demonstrates that it is perfectly possible to accept a metaphor mapping (i.e. A POLITICAL PROCESS IS A JOURNEY) without subscribing to all its entailments. It is noteworthy that the 'Lawson Boom' (1986-87) is ascribed to the government's abandonment of its original reliance on monetarism and a strong pound in favour of a much lower, more competitive currency and a pragmatic form of Keynesian expansion. Nevertheless, *The Guardian* perpetuates its use of RELIGION and CRIME metaphors to criticise the government's economic conservatism: a distinctive metaphorical pattern which hinges on the conceptual metaphors THATCHERISM is CRIME as well as THATCHERISM is RELIGION, which imply a negative bias against the

tenets of monetarism. In this respect, Social Darwinism ('the survival of the fittest') is metaphorically framed as being morally flawed and, thus, deeply problematic: Thatcherism is criticised for having moved the welfare state upmarket. This has happened by simultaneously reducing per capita benefits and subsidies available to the poor (from increasing council rents to cutting unemployment pay) and increasing very substantially the scope of tax reliefs enjoyed by richer people, exacerbated by the income tax cuts, which merely fuel a too strong spending spree which goes disproportionately on imports: "Robin Hood in reverse"⁹⁰. What the country truly needs is more public spending to boost industrial investment and to meet the strong public desire for increased spending on housing, hospitals and education: North Sea Oil proceeds used for tax cuts are therefore described as "an epitaph for a lost opportunity"⁹¹.

As Mr Nigel Lawson, the Chancellor of the Exchequer, gradually abandons monetarism (the scrapping of monetary targets or their replacement by a poor surrogate like M0) and uses interest rates to control the exchange rate and the exchange rate to control inflation, MOBILITY metaphors in *The Economist* nevertheless promote monetary controls (and hence, monetary targets) as indispensable safeguards in the process of economic recovery with low inflation. *The Economist* emphasises that, for the long haul, the rules of monetarism are still useful. This wisdom is metaphorically illustrated by PATH and HEALTH metaphors which argue for a stable supply-side policy, not activist macroeconomic policies injecting inflation into the economy (higher demand fuelling inflation). However, *The Economist* concedes that a looser fiscal policy (Keynesian fine-tuning) would be justified in times of economic slowdown as long as the microeconomic conditions (no restrictive practices, flexible labour market) make it possible for demand to be met by higher productivity (not inflation and more imports).

The ruthless mechanism of currency appreciation and depreciation, and its effects on a world economy, is well illustrated by the MOBILITY metaphors that speak in favour of "slides" rather than "freefalls". In this respect, *The Economist's* 'pro-European' use of MOBILITY metaphors urges for pound sterling to be firmly anchored in ERM and EMS. Exchange rate harmony on a world-scale is advocated too in view of the dramatic asymmetry of America's balance of payment (the downside of Reaganomics). Since the US relies on foreign investment to observe the rules of the balance of payment, high interest rates prop up a strong dollar at the expense of developing countries which pay debt services in dollars, but also to the disadvantage of American industries that depend on export. By contrast, *The Economist*

⁹⁰ *The Guardian* (12.5.86)

⁹¹ *The Guardian* (17.3.86)

and *The Guardian* regard a cheaper dollar as a precondition for America to export more and import less, and thus for a more balanced pattern of world trade. The alternative is not an option: a huge US budget deficit, protectionist measures (tariffs) to keep imports out, retaliation from Japan and Europe and, eventually, trade war, as the HEALTH (or rather: ILLNESS) metaphors indicate. In that respect, the Plaza Meeting (September 1985) is embraced by both newspapers since its outcome marked the end of an overvalued dollar.

Both *The Guardian* and *The Economist* regard the 1984-1985 miners' strike as a real argument between the right and the wrong way of running a modern economy. A vicious circle of subsidy, protection and uncompetitiveness is regarded as the true cause of this strike. Secondary picketing, blacking coal trains, solidarity actions and police action enhance the spirit of belligerence, as illustrated by an impressive array of CONFLICT (and even WAR) metaphors in both newspapers (both anti-Scargill): 30.2 clear instances per stretches of 5,000 words in *The Economist* versus 21.4 in *The Guardian* during the miners' strike, 1984-85 (including the 'vague or ambiguous' category, the ratio is 37.7 versus 34.8). It should be noted that *The Guardian* rejects Scargill's methods while recognising that the miners' strike is also a symbolic struggle against the loss of community values and the ripping fabric of British society.

The Economist and *The Guardian* recognise the merits of Neil Kinnock's more centrist Labour party but deplore its same old socialist hang-ups. However, especially as far as *The Economist* is concerned, the bonds with the unions, with protectionism, with the institutions of the corporate state are too strong, giving rise, not only to CONFLICT metaphors to illustrate clashes between the party's hard left and centrist forces, but also MOBILITY metaphors expressing the incredulity with respect to Labour's attempts to bring economic prosperity.

Fearing the looming danger of private monopoly (as opposed to private competition), *The Economist* points at the problem of rent seeking and deadweight loss. Therefore, it is important to achieve privatisation by moderation and minimal but sound regulation, as indicated by the use of HEALTH metaphors. Impetuosity and deregulatory overzeal, on the other hand, take on metaphorical mappings that warn against monopoly formation and stifled competition. From the perspective of *The Economist*, free market and competition are absolutely imperative. Competition is the safeguard for consumer surplus, the means to achieve popular shareholding and the cure for all social ills. Competition should not only pervade agriculture and the main industries, it should also streamline the welfare state, education and the arts. It is noteworthy that *The Guardian* has more reservations with respect

to 'liberalisation', and is therefore significantly more prudent in its use of metaphors, which may account for the discrepancy in the use of HEALTH metaphors in *The Guardian* and *The Economist*: Only 5.2 clear instances urging for streamlining and (partly) privatisation per stretches of 5,000 words versus 10.5, respectively (including the 'vague or ambiguous' category, the ratio is 7.2 versus 13.4, respectively). *The Guardian* claims that the government has become far more doctrinaire about privatisation than the Labour Party ever has been about nationalisation.

4. Still rolling on with that vanishing surplus...

Metaphors of liberal Common Sense during the third Thatcher administration, 1987-90

4.1 Historical background of the sample of discourse under analysis

For Margaret Thatcher, economic policy had a wider, even moral, purpose. If her first term in office was dominated by TINA ('There is no alternative but Monetarism') to bring inflation down, the second term remembered for her confrontation with the unions and privatisations of main industries, her third term was characterised by TINE ('There is no excuse') and focused on 'social engineering' to make self-help and enterprise 'common sense' in the new classless Britain of popular shareholders that Thatcherism had aimed to create. Ironically, while dispersing the economic power of the state through successive privatisations, in many ways she centralised its political power – and in some seemed to want to monopolise power herself. In this respect, *The Economist* (29.4.89: 19) claims that Mrs Thatcher was an expert "salami-slicer". Her assault on local government is the clearest example. In her first term she laid fierce financial controls on local authorities. In the second term she introduced central controls ('rate-capping') on the revenue that some could raise, and abolished the Labour-run metropolitan counties and the Greater London Council. In the third term she forced councils to put many services out to tender, and replaced domestic rates with a poll-tax system that would put 75% of local government's revenue-raising under the centre's control. Many schools and hospitals were required to manage their own budgets, a task hitherto handled by town-hall bureaucrats. Moreover, state schools and NHS hospitals were given the choice to 'opt-out' of local authority's control.

In defence of Britain's sovereignty, Thatcher's notorious speech at the College of Europe in Bruges (September 1988) illustrated her abhorrence of federalism and "identikit" Europe: "We have not successfully rolled back the frontiers of the state in Britain," Mrs Thatcher exclaimed, "only to see them reimposed at a European level, with a European super-state exercising a new dominance from Brussels."⁹² Thatcher believed that the role of the EC should be limited to ensuring free trade and effective competition, and feared that new EC regulations would reverse the changes she was making in the UK. She was specifically against European monetary union, through which a single currency would replace national currencies, as conceived by its architect, Mr Jacques Delors. The speech exposed for the first time the deep split that was emerging over European policy inside her Conservative Party.

⁹² Quoted in *The Economist* (24.9.88: 25)

After the Lawson Boom of 1987-88, Thatcher's popularity declined in 1989, as the economy suffered from high interest rates to cool demand in an overheating economy. She blamed her Chancellor for having created inflation. Mr Lawson had been too generous with a pre-election reflationary package in 1987 and extra tax cuts in his 1988 budget (Basic rate of income tax cut to 25% and the Top rate cut to 40%): "Thus, avowed anti-Keynesians created the microeconomic conditions under which a Keynesian expansion of demand could spur output rather than prices and wages" (*The Economist* 30.1.88: 49). Critics, however, point out that the much vaunted improvement of the supply-side in the 1980s was overstated since the extra demand from 1987 onward did not create more output, but leaked into imports and higher inflation. Furthermore, Lawson's macro-economic credibility was undermined by his theoretical rejection of Keynesian demand management to cool demand, i.e. his deliberate vagueness about the role of fiscal policy. It should be pointed out that America's external deficit, unlike Britain's, was driven by government borrowing during the Reagan Years. In contrast, Britain's external deficit between 1988-90 was entirely the creation of the private sector. To avoid depreciation of the pound, Mr Lawson had to keep interest rates high enough to attract short-term flows of capital to Britain. The dollar's fall after September 1985 (Plaza agreement) was also spurred by a tightening of monetary policy in Japan and by a decline in the oil price that independently raised the yen and the D-mark relative to the dollar because Japan and West Germany are more dependent on oil imports than the United States. Officials representing the G7 countries pronounced the Louvre accord (February 1987) to hold exchange rates steady. The central banks adopted a target zone during the period following the Louvre Accord, but the target zone for the yen-dollar exchange rate was not credible. Central banks, including the Central Bank of England, bought dollar reserves, thus increasing their own money supply and creating inflation at home. The dollar was pegged too high, and America was not keeping its promise to cut its budget deficit. Nevertheless, in an attempt to support the dollar, American interest rates seemed set to go higher, which made dollar-denominated securities more attractive to international portfolio investors. The result was the expectation of a widening gap between the return on bonds and the return on equities. This helped provoke the sudden fall in share prices that started on Wall Street and spread around the world (Black Monday, October 1987).

Having abandoned monetary targeting, Nigel Lawson saw entry into the European Exchange Rate Mechanism (ERM) as a new means to bring inflation down. The underlying belief was that British producers dependent on exports would be forced to keep labour and production costs in check if they wanted to stay competitive in a free market where future

devaluations of the pound were ruled out. Thus, full United Kingdom membership of the EMS would enhance the credibility of anti-inflationary resolve and the role of exchange-rate discipline in particular. The issue of ERM membership created a major rift between Lawson and Thatcher and was exacerbated by the re-employment of Sir Alan Walters as Thatcher's personal economic adviser. As orthodox monetarists, Lawson and Thatcher agreed to a steady rise in interest rates to restrain demand, but this had the nasty effect of increasing mortgage rates which added to the inflation figures. Lawson felt that public articulation of differences between an exchange-rate monetarist, as he had become, and the views of Alan Walters, a monetarist in favour of a floating exchange rate, were making his job impossible and he resigned in November 1989. He was succeeded in the office of Chancellor by John Major, whose 1990 budget was designed to curb borrowing and encourage Britons to save more. By 1990, opposition to Thatcher's policies on local government taxation, her government's perceived mishandling of the economy (in particular the high interest rates of 15% that eroded her support among home owners and business people), and the divisions opening in the Conservative Party over European integration made her seem increasingly politically vulnerable.

Thatcher's new system to replace local government taxes, outlined in the Conservative manifesto for the 1987 election, was introduced in Scotland in 1989 and in England and Wales in 1990. The rates were replaced by the Community Charge (more widely known as the 'poll tax'), which applied the same amount to every individual resident. Rates are an indirect tax on the consumption of housing. As a rule, the bigger the house, the bigger the rate bill. A poll tax, by contrast, is not part of the cost of owning a house; its main effect is to reduce household income. Thus, the critics point out, if rates are replaced by a community charge paid by all adults, the cost of housing relative to the goods and services will fall. Demand for housing will rise and so push up house prices. Another drawback of the poll tax, like any flat-rate tax, is that it hits the poor hardest. Although it was intended to increase local authority's accountability to its own electors it proved to be "a nightmare to administer" (*The Economist* 3.10.87: 16). Additional problems emerged when many of the tax rates set by local councils proved to be much higher than earlier predicted. Opponents of the poll tax banded together to resist bailiffs and disrupt court hearings of Community Charge debtors. The huge unpopularity of the tax and the intended privatisations of British Electricity and water were seen as a major factor in Thatcher's downfall.

In October 1990, Thatcher ordered John Major to reduce interest rates by 1%. Major persuaded her that the only way to maintain monetary stability was to join the Exchange Rate

Mechanism at the same time, despite not meeting the ‘Madrid conditions’. On the 1st of November 1990, Sir Geoffrey Howe, one of Thatcher’s oldest and staunchest supporters, resigned from his position as Deputy Prime Minister in protest at Thatcher’s European policy and her opposition to a single European currency in the House of Commons (“No, no, no”). Her former cabinet colleague Michael Heseltine subsequently challenged her for the leadership of the party, and attracted sufficient support in the first round of voting to prolong the contest to a second ballot. Though she initially stated that she intended to contest the second ballot, Thatcher soon came to realise that an increasing number of Cabinet colleagues were deserting her, whereupon she bitterly withdrew from the contest. On the 22nd of November, she announced to the Cabinet that she would not be a candidate in the second ballot. She supported John Major as her successor, who duly won the leadership contest. Neil Kinnock, Leader of the Opposition, proposed a motion of no confidence in the government, and Margaret Thatcher seized the opportunity this presented on the day of her resignation to deliver one of her most memorable performances (“I am enjoying this”).

4.2 *About monetarism*

4.2.1 *Wets and Dries*

As Margaret Thatcher starts her third term in office, *The Economist* (20.6.87: 16) predicts that local authorities will be shrinking power bases under third-term Thatcher. The new housing bill could prove a mighty weapon against council power. Tenants of council houses will be able to opt for new landlords, from a list approved by central government. The other half of the bill widens private-sector rental (*The Economist* 27.6.87: 31).⁹³ *The Economist* also reports that some economists fear that the economy is overheating and that demand may split over into higher inflation and imports: “The latest CBI survey of manufacturers suggests growth could accelerate. [...] The City has started to fret about labour shortages, so some economists fear higher pay rises. [...] How long until there are bottlenecks?” It is mentioned that capacity constraints are already appearing. If a capacity constraint begins to bite, higher nominal demand will be met by higher prices and imports instead of by a rise in output. Some economists foresee rising inflation and a growing trade deficit, unless the government tightens

⁹³ *The Economist* (2.7.88: 27) explains: “The Housing Bill proposes to: End rent controls and security of tenure for all new tenancies; Allow the government to appoint housing action trusts to take over the worst-managed council estates; Force councils to hand over estates to housing associations or other approved landlords who approach them [...]; Require housing associations to use private as well as public finance to build new social housing, and accordingly to charge rents that are influenced by market costs as well as by social justice. [...] Mr Nicholas Ridley does not disguise his contempt for local councils.”

up. Optimists argue that fears about capacity are overdone: “Less bolshie trade unions mean fewer restrictive work practices which allows manufacturers to use equipment more efficiently.” *The Economist* admits that firms can operate at a higher level of capacity utilisation than in the past, indicating that micro-economic reforms have indeed improved the supply-side considerably, but nevertheless warns against overoptimism. Those unemployed who have been out of work for many months may have largely dropped out of the job market. The labour market is tight: there is a low level of mobility in the British labour market and skill shortages are pushing up pay in selected industries. Unemployment has been falling for 17 consecutive months, increase in earnings has quickened and a rash of threatened strikes suggests “that the trade unions are flexing their muscles again”:

- (364) These optimists say that the speeding up in earnings reflects higher overtime payments rather than a rise in settlements. [...] For some, the clincher is that it is nonsense to talk of the economy overheating when there are 3m unemployed. There they are wrong. With Britain’s arthritic labour market, it is possible for 3m to shiver while the economy boils. (*The Economist* 27.6.87: 32)

The danger of a overheating economy through fiscal laxity was already predicted by *The Guardian* (9.1.87) before the 1987 budget. The tax hand-outs for the rich (reduction in the top rate of tax) are denounced as starry-eyed and economically conservative measures which do not necessarily lead to an improvement of the supply side:

- (365) Britain cannot survive as an industrialised country without spending money to research and develop new products and services. [...] We have gone through a halcyon period of rising profitability in the private sector and bounteous North Sea Oil revenues; yet we are spending less, not more, money each year on science. [...] The Chancellor said a few days ago that he was thinking of lowering the top rate of tax (which has already been reduced from 83 to 60 per cent without any noticeable effect on long term risk taking of this kind) because of worries about the brain drain to the United States. But surely what scientists want even more than money is facilities to work in. An innovative nation like Britain which skimps in this area is cutting its industrial throat.

Moreover, Hugo Young (*The Guardian* 13.1.87) remarks that “lowering taxation for the rich, as the only method of assuring the long-term prosperity of the poor, is a thesis which perfectly

reconciles the desire of the well-off to become better off and their residual need to feel at the same time that they are doing good to society at large”.

In “Planning for the improbable”, *The Economist* (11.7.87: 27) alerts the government to the importance of long-term thinking with respect to public spending. In view of high demand, higher government expenditure is not an option:

(366) It may seem curious that higher tax receipts and privatisation income should be regarded as problems. Typical Treasury hostility to public spending even when it can be afforded, say critics. But the hard men have good points. By the mid-1990s, North Sea oil revenues may be shrinking; if public spending is allowed now to grow too fast on the back of those temporary revenues, it will be hard to rein it back in future. Anyway, because of the pre-election give-aways, total demand in the economy looks quite strong enough in the near future. [...] Actually, it is central, not local, government that accounts for the bulk of the real rise in public spending while she has been prime minister.

These concerns are repeated in “Thatcherism’s reward” (*The Economist* 7.11.87: 15): “Smile at the British economy now, but don’t be smug about the future”. The “Lawson hat-trick” (higher spending, lower taxes and lower government borrowing), *The Economist* warns, is only feasible in a Lawson Boom, i.e. short-term: “On spending, Mr Lawson is choosing mere containment; the boundaries of state finance have hardly budged in eight years of Thatcherism. [...] According to the bicycle theory of economic reform, you have to keep pedalling to stay upright. Coasting is, to use one of Mr Lawson’s favourite words, unsustainable”. The MOBILITY metaphor can be summarised as follows: as North Sea oil revenues and asset sales dry up, public spending will have to be restrained to avoid higher borrowing and higher non-oil taxes. Unless the economic role of the state is radically reduced (i.e. the long-term view), that implies an ever-widening gap between pay in the public sector (notably in health and education) and pay in the private sector. Eventually, therefore, Mr Lawson’s successors will be forced to spend, tax and borrow more, which could not be an option. Now that consumers are rightly to be given more choice in state education, health and housing, they seem likely to choose the best – and land the Treasury with bigger bills. And housing benefits that subsidise poor people’s rent are bound to cost more as rents properly move closer to market levels. Therefore, the Treasury’s best course is “to allow some leeway in these areas, but make big cuts in those programmes built up for an earlier and different sort of Britain”. *The Economist* therefore advises the government to cut spending on employment and industrial support. Companies should pay more on training themselves, domestic support

for agriculture should be cut (Britain's farmers get enough from the EEC), and government should push responsibility for public-sector pay downwards, to local managers. This would mean a virtual end to central pay-bargaining in the public sector (*The Economist* 10.9.88: 17). In "Teaching the poor to be workers", *The Economist* (4.7.87: 27) wants Britain to follow the American example with respect to welfare benefits. Most real-world schemes in America concentrate on helping the unemployed to look for jobs, which increases the willingness to work and improves the supply-side of the economy. Welfare benefits are no longer an entitlement, but carry with them obligations on the recipient: "Swedish experience offers some good reasons for making job schemes compulsory. Although unemployment benefits there are high, the Swedish government is unsentimental about cutting off those who refuse a job or a training place. As a result, it has all but eliminated long-term unemployment" (*The Economist* 29.8.87: 20). By contrast, *The Guardian* (15.1.87) wonders why the government absolutely wants to hold public spending back to two percentage points below the rate of economic growth (after having abandoned its 1979 ambitions of cutting spending every year in real terms) so that it declines as a proportion of total national income: "Why – dogma apart – should public spending not grow more or less in line with underlying growth?":

(367) What makes the Government's stance on public spending so galling is not just that expenditure could be increased without jeopardising future targets for reducing it as a proportion of the whole economy. It is the double standard of encouraging increases in spending by the better off through increased tax write offs. These directly affect Government finances because every tax relief involves the Treasury getting less tax revenue than otherwise.

Therefore, Victor Keegan in *The Guardian* (14.3.88) claims that "[t]here is no economic case, and still less in terms of fairness or popular demand, for tax cuts in present circumstances". Ministers admit wage increases are too high and have started rising further in the wake of fast economic growth. What the 1988 budget ought to be doing is "converting a short-term boom into a long-term recovery". That means shifting more resources into education, research and development, infrastructure, manufacturing investment and proper training. Moreover, if the government succeeds in its goal of zero inflation, "then benefits will be frozen forever, while the rest of the nation continues to enjoy national prosperity, including North Sea oil". *The Guardian* concludes that "it's not so much the tax cuts in themselves. It's the sort of nation we have become". This implies a negative bias against the much vaunted 'small government' philosophy.

In “Prudence panics London”, *The Economist* (15.8.87: 13) recognises that the first ominous signs of inflation are already surfacing:

- (368) Some bruised people in the City blame the 4% fall in London equity prices during August 6th-7th on the extreme ugliness of the green monster depicting inflation on the cover of *The Economist* of August 1st. In that issue, we advocated a small tightening of economic policy in any countries where nominal demand looked like rising by more than 5-6% in the year ahead”. *The Economist* argues that Britain is clearly in that position, which is why Mr Nigel Lawson wisely hoisted interest rates by one percentage point. Within the boom Britain’s own demand has been quickening beyond target. The OECD, it is reported, reckons that Britain’s money GDP will rise by about 8% in 1987-88: Our guess up to last week would be somewhat higher: perhaps a threatened rise in money demand at an annual rate of 9-9%. Since real output won’t increase by much more than 3%, the other 5-6% seemed set to show in inflation plus some overspill into higher imports.

The Economist urges the government to use a tighter fiscal policy (lower public spending and/or the abolition of tax shelters) to cool demand in a dangerously overheating economy. Higher interest rates as a monetary weapon is not without its disadvantages: it pushes up the pound at the expense of export possibilities, and reduces investment. Thus the case for ‘small government’ is metaphorically related to the need for a contractionary fiscal policy (decrease in government expenditure), as indicated by the intertwined use of its HEALTH and MOBILITY metaphors:

- (369) Other countries facing more than 5-6% extra demand in the year ahead will soon have to tighten monetary or fiscal policy, and should expect the same stockmarket setback. [...] The scope for pushing interest rates yet higher is also limited by the fact that they push up the pound and thus undermine industry’s competitiveness. Rein in spending, but reform taxes. [...] Government spending looks like getting still flabbier. [...] The Thatcher government is taking a giant step back from responsible expenditure planning. [...] In its new form, the public-spending target automatically accommodates inflation, just as inflation threatens to rise. [...] As *The Economist* has argued before, a radical policy would be to scrap as many as possible of the middle-class tax breaks, and introduce a flat-rate 25% British income tax all round. (*The Economist* 3.10.87: 33).
- (370) At present, Mr Lawson’s only anchor against inflation is the exchange rate. If interest rates are to be safely lowered, fiscal policy cannot be made more slack. Britain’s current-account deficit

widened. Mr Lawson's aim should be to shift demand from consumer spending to exports and investment. For that, high interest rates and strong sterling are hardly the right medicine. But they are the only way at the moment that he can make clear to employers that he is not willing to underwrite excessive pay settlements. [...] All the more reason for Mr Lawson to do everything he can to nip inflation in the bud. (*The Economist* 6.2.88: 25)

Mr Lawson's budget before the election was gently reflationary. For that pre-election restraint he was highly praised. But no chancellor, *The Economist* argues, can expect a place in the history books just for being careful in good times: "Sir Geoffrey Howe, a less impressive chancellor, will always be remembered for his courageous budget of 1981, when he cut demand in the midst of a recession – and thus ended three decades of rising inflationary expectations" (*The Economist* 20.2.88: 12). Therefore, the HEALTH metaphor ("high interest rates and strong sterling are hardly the right medicine") indicates that Mr Lawson's chosen weapon against inflation is the exchange rate: in the absence of a tight fiscal policy to 'fine-tune' demand, a high exchange rate is merely the second-best solution. However, its advantages are recognised as well: by raising interest rates, Mr Lawson has signalled to employers that he is not prepared to underwrite excessive pay rises with a cheaper pound. This concern will be further discussed when expounding on British entry into the European Exchange Rate Mechanism (ERM).

It follows that Mr Lawson can now bring a big tax reform only if he acts toughly against tax breaks, particularly those that feed markets which are overheating: housing in the south-east. As already discussed in the previous chapter, *The Economist* criticises Mrs Thatcher's refusal to touch mortgage-interest tax relief. *The Economist's* advocacy of a broader, and thus, lower tax base (of which a flat-rate tax is the most prominent example) has been well illustrated. In "A chance that won't come again" (*The Economist* 20.2.88: 32) it is deplored that "ever since the budget of 1984, applauded for its radical reform of company taxation, Mr Lawson has failed do the same for personal tax". In most tax systems the main flaws arise from holes in the tax base: some kinds of income, spending or assets are taxed, others exempt or more lightly treated. These holes usually spring from a desire to help certain interest groups. *The Economist* defends the idea that governments should shift from direct to indirect taxation, which encourages people to save more at a time when demand is too strong:

(371) Indeed, when Mrs Thatcher fought the 1979 general election, she made great play of the need to shift the tax burden from income to spending, arguing that this would give people more freedom to choose what to do with their money; Another argument is that taxing spending may

encourage saving. [...] Mr Lawson has never been quite clear which model of the tax system he prefers [...] He is now blocked in both directions by political commitments. To broaden the income-tax base means scrapping tax allowances [...] the two biggest are the relief on mortgage interest and on pension contributions [...] To broaden the spending-tax base would mean extending value-added tax to the zero-rated 45% of consumer spending – yet Mr Lawson has not been able to impose it even on newspapers and books. (*The Economist* 20.2.88: 32)

Since 1979, the Conservative government has been committed to cutting the basic rate to 25%. As for higher rates, *The Economist* argues, the most elegant reform would be to abolish them. Cutting the basic rate would not, in fact, provide much incentive for the poor. From April means-tested welfare benefits are to be calculated on the basis of net income, instead of gross. So for people eligible for benefit, a tax cut also means a cut in benefit. Therefore, in its evaluation of the 1988 budget, *The Economist* (19.3.88: 13) argues that the chancellor should have been bolder about extending the scope of value-added tax: braver about raising excise duties on alcohol. The basic rate of income tax was indeed cut from 27% to 25% alongside the abolition of all but the 40% higher-rate tax bands (Top rate of income tax cut to 40%), which gives rise to the TINE headline:

(372) From TINA to TINE. For nine years Mrs Thatcher and (most of) her ministers have told their countrymen that “there is no alternative” to the harsh medicine of reducing inflation, closing uneconomic factories, getting companies into competitive shape. [...] Now, with this budget, the government can add a new refrain to its TINA tune, one specifically composed for the rich. Its title: “There is no excuse.” [...] Now, after Tuesday’s budget, no businessman in Britain will be able to claim that he is handicapped by higher taxes than his foreign competitors pay. The last excuse has gone.

It is reported that the giveaway budget to the rich drew recriminations, also from within the Conservative party. Mr Edward Heath who, as Prime Minister, presided over top tax rates of over 90%, sourly dismissed the changes as “way over the top”. The Labour party sees the budget as “an unexpected opportunity to mount a general crusade against the government for excessively favouring the rich”. The Labour shadow chancellor, Mr John Smith, proposes a starting rate of tax lower than the present 25% and a top rate higher than the present 40%. *The Economist* concludes that “in its assault on the postwar consensus on redistribution, the budget will test the extent to which British electors have accepted the Thatcher philosophy

that the successful should keep most of the fruits of their success, and that this will aid growth”. Nevertheless, Lawson with his budget surplus compares favourably to Reagan’s tax-cutting bonanza: “Experience after America’s recent tax changes undoubtedly spurred the chancellor’s reforming instincts. He is quite pleased by one City analyst’s description: Reaganomics without the red ink” (*The Economist* 19.3.88: 25). Likewise, *The Guardian* (16.3.88) headlines “Budget hint of Reaganomics” and derides the daring tax reforms as “a calculated gamble on the delivery of a supply-side miracle by the better-off”: “Not only did Mr Lawson risk disappointing public opinion by refusing to announce any further money for the National Health Service: he also left the middle income earner with only sparing licks of his budget lollipop.” In “The wealthfare state”, *The Economist* (9.4.88: 14) recognises the inherent contradictions in Thatcherland: while aiming to create a classless society of shareholders, the Chancellor’s tax cuts foster mainly the new middle classes, which will indirectly make Britain a highly stratified, unequal and class-divided society:

(373) Already, many London private schools turn away four times as many children as they offer places to. When more people can afford to buy advantages once regarded as the exclusive privilege of the rich few, it will become even harder to maintain support for universal state provision of education and health care. [...] That is one of many reasons why newly rich Britain will be a less egalitarian country.

At a metaphorical level, *The Guardian* continues the pattern of moral condemnation through its use of CRIME and RELIGION metaphors, the value judgement of which operates against the primary tenet of Thatcherism: the redistribution of wealth from poor to rich:

(374) “Robin Hood in reverse, practicing licensed robbery in the land of snatch and grab” (Hugo Young, *The Guardian* 17.3.88)

(375) “Lawson budget is embraced by Wall Street purists”

Tax cuts for the wealthy, while the much bludgeoned nurses struggle to keep a creaking National Health Service going, appears both morally reprehensible and fiscally irresponsible. The outcry in the House (not to mention parts of the Guardian) reflects this view. [...] There can be little doubt that the supply-siders overpromised since there is no evidence to support the notion that across the board tax cuts unleashed a wave of new revenues. (Alex Brummer, *The Guardian* 21.3.88)

The Guardian (17.3.88) rejects the government's view that more tax cuts for the upper middle classes mean more incentives, and that more incentives mean more enterprise and growth. Furthermore, it regards Keynesianism and community values as antidotes to morally tainted Thatcherism:

(376) [T]he fact that lower tax may produce higher revenue is scarcely more than diverting statistical detail as long as this extra revenue is not applied to the services which most people consider to be the test of any lingering pretence that the Government is being fair. The treatment of the NHS is proof enough that this is not the intention. [...] A second indicator that fairness has become a seriously secondary pursuit is supplied by the Government's action and rhetoric across the whole field of welfare policy. [...] The choice rests, furthermore, on a rhetoric which has consistently denigrated poverty as a condition to be ashamed of and welfare as a service that damages the brain. This is what ministers mean by their derisive references to the dependency culture. [...] The Thatcher years, in other words, are creating an underclass. That is the inescapable downside of the enterprise culture. The underclass is a minority, it is not organised, it is mostly invisible, it will torpidly submit to the fates that oppress it. In itself it poses no political threat. The question is whether its presence can mobilise such a threat from any other quarter. [...] After the Lawson climacteric, I thought it was time to refer to household gods whose texts have still been reprinted a lot more often than those of F.A. von Hayek. R.H. Tawney, for example. He comes closest to epitomising the social values which Conservatism is bent on obliterating. But in a way he anticipated it. In the closing passage of Religion and The Rise of Capitalism, he quotes Keynes's verdict that capitalism "is without much public spirit, (and) often, though not always, a mere congeries of possessors and pursuers."

In "Steady, sterling", *The Economist* (9.4.88: 16) claims that Mr Lawson has to keep interest rates high enough to attract short-term flows of capital to Britain and to avoid a depreciation of the pound. This is seen as evidence of a looming current-account deficit. The pound is suddenly allowed to break through its DM3 ceiling (marking the end of the *de facto* exchange-rate target of 3 deutschmarks to the pound, known as 'shadowing' the D-mark), which gives rise to the assumption that the government now puts more emphasis on fighting inflation than on exchange-rate stability. Critics fear that Britain 1988 looks like America 1983-84, when that economy was riding for a fall. Mr Lawson is reported to have refuted that assumption: "Britain's current-account deficit this year will probably be smaller than the pessimists think, because consumer spending will slow; and, unlike America's it will be easily financed". America's external deficit was caused by a huge jump in government borrowing;

Mr Lawson's budget, by contrast, is close to balance. *The Economist* stresses that what matters most is whether the inflow of foreign capital is used to finance productive investment, which provides future revenues to service the debt, or (as in America) mainly to finance consumption:⁹⁴ "Although British investment has been sluggish while consumers have been on their binge, its nominal value understates its true productive worth. [...] A current-account deficit is usually a sign that the economy is overheating, and the heat sooner or later cooks up a faster rate of inflation. That is the danger now, made somewhat greater by last month's tax-cutting budget". *The Economist* concludes that the 1988 budget has been a poisonous gift: in Keynesian terms, it has been a case of fiscal expansionism in view of the 'too generous' tax cuts fuelling demand. Moreover, in "The passengers grow restive", *The Economist* (30.4.88: 31) claims that discontent has been generated by the uncomfortable contrast between the budget, with its tax cuts for the rich, and the implementation of a tough new policy on welfare benefits. The main opposition to the government is coming not from Labour but from its own Conservative backbenchers. Moreover, *The Economist* evaluates the poll tax as "bad economics and bad politics". Its passage through the House of Commons has been "marked by half-hearted government concessions which have failed to ward off embarrassing revolts" (*The Economist* 23.4.88: 19). The beauty of the poll tax was to be simplicity. It might, however, become Mrs Thatcher's political suicide note.

(377) The original concept behind it was, indeed one of equity – but equity of a medieval sort. The government wanted to discourage poor electors, who paid no rates, from voting for local councils who promised to spend lavishly the revenues contributed by better-off rate-payers, and by local businesses. [...] The best tax strategy is one that keeps the tax base as wide as possible – on every kind of spending, of income, and of wealth – so that taxes can be kept as low as possible. The great virtue of domestic rates is that they raise as much revenue as another 8p on the basic rate of income tax would do; abolish them, and people will quickly

⁹⁴ In "Why a deficit matters", *The Economist* (13.2.88: 22) argues that if foreign borrowing simply finances domestic consumption, sooner or later the pound will have to fall. But if the shift into deficit is accompanied by more investment, financing it should not be a problem, as the investment will generate future income to service the debt. It concludes that "the absolute level of investment matters less to an economy's health than whether it is being used well or badly." Moreover, in "Lawson cools it", *The Economist* (23.7.88: 27) recognises inflation and the balance of payments as indicators of an overheating economy: "Certainly, inflation is picking up, retail prices rose [...] The current-account deficit, expected to reach £10 billion this year, is another sign of overheating [...] The deficit may, of course, be the counterpart of a capital inflow, caused by the desire of foreigners to invest in Britain's prosperity. If this inflow goes to investment, that will generate the exports to finance foreign borrowing."

perceive that taxes on their income have risen. [...] Rates offer a simple and cheap way to tax housing.

Victor Keegan in *The Guardian* (28.9.87) headlines: “Now folks... after electricity, gas and water, a tax on the very air which you breathe” and claims that “the touchstone of Mrs Thatcher’s third term (and maybe also its political tombstone) is the proposed “community charge”, which he describes as “the most ill-conceived tax this century” of which the name in its own right is quite misleading: “What’s “community” about this? Isn’t the idea of a community that the more fortunate help the less fortunate, that the strong assist the weak?”. The revolt over the poll tax signals a wider political danger for Mrs Thatcher. Her government is embarked on the most radical programme she has yet dared to undertake. It is overhauling education and the health service (see 4.4), already highly sensitive issues in their own right. *The Guardian* (2.3.90) explains that “Mrs Thatcher was warned in 1981 that rates could only be replaced by a combination of poll tax, local income tax and local sales tax”. An imposition of an unpopular poll tax would make things very difficult for the Cabinet, as indicated by the battery of WAR metaphors illustrating discord within the Conservative party. It should be noted that *The Economist* (anti-poll tax) uses far more salient CONFLICT metaphors to describe the dissonance within the Tory party between June 1987 (General Election) and October 1989 (Conservative party conference and resignation of Nigel Lawson): an average of 10,4 clear instances per stretches of 5,000 words versus only 7,9 clear instances in *The Guardian* (anti-poll tax). Including the ‘vague or ambiguous’ category, the ratio is 13.4 versus 7.9, respectively:

(378) This [poll tax] has every prospect of resembling one of the more hellish allegories of Hieronymous Bosch, with booby traps in every corner and luckless victims on every side, stalked by armies of avenging commissars in pursuit of debts they cannot collect. At this early stage, three aspects of the poll tax in particular seem likely to encounter a rising wave of Tory scepticism, quite apart from the numerous other sectional hostilities that are certain to be mounted against it. (*The Guardian* 26.6.87)

(379) “Poll tax. Over the top” [A] political minefield is well set [...] to become an administrative battle of the Somme. [...] In Glasgow, half the tenants are soo poor that, today, they pay neither rent nor rates. In future, even the poorest must pay at least 20% - a bit over £1 a week, probably- of their poll-tax bill. (*The Economist* 25.7.87: 20)

- (380) The government parried with concessions [e.g. backing down on charges for eyesight]. (*The Economist* (30.4.88: 31)
- (381) Poll tax. Choppy waters. The revolution will now be exported to the House of Lords, where arm-twisting by government whips may prove less effective. (*The Economist* 23.4.88: 42)
- (382) Poll tax, payable at a flat rate by (in principle) all adults in a given district, was widely damned as unfair. But it has been fought through minefields and ambushes in Commons and Lords alike, and emerged barely scathed. Due to be in force in 1990, it may prove the administrative horror that many predict. (*The Economist* 30.7.88: 33)

During the summer of 1988, Sir Alan Walters, the prime minister's former economic adviser, argues that Britain should maintain strict monetary targets and explicitly articulates the fear that the chancellor is not frightened enough by signs that the economy is overheating. If the government continues to use monetary policy alone, with interest rates taking all the resulting strain, there will be visible, debt-related distress (higher interest payments on existing debts squeeze households' disposable income). This, *The Economist* repeats, is mostly Mr Lawson's fault. With hindsight it is clear that his tax cuts in March were too generous (*The Economist* 27.8.88: 12). The Chancellor admitted only that he was wrong in keeping interest rates too low and that he did not regret the tax cuts because they were about making people work harder and encouraging the supply side. But Victor Keegan in *The Guardian* (3.1.89) retorts that "last year's culpable mistake was trying to cure an excess of consumer demand with tax cuts. This is the economic equivalent of a doctor treating obesity by force-feeding." In "Too hot for comfort", *The Economist* (24.9.88: 39) investigates the effect of inflation on government expenditure: faster inflation will drive up a lot of other government spending: social-security benefits in line with the expected rate of inflation, overheads and equipment will cost more and faster inflation will presumably feed through into bigger public-sector pay rises. *The Economist* also mentions the growing tension between the Prime Minister and her Chancellor on other economic issues: "To the prime minister, Mr Lawson's unwanted boom looks like the consequence of ignoring her worries about excessive monetary growth. The money supply has been exceeding its targets, whether M3 or M0, embarrassingly fast while demand for mortgages and consumer credit remains strong". Mrs Thatcher is said to blame the rise in money supply partly on her chancellor's desire to play the world statesman. At the 1987 annual meeting of the International Monetary Fund, Mr Lawson called for greater international economic co-operation. He had already played a leading role in drawing up the

Louvre accord (see 4.2.3) to defend the dollar in February 1987. He had encouraged heavy foreign-exchange intervention, first to prop up the dollar, and then to prevent the pound from rising against the D-mark. America's economic allies printed money – a rise in their domestic money supplies was the counterpart to their purchases of dollars – in order to prevent 'crowding out' through higher interest rates in America. That helped to inflate monetary growth. *The Economist* points out that high interest rates will affect Tory-voting home-owners most: "The young Tory voters in the rich south who will be hardest hit by higher mortgage rates will hate that, and will be even less pleased if house prices start to fall" (*The Economist* 24.9.88: 40).

However, in "My government is still radical", *The Economist* (26.11.88: 41) welcomes the fact that the government's programme, in its tenth year in office, is both confident and coherent, though "risky". Moreover, it suggests that *The Guardian's* opposition to most Thatcherite policies merely reflects the view of left-wing intellectuals: a small minority out of touch with the working classes:

(383) She is in radical and uncompromising a mood as ever. The Queen's speech listed 16 government bills. Several will be bitterly contested. The privatisations of electricity and water will be among these. [...] Water is especially risky. It is the least popular privatisation measure the government has so far tackled; some polls suggest that two-thirds of electors oppose it. [...] If a measure is opposed in the leader columns of *The Guardian*, Mrs Thatcher feels nowadays, most voters will probably support it.

This enthusiasm, though, is mitigated in "Has the miracle crashed?" (*The Economist* 3.12.88: 11). To cool the pace of demand ("a bit too much of the good thing"), the Treasury is relying exclusively on higher interest rates, which is perceived by *The Economist* as merely a second-best solution. On the one hand, the government deserves credit for having transformed the supply side of the economy during nine years of Thatcherism: "The reward for deregulating the economy, for curbing the restrictive powers of trade unions and for promoting competition is not just a higher achievable rate of growth, but greater resilience in the face of short-term strains like the present squeeze". On the other hand, *The Economist* argues, the microeconomic (supply-freeing part) of Thatcherism has always worked much better than the macroeconomic (demand-managing) part, which has been subject to personal discretion and volatility:

(384) In 1979-81 Britain suffered a recession that was deeper than it needed to be because the Treasury followed a doctrine of monetary control that, in the end, proved unworkable. Since then its macro-economic policy has changed once or twice a year. Monetary targets of every kind have come and gone. Fiscal policy was at first servant of those targets, then a tool for managing demand in its own right. Now it has no role at all. The chancellor wants both to peg sterling and to control the pace of demand in the economy. To do that he must expect, sooner or later, to need two instruments of policy: only by coincidence will a given level of interest rates stabilise the pound and keep demand on track.

In other words, *The Economist* argues for a tighter fiscal policy to cool demand. However, *The Economist* (3.12.88: 33) reports that Mr Lawson has set his face against tightening fiscal policy, and that he will not even consider reversing the tax cuts he introduced in the 1988 budget. The logic of his blind reliance on monetary policy is summarised in his conversation with representatives of the CBI: “Did high interest rates mean that sterling would appreciate further, as it has this week? Quite possibly. Would industry therefore have to moderate its wage increases to maintain competitiveness? Naturally. When the Confederation of British Industry then cried to be bailed out by letting sterling depreciate, would he oblige? Certainly not”. In theory higher interest rates influence companies in two ways. First, by squeezing cashflows, they are supposed to bolster management’s resolve to resist excessive wage demands. Second, by keeping the exchange rate up, high interest rates provide a signal to companies that, if they give in to unaffordable wage claims, their competitiveness won’t be restored by a subsequent devaluation. In practice, alas, it is not so simple. Companies find it easier to give in to rising wage expectations than to risk a strike. The worrying effects of this logic give rise to an array of HEALTH metaphors which indicate that the economy is slowing down. New mortgage lending has collapsed and the effect on companies has been rapid. In this respect, *The Guardian* is equally vociferous in its defence of fiscal policy as a tool to manage demand: there are ominous signs that unions seek compensation for higher inflation largely caused (through increases in mortgage costs) by the very same interest rates:

(385) Mr Lawson’s Cyclopiian policy of using high interest rates as the sole instrument of policy is a medicine which makes the disease worse. High interest rates are supposed to claw consumer spending back and dissuade companies from conceding high wage claims. Over time they will indeed cut back spending, though at enormous cost. But it would have been better not to have given the tax cuts in the first place. (*The Guardian* 2.3.89)

- (386) It is possible that Mr Lawson will soon be proved to have gone into overkill with is policy of higher interest rates. (*The Guardian* 1.3.89)
- (387) “A cure which can only make things worse”
The biggest economic mistake of recent memory is about to be repeated unless the government abandons its policy of trying to cure all Britain’s ills with the single weapon of ever higher interest rates. This is a pretty blunt instrument to deal with inflation, but as a means of dealing with Britain’s extremely serious trade deficit it is potentially disastrous. High interest rates attract footloose money into the UK which pushes the exchange rate upwards. (Victor Keegan, *The Guardian* 5.12.88)
- (388) “One crude gun in a complex war”
The manifest rouble is that the use of high interest rates as a means of dampening down wage inflation is a medicine which can all too easily turn into a poison aggravating the disease it seeks to cure. (*The Guardian* 16.6.89)
- (389) Wage inflation is now the main symptom of the Britis disease which has stubbornly refused all monetarist medicine. (*The Guardian* 19.6.89)
- (390) Zippy economic growth in 1988, but beware financial anaemia in 1989 (*The Economist* 24.12.88: 12).
- (391) For this year at least, high interest rates look set to throttle new buy-outs. They mean higher interest payments on the piles of debt that support bought-out companies; and, by discouraging customers from buying the firms’ goods, they stymie the cash flow needed to make those interest payments. (*The Economist* 19.8.89: 65-66)

The latest quarterly survey of industrial trends by the Confederation of British Industry carries “a whiff of corporate fear” (*The Economist* 28.1.89: 27): its index of business confidence has turned negative for the first time since 1986. Shortages of sales is by far the greatest constraint on output. In export markets prices are by far the most important factor limiting the ability to win orders. This reflects sterling’s strength. In “Japan can handle a strong currency, so why can’t we?”, Hamish McRae (*The Guardian* 13.12.88) looks beyond the ocean for an industrial solution:

(392) It makes an extraordinary contrast. Yesterday our dear CBI came out with one of its usual gloomy reports about British manufacturers being priced out of export markets because of the high pound. Yet on the same day, Japan, whose currency has risen by far, far more than ours, announced a sharp rise in her trade surplus. [...] [I]f you were to single out one feature of Japanese industry it is the way it has been “hollowed out”. [...] Remember the squeeze on British industry in 1981-82, when we lost something like 20 per cent of our manufacturing industry. Then there was a general cutting of costs, usually by shedding labour, while the least productive parts of industry shut down altogether. In Japan, there has not been any such general squeeze. Instead, companies have taken out the middle part of the manufacturing process. Companies have continued to devote just as much resources to the first stage: product development. [...] They have also continued to devote resources to marketing the products. The bit that has been hollowed out is the middle: the actual manufacturing process. This has been carried out partly by shifting production abroad: a lot of Japanese electronic equipment is actually assembled in places like Thailand [...]. What can we learn from this experience? Perhaps the most important thing for our exporters to grasp is that the present strength of the pound may prove permanent. [...] [T]he pound will become a “given” and [industry] will have to go through a “hollowing out” of their own business to maintain competitiveness.

In “Forward to the sound of the sixties”, *The Guardian* (17.10.88) claims that some of the high pressure on wages is coming from companies outbidding each other for skilled labour – not a phenomenon which reflects well on the ‘supply side’ miracle which the government is supposed to have worked:

(393) A lot of things are now combining to produce what looks suspiciously like a re-run of the dreaded sixties and seventies – a record trade deficit, shortages of skilled labour, rising wage settlements (as a supposedly weakened trade union movement flexes its muscles) and prices rising much faster than anywhere in the advanced industrialised world. And the biggest danger of all is that the weapon Mr Lawson has announced to the world that he will be using to curb inflation – ever higher interest rates – will ensure that the pound is kept so high that the welcome revival of manufacturing output (though it is still only six per cent above June 1979) might be snuffed out. If that happened it would truly bring us back to the stop-go days of what even now seems a bygone economic age. The Government has had enough in its favour, surely, to have the courage to admit that what has been happening on the inflation front is something more than what Mr Lawson calls a “blib”. But then that phrase itself is ominously reminiscent of the political excuses of the 1960s as well.

The Guardian (2.3.89) concurs with *The Economist* that “[t]he best thing would have been for the Chancellor not to have pursued his tax-cutting strategy in such inauspicious circumstances” and adds that “it would have been better to have increased VAT rather than to rely on the blunderbuss of high interest rates to sweat spending out of the system, keep wages down and keep the exchange rate up all at the same time”. An increase in the 15 per cent rate of VAT would have raised the retail prices index. But so has the rise in interest rates. Victor Keegan concludes that “[t]he surplus [...] doesn’t add up to being a miracle” (*The Guardian* 22.5.89).

Since Mr Lawson, an avowed anti-Keynesian, has been claiming that fiscal policy has nothing to do with managing demand, he cannot justify a tight budget on the grounds of anti-inflationary prudence. Instead, *The Economist*, argues, he will probably boast that reducing the national debt is a good thing in its own right (25.2.89: 20). Therefore, the chancellor’s principal defence against inflation is the strong pound. The dilemma is a serious one: either to raise interest rates yet again (at the expense of Tory-voting mortgaged classes), or let the pound slide (which would tell the City that he was soft on inflation). In this respect, *The Economist* (11.3.89: 15) advises Mr Lawson not cut taxes at all in his 1989 budget: “His budget would then be greeted as surprisingly prudent, and his tattered reputation as an inflation fighter (a chancellor’s greatest asset) would be restored”. *The Economist* debunks the commentators who deride the case for caution as “fiscal masochism” by use of its HEALTH metaphors: an incautious budget (with extra tax cuts) would make the financial markets think that sterling’s present strength was unsustainable, thus opening the door for a run on the pound (a ‘hard landing’):

(394) The chancellor might then have to choose between even higher interest rates or an inflationary collapse in the currency – followed, either way, by a hard landing. “Masochists” are actually those people who do not wish to see such pain piled on their fellow citizens. (*The Economist* 11.3.89: 15)

In this respect, Christopher Huhne in “After the boom – the crunch?” (*The Guardian* 25.1.89) claims that “for Lawson the political risk of doing too little to slow the economy is far greater than mid-term unpopularity”. The 1989 budget is headlined “A most deceptive budget” (*The Economist* 18.3.89: 16). According to *The Economist*, Mr Lawson rightly said that “interest rates will stay as high as is needed for as long as is needed” to do the job. His deliberate vagueness about the role of fiscal policy, however, is regarded as dangerous: it does not

enhance his credibility as an inflation-fighter and sends wrong signals to the financial markets:

(395) [T]he chancellor had to say and do the right fiscal things. Since he had been claiming that fiscal policy has no part in managing the growth of nominal demand, his message was blurred. He wants a balanced budget as “the norm”, which is fine; and it was good to hear him say that repaying the national debt just for the sake of it is not a policy goal. But because he was loth to say that a large budget surplus is needed to help fight inflation, he ended up having to praise his prudence in paying off some national debt. [...] For the majority, though, he had little to offer. He did not raise duties on alcohol or tobacco [...] and it contradicts the Tories’ oft-proclaimed desire to shift from direct to indirect taxes [...] He raised income-tax thresholds just enough to offset past inflation, but left tax rates unchanged.

In “Fiscal policy lives” (18.3.89: 38), however, *The Economist* suspects that Mr Lawson is covertly acting as a Keynesian demand-manager: “Has Nigel Lawson been a fiscal fine-tuner all along?” *The Guardian* (16.3.88) makes a similar assumption in that it claims: “Mr Lawson has [...] made a virtue of a prescription straight out of classical Keynesian demand management in aiming for a budget surplus at a time of rapid growth and recovery.” In “Would you buy a secondhand policy from this man?”, Victor Keegan (*The Guardian* 23.10.89) charges Nigel Lawson with economic incoherence, and, even worse, sheer manipulation, which proves *The Guardian*’s total rejection of monetarism once again:

(396) Nigel Lawson would have made a brilliant barrister. No one in the government can defend a position with more aggressive conviction. He is equally good at defending any policy at any point on the curve of the “U-turn”. During his annual statement on monetary policy at the Mansion House last week he delivered a devastating demolition of the unreconstructed monetarists [like Alan Walters], who believe that changes in interest rates should be geared to what is happening to trends in borrowing from banks and building societies (so called “broad money”) rather than the Chancellor’s current pet, “narrow money”, also known as M0, consisting of notes and coins in circulation or that in our pockets. He quoted chapter and verse about how misleading the signals had been from broad money at key periods during the last ten years. But hang on. The Chancellor is referring to the very period when he and the rest of the Treasury adopted broad money as the only solution – the original Tina (“there is no alternative”). If only he had read this year’s Mansion speech then, industry might have been spared much of the contraction which the excessive squeeze inflicted. [...] Yet the Chancellor has the confidence to say that the latest [M0] figures reflecting a record rise in borrowing “fly

in the face of *clear* (my italics) evidence that policy is biting and that money demand is slowing.” Anyone who can turn a record rise into clear evidence of decline could sell a monetarist policy to a used car dealer.

Moreover, *The Guardian* ascribes the budget surplus to privatisation proceeds and to the government’s refusal to spend money on the social infrastructure “so vital to future growth” – including education, training, roads, railways, water and hospitals: the right budget would have shifted the emphasis from short term consumption to long term growth” (*The Guardian* 2.3.89). Thus, *The Guardian*’s advocacy of tighter fiscal policy should be understood as an indictment of the 1988 tax-cutting budget (“the redistribution of income from poor to rich”), not as a plea for lower public spending (as favoured by *The Economist*). This viewpoint is enhanced by Christopher Huhne in “Squeeze yes, but not on the poor” (*The Guardian* 8.3.89) when he emphasises in Keynesian terms that “the state of the economy requires a tightening in fiscal policy every bit as much as it required a loosening during the recession”. In “The folly of putting national debt before posterity” (*The Guardian* 16.1.89), Keynesianism compares favourably to the Chancellor’s much vaunted “new era which our prudent fiscal policy has ushered in”. Moreover, while accusing Lawson of distorting historical facts, Victor Keegan takes up cudgels for the left-wing governments across the world:

(397) Later [Nigel Lawson] added: “For the first time for at least half a century we have a government in this country that are engaged in repaying the national debt.” Hang on, Nigel. Before we start re-writing past statistics as well as present ones, let’s look at some facts. The records show that Britain recorded a substantial budget surplus in 1947/8 and another one in 1948/9 with consequent reductions in the national debt. A £1 billion budget surplus was also recorded in 1969/70. And to make matters worse these surpluses were achieved by Labour governments without the benefit of North Sea oil revenues or privatisation proceeds. Moreover, if one looks at countries like Australia, Norway, Sweden, Denmark and Finland all have budget surpluses. And have you noticed something? All of them have governments which are either socialist or left of centre. Funny that. [...] Imagine what would happen if all Britain’s biggest companies decided to cut investment and start repaying their debts. Our competitors like West Germany and Japan, who quite properly borrow to finance wealth-creating investment, would be laughing all the way to the bank. For the Government to be using surplus money to repay debts while schools have no money to buy textbooks, when many have no computer teachers, when the shortage of math teachers is becoming an epidemic, when the transport infrastructure is so bad that London is grinding to a halt and

when our training programme couldn't hold a candle to that of a supposedly Third World country like Singapore reflects culpable neglect.

In "Britain's import binge", *The Economist* (8.4.89: 16-17) confronts the British economy with the ultimate supply-side test: "Can Britain's business make the required switch into exports?" According to *The Economist*, their ability to do this will demonstrate "the extent of the restoration of flexibility and efficiency which Thatcherism is supposed to have been about". *The Economist's* own guess is "tentatively encouraging, but not confidently so", as illustrated by its use of HEALTH metaphors:

(398) Lower taxes have sharpened incentives in business. Trade unions have been tamed, and decisive management made easier: Flabby firms have been forced to become leaner. In the 1980s Britain's productivity growth in manufacturing has been faster than Japan's. [...] Until it slipped last year, British manufacturers' share of the volume of world exports had been broadly stable at 7% since 1981, after falling continuously since the 1950s. A recent investment boom should help firms to compete internationally [...] Fine, as far as it goes. But it has so much scope to go further. Each manufacturing worker in Britain still produces roughly a third less than his rival in America, Japan or West Germany. Britain's expanding service businesses have often done even less than declining manufacturing to improve their zip. [...] The output of these service industries is harder to switch abroad. And their inefficiencies handicap the manufacturers that buy services to make their exports.

The British professions – such as lawyers, doctors, teachers and bankers - are "riddled with restrictive practices or inefficiencies". According to *The Economist* (8.4.89: 16-17), Mrs Thatcher has rightly chosen to focus upon improvement here in her third term, but she is meeting an opposition to change "that is more wily" than the one she was offered by the miners: "A testing exchange rate will not lick the service sector into shape. The government's crusade against that (often Tory) opposition will bring forward the day when Britain can confidently return to "go"". Therefore, it should be no coincidence that *The Economist* evaluates Margaret Thatcher's ten years "as singular prime minister" (29.4.89: 19) favourably in view of her micro-economic reforms, though with caution:

(399) Whatever her failures or her faults, Margaret Thatcher has been Britain's outstanding peacetime leader of the twentieth century. The government emphasises supply-side improvements: the removal of blockages (notably, trade union power) in the labour market,

deregulation, free movement of capital. Even so, successes cannot disguise shortcomings. [...] She has not begun to stem the tide of British ugliness – the yobbish teenagers shivering in their torn gear; the shoddy streets littered with fast-food packaging; the drunks urinating on London’s tube platforms; the drug culture. It is facile to call those concerned “Thatcher’s children”: she is not responsible for their actions. But neither, after a decade, has her government any real idea how to change them. One vision of Thatcherism shows no sign of coming to pass. This is the view that Mrs Thatcher would create a liberal, classless Britain, like America at its best. Not has she challenged the power of heredity (the ultimate unThatcherite value) in the house of Lords. Britain in some way is more meritocratic than it was; in others it remains as snobbish and exclusive as in 1979. [...] She is the prime minister of the United Kingdom, but her heart is in south-east England. [...] She does not know how to nurture the traditions of peripheral regions, or those of some of its ethnic minorities. Equally, she lacks the temperament to realise that in ways critical for the development of its economy, the whole nation may have to surrender some sovereignty to the European Community.

Moreover, just when Europe “seems poised for the free markets that Thatcherism is supposed to espouse, Mrs Thatcher herself is retreating into nationalism” (*The Economist* 6.5.89: 12). In “The Downing Street tryst” (*The Economist* 17.6.89: 14) it is reported that in face of Britain’s inflation rate nudging 8,5% - the highest of any big industrial economy – “moneymen have forgotten that they used to say “Thatcher” and “sound money” in the same breath”. Instead they now talk of a sterling crisis. *The Economist* contends that the mistake was not the shadowing of the EMS, but the failure to stick with it. The D-mark link provided an anchor for market expectations; all the Treasury and the Bank of England can now offer the markets is a vacuum:

(400) If Mr Lawson had been allowed to take sterling into the EMS, interest rates now would certainly be lower than they are. And since interest rates have boosted the retail-price index, inflation would be lower as well.⁹⁵ [...] Mr Lawson announced to the world that he no longer regarded fiscal policy as a tool for managing demand. This, remember, from a man whose first act as a chancellor in 1983 was to introduce a mini-budget aimed at cutting public borrowing by £1 billion – exactly the sort of economic fine-tuning that he now publicly derides. In fact, Mr Lawson has not dispensed with the substance of fiscal policy. In his budget three months ago, he chose to be fiscally cautious, rightly fearing that any headline talk of a giveaway

⁹⁵ Although higher interest rates operate to cool demand, make consumption less attractive, encourage households to save more and borrow less, any increase in mortgage rates also adds to the inflation (*The Economist* 24.9.88: 39).

budget would upset the markets. That fear came from experience: one of the things that has created today's inflationary mood in Britain was the 1988 budget, which combined big tax cuts with much Lawsonian talk of why fiscal policy didn't matter. All this history is relevant, because it holds clues to regaining the macro-economic coherence that was once Thatcherism's proudest possession.

This lack of macroeconomic coherence undermines the government's reputation as an inflation-fighter. In "A good recession" (*The Economist* 1.7.89: 9) it is argued that a government's best weapon against inflation is its credibility: "A promise not to tolerate higher inflation, if believed, is a virtually self-fulfilling prophesy". At times of high demand and tight labour markets, firms are tempted to pay higher wages to attract workers and thus increase their capacity. If they believe that prices in general will rise, they will not hesitate to pass their increased costs to consumers in the form of higher prices, thus fuelling inflation. If they believe that prices in general will not rise, they will squeeze costs and profit margins instead. Moreover, if workers as well as managers believe the government's promises not to tolerate higher inflation, the squeeze on costs will take the form of forgone wage increases and/ or higher productivity, not sackings: "That is why the painless way to cut inflation is to promise that you will cut it – and be believed". Therefore, it is "better to tolerate a shallow recession soon, instead of engineering a full-blown slump later". However, in "Wage sclerosis", *The Economist* (19.8.89: 12-13) deplores not only the fact that Britain's economy is slowing down but also the fact that wage settlements are still rising, giving inflation a chance to dig in, as indicated by its salient HEALTH metaphors:⁹⁶

(401) As unemployment has fallen, unions have been able to swagger and shout, and firms with record profits have paid up rather than risk a bruising strike. This is not necessarily a disaster: wage rises are not inflationary if financed out of higher productivity. All too often, though, pay deals linked to productivity fail to deliver. [...] For all Mrs Margaret Thatcher's supply-side zeal, she could have moved a lot faster to lubricate Britain's [clogged up] labour market.

⁹⁶ cf. *The Economist* (5.5.90: 41): "Wage rises financed through higher productivity also have a drawback for the economy as a whole: costs and prices end up higher than they might be. The reforms have not produced a labour market that is flexible in quite the way Mrs Thatcher hoped. Too much of the reward for higher productivity was passed, firm by firm, to the workers involved. In several recent disputes, the threat of sequestration of union assets and the prohibition on "secondary" action have visibly deterred strikes. It all worked. Yet Britain has somehow retained its inflationary pay-bargaining ways."

In this respect, *The Guardian* (19.3.90) uses the same conceptual metaphor SUPPLY SIDE IS HEALTH to emphasise that monetarism has *not* succeeded in whipping the labour market into shape:

- (402) It is not the doctor who needs changing, but the medicine. The economy has grown resistant to the antibiotics of monetarism. High interest rates may be a deterrent to some consumers, but they also make it highly profitable for money lenders to persuade people to borrow more and they give wage bargainers a reason for pitching their claims still higher.

In order to improve the supply-side of the labour market, *The Economist* (19.8.89: 12-13) advises the government to encourage workers to move from areas of high unemployment to areas of low unemployment, and so relieve the pressure for higher wages. Another possibility is to encourage jobs to move to people by letting national-insurance contributions (NICs) vary regionally, with employers in areas of high unemployment paying a lower NIC.

The case for fiscal policy is further argued in “Through gritted teeth” (*The Economist* 14.10.89: 14-15) when the British economy is confronted with a sterling crisis. The government has assaulted demand by doubling interest rates. This has hit hardest at the mortgage-burdened, who are usually most inclined to vote Tory. On top of that, Mr Lawson has been faced with a run on sterling. The government’s recent difficulties have been caused mainly by the fear that in the end it will let sterling slide. A fall in the pound would raise inflation by making imports and the goods that compete with them dearer. These price increases, in turn, would fuel demands for higher wages. No longer is Mr Lawson pushing up interest rates just to keep monetary policy tight: his main recent purpose has been to defend the pound. Therefore, the urge for fiscal policy in demand management with a view to enhancing economic credibility is translated through its use of HEALTH metaphors:

- (403) The government should do what is best for the economy’s long-term health [...] In the 1970s smaller surges in demand caused much bigger rises in inflation. So the past two years of higher inflation and lower pound are not proof that Thatcherism has failed to improve the economy’s supply side. They are proof that the government mismanaged demand. [...] Credit controls have been at best ineffective and at worst a microeconomic poison. If the markets believed Mr Lawson’s pledge to defend the pound [...] the pound could be held steady with lower interest rates [...] For all its achievements, this government cannot expect its promises on inflation to be believed. [...] its rejection of fiscal policy as an instrument for cooling demand; its tax break for mortgage credit; its squabbles over monetary policy – all these have

left the markets with no choice but to say: don't tell us, show us. As a result, the coming months of disinflation will be far from painless. But the government can still choose, between a little pain or a lot. If it goes for the soft options, be prepared for a lot.

The only certain way for Mrs Thatcher to help cut interest rates is to commit herself to a stable pound. To do that, much the best way would be to make sterling a full member of the EMS. The sterling crisis takes place at “a time of troubles” (*The Economist* 8.7.89: 31-32), when Mrs Thatcher is moving into areas of her revolution where public consent is weaker and entrenched resistance “stronger and closer to the Conservative heartland” (*The Guardian* 6.3.89). Kenneth Clarke, the health secretary, is lumbering himself with reforming the NHS, much at the indignation of the British Medical Association (BMA), which voted to block the government's reform programme (see 4.4), as indicated by the battery of WAR metaphors:

- (404) Middle class groups like the doctors and lawyers who applauded and enjoyed her war on great bastions such as the union movement like it very much less now the guns are trained on them. (*The Guardian* 6.3.89)
- (405) “Clarke admits propaganda failing on NHS”
Mr Kenneth Clarke, the Health Secretary, last night admitted that the British Medical Association was winning the propaganda war against his proposals for change in the National Health Service. (*The Guardian* 5.7.89)
- (406) On three fronts, ministers are looking, if not for a retreat, then at least from a tactical withdrawal. Of these, the most significant remains the row that Mr Kenneth Clarke, the health secretary, is having with the doctors [...] Government ministers insist that their radical ardour is undimmed. (*The Economist* 8.7.89: 31-32)
- (407) A war of attrition with the BMA would also fray the weaker nerves on the government's backbenches [...]. (*The Economist* 27.5.89: 16)
- (408) Guerilla tactics are better for defence than attack: if you are an invader and time is against you, there is no point in bushwhacking a few stragglers. Now that Britain's health ministers have hung up their bandoliers for a summer break, they should ask themselves why six months of sniping at the medical establishment have left their plans in deep trouble. (*The Economist* 19.8.89: 14)

Moreover, divisions within Thatcher's cabinet over European integration become more and more apparent. At the Madrid summit of EEC leaders (June 1989), she felt trapped by Sir Geoffrey into making a firmer commitment to European monetary union than she wished. By moving Sir Geoffrey Howe from the Foreign Office to the Leadership of the House of Commons, she turned someone who should be a close colleague into an enemy. The ensuing reshuffle in her cabinet is an opportunity for *The Economist* to evaluate 10 years of Thatcherism: recent history leading up to the present, as illustrated by means of the PATH or JOURNEY metaphors. The ultimate destiny or crowning achievement is 'social engineering', i.e. to make 'dry' policies, once regarded as outlandish or unreasonable, popular and 'common sense':⁹⁷

(409) The reshuffle marks the second stage of Thatcherism. In the first, which lasted for ten years from 1975, she was the leader of the opposition, even though, for six of those years, she was formally prime minister too. Her economic policies were those of a minority within her own party, never mind the country at large; she continually had to take two steps back for every three forward. In the second stage, she had secured her position in the Conservative party, and could press on with radical Thatcherism – privatising everything that moved, emasculating alternative sources of power like local government [...] That stage is now at an end. [...] The men of mature, third-stage Thatcherism [...] have to prove that Tories can be green, that the poll tax is not an abomination, that privatising water is not just a money-grubbing ramp (*The Economist* 29.7.89: 14).

Hugo Young from *The Guardian* (10.9.87) however, is more apprehensive about "One-Nation Toryism" in "Tory juggernaut crushes last flicker of life" when he compares the imminent NHS reforms of Kenneth Clarke to the last staging post on a long journey: "The fact is that Clarkism sees a third victory as a basis for suppressing all alternative voices".

⁹⁷ The American historian Francis Fukuyama in *The End of History and The Last Man* (1992) encapsulates and triumphantly celebrates postmodern history as an actual reality. The 'good news' that Fukuyama can precisely date as the most remarkable evolution of the last quarter of the 20th century is a capitalist paradise at the end of history. Fukuyama invokes Marx and his predecessor, the idealist philosopher, G.W.F. Hegel, to celebrate the triumph of capitalism, which is metaphorically translated through the same conceptual metaphor: teleology (from the Greek, telos, 'end') assumes that developments are shaped by an overall purpose or design. Therefore, the 'end' of history means that history has reached a supreme goal: this global move towards liberal democracy goes together with a free market economy. It is arguable that the metaphorical pattern adopted by *The Economist* actually taps into the eschatology of Fukuyama's *The Last Man*. It means man 'as such', a transhistorical and natural being, a metaphysical entity who transcends the empirical realities of history. It excludes all other histories, unless they are 'spiritually' converted to liberal democracy and the free market, which is regarded as a general consensus. In this respect, 'movement at a standstill' finds its mirror-likeness in an equally paradoxical formulation: radical conservatism. It has been well illustrated 'at metaphorical level' that social democracy went into reverse course with the arrival of Ronald Reagan and Margaret Thatcher.

Unfortunately, in “Voters’ vertigo” (*The Economist* 23.9.89: 47-48) it is mentioned that high mortgages and tumbling house prices make Mrs Thatcher look bad in the polls. Home-owners (two-thirds of Britons) have two main reasons to worry: mortgage repayments pre-empt an unusually large chunk of disposable income and the value of property is falling. The vulnerability of small companies will increase if interest rates rise further. These concerns become louder at the Conservative party conference in Blackpool (October 1989). In “Did someone say go?”, *The Economist* (7.10.89: 13-14) recognises the threats to Mrs Thatcher’s position. Labour looks “like a credible alternative government”. It has become a social democratic party along the lines of those in West Germany, France or Sweden: “They want to run something like a market economy, reject the worst excesses of protectionism, and know they are doomed if they cave in to their own vested interest, the unions”. By contrast, “Thatcher’s eighteenth-century concept of sovereignty is damaging”. Yet doubts still lie with the Tories, “because some of Mrs Thatcher’s own followers have not accepted the logic of her policies”. Plenty of Conservatives are said to have spent defending the doctors and lawyers from competition and the party still has its high Tories, “who pucker their noses at the mention of “trade” and prefer policies that protect the peace and comfort of a few to those that create opportunities for the many”. Although its leadership is believed to be less bound by class than it has ever been the remaking of the party is not yet complete: “It is not yet certain that Mrs Thatcher will hand over its leadership to someone who has her best qualities. The Conservatives still need to be bullied by the relentless hammering of those few Thatcher rules”. Therefore, *The Economist* concludes that “she should not go yet”.

In the aftermath of the gloomy 1989 Conservative party conference, Nigel Lawson resigned because of conflicts with Mrs Thatcher over sterling policy. His initial successes (low inflation, tax cuts, rapid growth) turned into failure (high inflation, balance-of-payment crisis, crippling interest rates, looming recession). In “So much to do”, *The Economist* (4.11.89: 13-14) explains that ex-minister Lawson, one of the few real believers in Thatcherism, claimed that Thatcherism is no longer safe with Mrs Thatcher. Yet Britain, *The Economist* argues, still needs a lot more of Thatcherism. The difficulty is that there are only two serious and openly declared alternatives to Mrs Thatcher. The first is offered by the Labour party; the second by Mr Michael Heseltine, a Conservative who left her cabinet in 1986: “Both have learned many of the lessons of Thatcherism, but both have economic and industrial policies still fatally flawed by the corporatism that she rejected”. John Major is appointed as Nigel Lawson’s successor at the Treasury, which makes *The Economist* wonder: “Inflation at nearly 8%, interest rates at 15%, and a current-account deficit of £20 billion a

year. If that is all a “brilliant” helmsman like Nigel Lawson can achieve, what is to be expected of a lieutenant?” (*The Economist* 4.11.89: 43-44). *The Guardian* (15.3.90) claims that most voters have lost confidence in Major as chancellor and that the City and other international monetary markets have urged him to deliver a tough budget which tightens fiscal and monetary policy. The levers at Mr Major’s disposal – taxes, public spending and short-term interest rates – are loosely and erratically connected to the real economy. Sensible macro-policy can therefore aim to do no more than keep demand growing at a steady, non-inflationary pace. Even this modest goal, *The Economist* (13.1.90: 16-17) argues, is extremely difficult to achieve. In macro-policy, Mr Major’s starting-point should be to ask whether demand – not output – looks set to grow too quickly or too slowly next year.⁹⁸ A wise Mr Major “will therefore decide that the overall stance of macro-policy is roughly correct”. He might then choose to alter its mix – aiming either for looser fiscal policy combined with tighter monetary policy, or fiscal tightening together with looser money”. If the budget is fiscally neutral, *The Economist* claims, it is likely that the government will be able to cut interest rates during the course of this year without causing the pound to collapse. A fiscal expansion (overall tax cuts and/ or higher public spending) would postpone lower interest rates, and might even force them higher. In contrast, tighter fiscal policy might let interest rates fall further and sooner, but with a greater risk of an unhelpful fall in sterling. Mr Major’s best bet is therefore to leave (inflation-adjusted) taxes broadly unchanged. *The Economist* concludes that “the depth and duration of the slowdown will depend mainly on the changes that Mrs Thatcher’s government has wrought in the country’s micro-economic fabric”. The more adaptable the economy’s workers and producers, the more the slowdown in demand will appear as a fall in inflation. In a flexible economy, sluggish demand cuts inflation by keeping wages in check. Flexible economies also respond to shrinking domestic markets by selling more abroad. Therefore, the economy’s response to slower demand in 1990 and 1991 will be the sternest test that the ‘Thatcher miracle’ has had to face.⁹⁹ If Mr Major were now to be

⁹⁸ “Money-GDP growth of 6,5% would allow, for example, inflation of 5% combined with real output growth of 1,5%. Equally though, money-GDP growth of 6,5% would allow inflation of 3% and output growth of 3,5%, or inflation of 8% and a fall in output of 1,5%. Macroeconomic policy has no say in what the split will be. All the chancellor can be sure of is that a faster reduction in money-GDP growth would increase the risk of a really damaging recession. To relax, on the other hand, and keep money-GDP growing as quickly as last year would be even more dangerous. Inflation would be slower to fall might drive the pound sharply lower.” (*The Economist* 13.1.90: 16-17)

⁹⁹ In “Sergeant Major’s budget”, *The Economist* (10.3.90: 14-15) answers the question whether Mr Major should “do a Howe, or do a Lawson?”: “Mr Nigel Lawson’s chancellorship is now associated with two things: his tax-cutting budget of 1988, and the high interest rates that had to follow. Both are now blamed for shop closures, redundancies, mortgage pains and construction woes. Unless interest rates come down soon, many Tories fear

tempted by another bad British habit, letting sterling slide, the only result would be faster inflation. Companies would relax about their costs, especially wages. That is the danger of a budget that deliberately sets out to tighten fiscal policy. Therefore, *The Economist* concludes, high interest rates are the only thing sterling has in its favour at the moment: “So Mr Major should avoid any hint of fiscal toughness as prelude to monetary ease” (i.e. lower interest rates followed by devaluation of sterling). According to *The Economist*, he would do better “to increase taxes on company cars, and reduce or eliminate all remaining forms of tax shelters” (10.3.90: 14-15) . In “Britain’s quiet budget” (*The Economist* 24.3.90: 12-13), it is reported that Mr Major was straightforward in raising most personal allowances in line with inflation. However, “Mr Major’s big omission was on macroeconomic management”. *The Economist* regrets that “after eleven years of Thatcherism the government’s macro-policies have been transformed – for the worse”:

(410) Initially their aim was to set some rules and, as far as possible, stick to them. This, it was hoped, would reassure the financial markets that fine-tuning, and the inflationary bias that went with it, was out, *verboten*, dead. All those rules were for nominal measures – money supply, public spending and borrowing, growth in money GDP – rather than the volume goals of output, jobs and expenditure that most earlier governments had pursued in vain. The new principle was a good one, because it forced the government to live in a world where inflation matters and cannot be assumed away. All those rules got forgotten, most notably by Mr Lawson, who had done most to introduce them. Trust me, he said, and then presided over an inflationary boom. To his credit, he would have preferred to give the markets a new nominal rule, on sterling’s exchange rate, but was prevented from doing so by Mrs Thatcher’s visceral dislike of the European Monetary System. So Britain has been stuck with trust-me pragmatism.

they will lose the next election. [...] In 1981 Sir Geoffrey Howe did tighten up fiscally. He was rewarded seven months later, by a fall in interest rates that went on, virtually unchecked, for a year and a half. Alluring though that parallel sounds, it is misleading. For a start the 1981 budget came when Britons were saving 13% of their disposable income, so were well placed to start spending and borrowing. Today the savings ratio is barely 6% and people have already had six years of heavy borrowing. They need to restore their savings and restrict their borrowing, neither of which will be encouraged by a fiscal-monetary mix that produces lower interest rates. The other big difference between now and 1981 is external. In the 18 months before Sir Geoffrey’s budget, sterling’s trade-weighted exchange rate had risen by 13%. By helping to lower interest rates, that budget took the pound down and thus lifted industry’s price-competitiveness, boosted profits, and got investment and exports going. Today, though, sterling is shaky, down by 8% in the past 18 months. At its current exchange rate there is no question of British industry needing to be made more price-competitive.”

Sadly, *The Economist* concludes, the man of the 1990 budget was different but the message was the same: trust me. The same applies to monetary targets: “now just a melange of notes and coins; and to nominal GDP, which Mr Major didn’t even mention” (24.3.90: 12-13). Lack of economic coherence is therefore seen as the culprit for markets’ distrust of the pound (“not surprisingly, sterling shivers”). Mr Major’s third pro-saving policy was to abolish the composite-rate tax on bank and building-society deposits. Ideally, *The Economist* repeats, income tax would be replaced by an expenditure tax: all saving would then be tax-deductible, and all spending would be taxed (i.e. VAT).

The prospects for 1990 look dim, as indicated by the WAR metaphors. As far as Mrs Thatcher’s position is concerned, the imminence of deposing the prime Minister within the Conservative party is cast in terms of Shakespearian court conspiracies. Between October 1989 and November 1990 (Thatcher’s resignation), *The Economist* (anti-poll tax) still uses more salient CONFLICT metaphors: an average of 20,2 clear instances per stretches of 5,000 words versus only 13,8 in *The Guardian* (anti-poll tax). Including the ‘vague or ambiguous’ category, the ratio is 27.4 versus 22.1, respectively. The markedly higher incidence of CONFLICT and metaphors in both newspapers between 1989 and 1990 may be explained by the dismal state of the economy (double-digit inflation, sterling crisis), the implementation of the poll tax and the confrontation with the British Medical Association (BMA):

- (411) Britain’s new chancellor has cleared his first hurdle, but there is much worse to come. [...] The government’s economic policy is running on empty. The likely result will be a memorably dreadful 1990. (*The Economist* 18.11.89: 16)
- (412) “Still rolling on” [...] The great battle over Britain’s future in the European Community [...] Mr Clarke will face some ferocious parliamentary ambushes, from the Tory health lobby as well as from Labour. (*The Economist* 25.11.89: 39)
- (413) When the challenge to Mrs Thatcher’s leadership really began to show after the resignation of her chancellor, Mr Nigel Lawson, the plotters hoped to draw in some of the mainstream non-Thatcher MP’s – if not the ministers themselves, then at least their backbench cheerleaders. This did not happen. The non-Thatcher heirs disliked the idea of killing off granny, preferring to wait for nature to take its course. As a result, the inveterate anti-Thatcherites were left on their own and the prime minister was able to claim 85% support. (*The Economist* 9.12.89: 14-15)

- (414) After the latest mortgage-rate rises – arriving with the first shock of large poll-tax bills – homeowners, small businessmen and local Tory associations are up in arms. The chancellor faces intense pressure to halt inflation while yet satisfying demands for an early cut in interest rates. He must fail on one of these counts. He may fail on both. [...] The house market is a vital battlefield. For it was on the back of spiralling house prices in the mid-1980s, and the deregulation of credit, that the Lawson consumer boom was built. (*The Economist* 24.2.90: 35-36)
- (415) Militant Tories run riot in campaign of intimidation. After the rioting in the council chambers, there were ugly scenes at Westminster as the House of Commons was taken over by poll tax demonstrators. (*The Guardian* 9.3.90)
- (416) Protests over poll tax erupted into violence in several cities around England as demonstrators besieged city halls, battled with police, and shouted down councillors trying to fix local tax levels. The average household will pay a third more in poll tax than it did in rates, said a survey. While commoners revolted, the poll tax prompted a wave of noblesse oblige in the aristocracy. The dukes of Westminster and Bath announced they would pay the poll tax for the staff on their estates. Not to be outdone, the Queen followed suit – at a reported cost of over £100,000. (*The Economist* 10.3.90: 37)
- (417) The idea that Mrs Thatcher may no longer be prime minister by the autumn must now be taken seriously. [...] The team campaigning for Mr Michael Heseltine as successor has moved on to a war-footing. (*The Economist* 10.3.90: 39)
- (418) Inflation looks untamed. [...] Other rumours of mutiny in the ranks have more substance. [...] Meanwhile the supporters of Mr Michael Heseltine are continuing their silent manoeuvres around the palace. The latest pro-Heseltine wheeze, according to ministerial offices, is to attempt to garner a list of more than 100 names of backbenchers who no longer support Mrs Thatcher. (*The Economist* 21.4.90: 37)
- (419) Mrs Thatcher finds herself in retreat before a new wave of Conservatives, eager to flex their muscles and instinctively pro-European. Men like Mr Douglas Hurd, Mr Chris Patten and Mr John Major are European, just as she has always been instinctively Atlanticist. (*The Economist* 21.7.90: 10)

(420) The final scenes in a sort of tragedy. Could the leader who saw off Galtieri and Scargill seriously be expected to fall on the sword proffered to her by Brutus Howe and his fellow conspirators in the Commons? This is no puny leader, shaking a derisory fist as her enemies gather for the kill. (*The Guardian* 22.11.90)

In “To the boats for the Tories?”, *The Economist* (17.3.90: 14-15) reports that Margaret Thatcher is under pressure to quit but claims that the Conservative party shouldn’t rush to abandon her. Judging the government’s economic record requires a sharp distinction between microeconomic or “supply-side” reforms, on one side, and, on the other, the government’s inability to get macroeconomic policy right: “Double-digit inflation is a macroeconomic mistake. It reflects a failure to manage demand”. The real danger, for the Conservative party and even more for the country, is “that its popularity will be taken as proof that market economics has failed. In fact, its difficulties are being caused by (a) the poll tax, which has no free-market pedigree; and (b) high interest rates, which the government belatedly had to impose after it let inflation get out of hand”. According to *The Economist*, however, both these failures can be put right without abandoning the essential spirit of early and middle-aged Thatcherism: smaller government, lower taxes, and above all the insistence that people and companies should be responsible for the consequences of their own actions, as illustrated by the HEALTH and MOBILITY metaphors which extol the virtues of Thatcherism:

(421) That spirit has started to take Britain off the critical list of the world’s sick economies. If it were to be abandoned by any prime minister in the 1990s, the results would set back the economy’s recovery far quicker than most people now realise. (*The Economist* 17.3.90: 14-15)

Valuable as the Michael Heseltine asset may be (“a suitably ambitious European vision [...] a reassuring macroeconomic policy record [...] never a wet that that argued for fiscal reflation in the early 1980s”), the MOBILITY metaphors nevertheless disqualify him on the grounds of corporatist and interventionist sympathies:

(422) A Heseltine government would be better at intervention than the Heath government was. Better – but just as keen. [...] That is the danger of Captain Heseltine, that he would drive the SS Britain onto the interventionist rocks. Captain Thatcher may also be heading for trouble, and probably sooner; but it would be trouble only of an electoral kind, and only for the SS Conservative. (*The Economist* 17.3.90: 14-15)

The Guardian (23.11.90), however, claims that Michael Heseltine's virtue lies in his support for an independent Bank of England. The charismatic Heseltine, who is staunchly pro-European, could press the case for London as the financial centre of the new Europe. Moreover, "[s]uch a move by any Prime Minister would provide reassurance on a commitment to sound money while leaving fiscal policy to do those things necessary to undo the wrongs of Thatcherism which produced private prosperity but at a high cost of public squalor and financial hooliganism".

In "Rethinking the poll tax" (*The Economist* 28.4.90: 15), Margaret Thatcher is suspected of making a U-turn on the poll tax that has brought her government so low: "She has now insisted that a new bill, radically revamping the tax, be drawn up by July". Therefore, *The Economist* claims "underneath the iron mask, Mrs Thatcher has always been a pragmatic politician, a counter of heads". She knows that the Conservatives are trailing Labour in the polls. Furthermore, *The Economist* (21.7.90: 33) reports that half Britain's top executives think it is time "to ditch their erstwhile heroine": "The lady who vanquished Mr Arthur Scargill may not, they think, be the right person to do battle with Mr Jacques Delors. [...] Boardroom support for Mrs Thatcher is waning". With the government down in the polls, *The Economist* in "The vanishing surplus" (4.8.90: 25-26) discerns a resort to pragmatism at the risk of even higher inflation:

(423) In spite of all the gloom about an imminent recession, Britain is enjoying a good old-fashioned dose of Keynesian reflation. The shortfall in the PSDR [Public Sector Debt Repayment] is due to a temporary gap in privatisation receipts and to delays in payments of the poll tax. But the Treasury also seems to have lost its grip on spending. [...] Faster inflation and wage growth will also push up costs in all departments, and with the government eager to look more "caring" as the election approaches it will be harder to make real cuts. [...] By unintentionally reflationing an economy when the current-account deficit is already large, the government is running a big risk.

Even Thatcher's reluctant decision in October 1990 to enter Britain into the ERM is seen as a vote-winning tactic: "Margaret Thatcher, the lady not for turning, has moved Europe a bit closer to the goal of European Monetary Union" (*The Economist* (13.10.90: 13-14). *The Guardian* (6.10.90) reports that homeowners see their monthly bills fall for the first time in two and a half years as builders predict an easier housing market by spring: mortgage rates were immediately cut as Major joined the ERM. However, after Mrs Thatcher's return from the Rome summit, she faces accusations in the Commons that she is isolated over economic

and political union. Rising to the bait, she accuses the European Community of trying to “extinguish democracy” and opposition parties of betraying the pound for a single currency and a single central bank. She proclaims to have surrendered enough sovereignty (“No, no, no”). Though her defence of Britain’s sovereignty was good showbusiness¹⁰⁰, Sir Geoffrey Howe felt personally insulted and handed in his notice. His prompt resignation adds to doubts about Mrs Thatcher’s ability to survive. In this respect, *The Economist* (10.11.90: 13-14) claims that Mrs Thatcher’s approach to the EC, particularly on the issue of a single currency, is misguided and damaging. But, it emphasises, “it is wrong to jump from that conclusion that she must go since nobody can say that Mrs Thatcher should go without knowing who might replace her”.

It was the realisation that even cabinet heavyweights would no longer support her that led to Mrs Thatcher’s decision to end her 15-year leadership of the Conservative party and her 11-year premiership. More than 20MP’s, while voting for Mrs Thatcher on the first ballot, had already warned that they might defect on a second. Instead of urging her on to that ballot, the party pushed her out. *The Economist* has no difficulty in extolling her virtues:

(424) With her have gone some remarkable achievements. The achievements came from her policies; if the Tory party retains any vestige of common-sense, it will choose someone who will continue with those policies. [...] Mrs Thatcher’s governments did not reverse the post-war decline of Britain, but they started to do so. (*The Economist* 24.11.90: 13-14)

Hugo Young in *The Guardian* (23.11.90) comments on her last performance in the House of Commons and concludes that “the liberation of the Conservative Party was extraordinary to behold”:

(425) It glided almost effortlessly into the new world, the Prime Minister having at the eleventh hour acted in a way that has some chance of permitting it to restore unity. She performed in the House with the humour of a politician even this one slightly relieved to see the burdens of office slip away. The party looked and sounded like the patient whose pain has, against every prediction, been magically released.

He claims that “she died as she had lived, in battle” and that “economic policy in the early 1980s owed almost everything to her moral fibre”. He conveys reservations about that

¹⁰⁰ *The Economist* (3.11.90: 31) dubs her “the warrior queen” and adds that “her troops loved the belligerent impromptus, the defiant angle of the chin.”

economic policy by arguing that “it may have been a failed policy, but it was hers”. She was “committed to an economic theory and committed against caring about unemployment”:

(426) As such, and for better or for worse, this will truly and for ever be called the Thatcher Era. She was a creature of her times. Thatcherism embodies a style and a set of values that will take a long time to disappear from British politics. At the least, they may be the model of what to avoid [...] More likely, they will endure as an example others cannot neglect.

Thatcher’s case for business in Britain and “social engineering” is likened to “the social philosophy of little-England shopkeeping, the world from which she sprang”. It is emphasised that “she never deviated from this philosophy, and never tired of reiterating its principles as a guide to human conduct”. It is argued that these principles, though doubted and even despised during the 1970s, at last became conventional wisdom in the 1980s: Labour has come to accept them (“they will endure as an example others cannot neglect”), i.e. the realisation that these principles constitute the programme of what would become known as New Labour in the 1990s:

(427) Nowhere was this more apparent than in the Labour Party. Arguably, the new model Labour Party was one of her most important creations. She often vowed not to leave politics until socialism had been scorched off the face of Britain. One more term, she thought, would finally disabuse the country as well as Labour that the politics of the left had any future. A pseudo-socialist Labour Party has outlived her, which she will deeply regret. But the pseudery is significant. In Labour rhetoric, the virtues of private property and market economics have replaced ancient promises to dismantle the integument of the capitalist system. By departing, Mrs Thatcher may have removed Mr Kinnock's favoured electoral target: but she leaves an Opposition more anxious to retain than remove a fair amount of what she has done.

Hugo Young concedes that “she also leaves an economy which, for all their railing, is stronger than it was”. Caution, however, is apparent: “Maybe the most history will be able to say is that the Thatcher years decelerated British decline. Certainly the wondrous miracle [...] takes its reality only from an assumption about where we might have been without the medicine she administered in the early Eighties”. Hugo Young points at her failures and inherent contradictions as well: her failures concern her attitude to government itself, and in particular the role of the state. She came into power determined to reduce it. This was accomplished in only one department, that of state ownership: the sale of council houses and cheap shares in gas “switched a few million people from being clients of Labour, as the party

of public ownership, to being clients of the capitalist party”. But elsewhere, Mrs Thatcher’s relations with the state “ended in confusion, futility and contradiction”:

(428) One of her famous axioms was that no such thing as society existed: which postulated a dismantling of the collective institutions that propped society up. This did not happen. [...] Society at large showed no inclination to assume its disintegrating role. Quite the opposite. [...] In the Thatcher years, there were many ways in which the central state grew more not less powerful. In finance, in education, in health services, the edicts of the centre overrode those of the locality, as local government was substantially undermined. She was aware of this paradox. In schools and hospitals, a species of market choice was supposed to stand substitute for local democracy. But in the end the gentlemen, and un-gentlewoman, in Whitehall knew best.

Furthermore, Hugo Young mentions the curtailments of civil liberties, notably concerning free expression, and concludes that “the Thatcher era will go down as one in which state power increased”:

(429) All Tory leaders have been vigilant in defence of the state’s policing power. But a special edge was given this trait by this prime minister. Her own experience with terrorism, always an underrated aspect of her psyche, made her an unyielding proponent of media curbs which touched upon it. She was in favour of freedom as long as it could be paid for: a less reliable defender of the intangible liberties of man.¹⁰¹ (*The Guardian* 23.11.90)

The editorial of *The Guardian* (23.11.90) brings a final assessment while stressing that “we do ourselves no service if we forget”:

(430) Eleven years ago, first bounding down the steps of Downing Street, Margaret Thatcher chose the words of Saint Francis of Assisi. Where there is discord, may we bring harmony. Eleven years later, as she leaves for the last time, there is only division. A bitterly divided party, and a

¹⁰¹ The most striking example of media curbs during the Thatcher Years was the government’s attempt to ban *Spycatcher* by Peter Wright in 1985. It was immediately banned in the UK although sold overseas. The British government attempted to stop the book being published in Australia, but lost the action in 1987. It caused a scandal on its release not so much because of its allegations but because the Thatcher government had attempted to ban it. The book primarily details Wright’s efforts to uncover a Russian mole in his organisation. In addition, the book makes several scandalous allegations, such as that there was an MI6 plot to kill President Nasser during the Suez Crisis, and that MI5 and the CIA joined together in a plot against British Prime Minister Harold Wilson, who, as a left-wing politician, was a natural target for MI5. Wright also says that several high-level Commonwealth conferences were bugged.

divided nation beyond it. She lived and breathed discord and, in the end, it was too much even for the loyalest followers. She quits the scene with achievements she can be proud of. She has, in necessary ways, changed many of the fatalist assumptions about Britain. [...] But she bequeaths to her unknown successor a country returned to the toils of biting recession and mounting unemployment, a country where the gulf between rich and poor is at its widest for a century, a country profoundly uncertain where it can henceforth stand abroad.

4.2.2 About the bankruptcy of monetarism: back to Keynesian demand management?

Mention should be made of *The Economist's* ambivalent stance on Keynesian demand management. As illustrated in the previous chapter, *The Guardian* has no difficulty in ascribing the Lawson Boom of 1986-1987 to the government's abandonment of monetarism and a high exchange rate and its subsequent return to a pragmatic form of Keynesian expansion. There is evidence that *The Economist* (30.1.88: 49) too relates the Lawson Boom to 'Keynesian fine-tuning':

- (431) Mrs Thatcher's unremitting fiscal squeeze – in 1981 her chancellor cut public borrowing sharply even though Britain was in the grip of recession – sent a clear message. Inflation would be crushed regardless of the consequences for output and jobs. Managers and workers were forced at the point of dole-queue to change their ways. Arguably, that laid the foundations for a more competitive industry based on new working practices – a supply-side revolution. Thus avowed anti-Keynesians created the conditions under which a Keynesian expansion of demand could spur output rather than prices and wages – and that expansion was duly delivered in 1986 by sterling's depreciation against the D-mark and by a gentle reflationary budget. (*The Economist* 30.1.88: 49)

However, *The Economist* (24.10.87: 22, 28) remains 'monetarist' when stressing that "Thatcherism rejected fine-tuning - that is, trying to tie demand to targets for real output" and supports the idea that "microeconomic reforms almost certainly matter more for long-term growth than macroeconomic ones". In monetarist theory, fiscal expansion has no independent effect on prices or on the level of output. Its impact exists only to the extent that the central bank turns it into money. The underlying idea is that governments can control the total flow of spending in an economy – nominal GDP – though they can do less about how it splits between real output and inflation, or between consumption and investment, or profits and wages. This was the original purpose of Keynesian demand management, which *The*

Economist claims to be unrealistic. Hints of sympathy for more realistic fine-tuning, however, can be found in “The case for demand management” (*The Economist* 24.9.88: Survey World Economy, 42). The starting point is the claim that America in its last Reagan year suffers from “a form of fiscal paralysis unique to itself”. Its politicians agree that the current-account deficit needs to be cut, but have been unable to do so: “They have come to regard inflexibility in the macroeconomic side of fiscal policy as a virtue”. *The Economist* claims that this is one aspect of the revolution in economic policy of the past ten years, namely monetarism:

(432) The new economic conservatism of the 1980s has followed two main principles. The first is a microeconomic one: market forces should be allowed a greater say in the allocation of resources. The second, which has carried greater weight in Europe and Japan than in America, is a macroeconomic one: governments should cast from their minds the old-fashioned tenets of Keynesian demand-management, because finance ministers and central banks cannot make their economies faster by expanding total demand. Both strands of the creed have direct implications for public finance. The microeconomic strand calls for governments to tax and spend less, leaving people and firms more of their incomes to spend as they see fit. [...] Conservatism’s macroeconomic strand has also implications for fiscal policy. Above all, its message was that economic policy in this domain had to be much less ambitious. (This fits the theme of “less government” well.) What had to be recognised was how little fiscal and monetary policy could achieve. [...] Conservatism therefore said that fiscal and monetary policies should never be guided by a desired level of unemployment, or by a target range of growth in the real economy, or by any other “real” quantity. No more “there’s spare capacity, so let’s reflate”. That was thinking that had helped to produce the stagflation of the 1970s. Instead let fiscal and monetary policy be guided by “nominal targets”, and especially by targets for the money supply.

These nominal targets for the money supply would ensure that the government could never be the source of an inflationary expansion of demand. It would be for the labour market, in which macroeconomic policy has no leverage, to decide how much of any given increase in demand would be transformed into a rise in output and how much into inflation. However, “the simple monetarist prescriptions of the early 1980s have been shelved”: under the influence of financial market deregulation, “the monetary aggregates that were supposed to act as signals for economic policy have behaved unintelligibly”. Therefore, *The Economist* argues, “one of the microeconomic reforms of the conservative 1980s has helped to undermine what should have been one of the most macroeconomic reforms”. In other words,

governments have grown excessively attached to their short-term deficit targets partly because their monetary targets, for technical reasons, have let them down. As a consequence, *The Economist* claims, a much better short-term target is total demand in the economy: “Governments should indeed manage demand” without pretending that higher demand leads to equally higher output (“The right sort of demand management stops with demand”), an admonition that should be heeded by Mr Lawson in Britain and the Presidents Reagan and Bush (Sr.) in America. Since Mr Lawson stated his view that sterling should join the European Monetary System, that aim “highlights the need for fiscal policy as a tool for managing demand”: within the EMS, the Treasury would have to devote interest rates entirely to steering the pound, leaving no instrument but fiscal policy to keep domestic demand in check: “Mr Lawson cannot, except by luck, use monetary policy both to cool the economy and to steady the pound” (*The Economist* 15.10.88: 17). This advocacy of fiscal policy as an apposition to monetary policy takes on metaphorical mappings in both *The Economist* and *The Guardian* that centre around the PATH or MOBILITY metaphor (leading on to stable economic growth with no erratic ups and downs in the business cycle):

- (433) Time for President Reagan to pull the right lever to avoid the worst consequences of greed. [...] He is pushing ahead with a reduction in the top rate of tax to under 30 per cent in January at a time when taxes, particularly on the better off, need to be increased to reduce the deficit. [...] He is resisting reductions in military spending. (*The Guardian* 26.10.87)
- (434) “Why Lawson is wrong to take the brakes off sterling” The Chancellor’s decision to abandon his year-long battle to hold the pound below three German marks is every bit as important as next week’s budget. Monetary policy has been faced since last summer with two conflicting interests: keeping the pound within its “shadow” European Monetary System Intervention bands, which meant trying to keep interest rates low; and keeping domestic credit expansion under some sort of control, which meant keeping interest rates high. The debate has now been resolved in favour of dampening credit growth and other signs of domestic inflationary pressure. It is a serious mistake. (*The Guardian* 9.3.88)
- (435) What failed in the 1970s was the management of demand in pursuit of targets for employment and output. The right sort of demand management stops with demand: if money-GDP is held on a gently growing path, with fiscal policy moving largely automatically to let that happen, inflation cannot get out of hand. Output and inflation will fluctuate, but that is all right. Macroeconomic policy can do nothing about the mix of those in any case. [...] The price of

one-armed policy. The broad lesson is clear. With fiscal policy fixed (for one reason or another), monetary policy is left to serve two masters: the domestic economy and the international economy. [...] Monetary policy is asked to do too much. Fiscal policy – combined with targets for demand, and subject to the medium-term goal of stemming the growth of public debt – can be deployed to take some of the short-term strain. If it is not, the financial markets had better fasten their seat belts. And perhaps not just the financial markets. Two instruments have a better chance of preventing unwanted surges or collapses in demand, while keeping financial-market turbulence at a minimum, than one. [...] To get the external deficit down, fiscal policy needs to follow a stabilising rule as well. (*The Economist* 24.9.88: Survey World Economy, 52)

- (436) Government by laws, not Lawson. In his budget on March 15th Mr Lawson needs to reassert the principle that macroeconomic policy can do no more, and must do no less than keep demand on a steady path of low-inflation growth. He, like his predecessor, Sir Geoffrey Howe, has so far failed to turn that principle into a binding rule. The Treasury has all but abandoned its monetary targets, and its commitment to exchange-rate targets [i.e. shadowing the D-mark] is a qualified one. As a result, the economy's only anchor against inflation is the mettle of whoever happens to be chancellor. [...] A “generous” budget in March would therefore be doubly dangerous – adding to inflationary pressures at a time when the government's grip on the economy may be about to slip. If Mr Lawson cannot bequeath his successors a fiscal discipline based on public targets for money-GDP – which would be his greatest achievement – then he should do the next best thing and stamp on the idea that a booming economy can “afford” tax cuts. (*The Economist* 23.1.88: 14)
- (437) The policy vacuum would be filled if sterling went into the European Monetary System and the government had formal targets for nominal GDP growth. Until either (and preferably both) of these things happen, Mr Lawson would be leaving behind an aeroplane which he had flown like an ace, but which lacks the automatic pilot that modern passengers and crew find so comforting. Thatcherism has soared as far as it has because of its economic thrust. Take that away, and the ground would beckon. (*The Economist* 12.3.88: 20)
- (438) “Crunching inflation” [...] Fiscal policy needs to play some part. President Bush's refusal to raise taxes means that interest rates are higher than need be [to squeeze demand], and with them the risk of world recession. In Britain, the markets would find Mr Lawson more convincing if he conceded that the main reason for his budget surplus is a need to restrain demand. If the economy slows too quickly, he will need both the monetary and fiscal tools. Interest rates may have to stay high to prop up the pound and ward off inflation, so only tax

cuts will be available to inject some pep. On both sides of the Atlantic, it is uncomfortable to try to drive a motor car with one hand tied behind your back. (*The Economist* 1.4.89: 16)

It has already been mentioned that *The Economist* welcomes a mix of fiscal and monetary policy. The latter includes changes in interest rates as well as monetary targets. In “Monetary policy. Targeting targets”, *The Economist* (10.3.90: 40-41) recognises that, in spite of good intentions (“an anchor for inflationary expectations”), the government abandoned strict monetary targeting a long time ago since the monetary aggregate “proved to be a slippery customer”: M3 overshoot its targets in all but two of the seven financial years 1980-81 to 1986-87, “so it was dumped”. It is mentioned, however, that “some economists are feeling nostalgic”: Mr Lawson’s alternative reliance on the exchange rate to steer interest rates did not prove notably successful: “Not surprisingly, Mr Major [...] seems to be ignoring M0, the narrow money measure of notes, coins and bankers’ deposits at the Bank of England, and the only target still in use: it is growing faster than its annual target of 1-5%. Monetary policy is being steered by seat-of-the-pants judgements about the housing market and retail sales”. In short, “that leaves Mr Major without a credible monetary policy”. *The Economist* nevertheless proposes an update for monetary control: M2, which focuses on *spent* money (i.e. generating demand):

(439) The trouble with any broad measure is that it lumps together transactions-money with savings-money. When interest rates rise, stashing away cash becomes more attractive than holding non-monetary assets, so broad money grows. But what really matters, as far as inflation goes, is whether the money will be spent. [...] If the Treasury wants to introduce a transactions measure of money, it would make more sense to use M2, which includes notes, coins and retail deposits at banks and building societies, but excludes volatile wholesale deposits. (*The Economist* 10.3.90: 40-41)

In view of the difficulties that arise over monetary targeting within the context of financial deregulation and its consequent effects of money circulating without vesting, *The Economist* proposes another effective measure of monetary control, although this should not be taken seriously:¹⁰²

¹⁰² cf. *The Guardian* (27.10.88): “Goodhart’s law [...] states that once you observe an indicator it starts to misbehave.”

(440) Long-time opponents of monetary targets like Professor Charles Goodhart, an ex-official of the Bank of England now at the London School of Economics, have an alternative. The author of Goodhart's Law – any measure of money will start behaving differently the moment it becomes an official target of monetary policy – argues that while Britain wants to join the EMS, the government should grant the Bank of England independence over monetary policy. That would free the government from any temptation to print money ahead of an election. The idea has been mooted before – by Mr Lawson, among others, who got into trouble with his former next-door neighbour for suggesting it. But Professor Goodhart has a radical addendum. If you want to guarantee that the bank of England achieves its targets, he suggests, tie senior officials' salaries to the results. (*The Economist* 10.3.90: 40-41)

In conclusion, *The Economist* (13.10.90: 14) reckons that the markets would be most comforted by a decision to make sterling a full member of the EMS and hand over the monetary reins to the West German Bundesbank, which has proved a successful inflation-basher under the Prussian discipline of Karl Otto Pöhl. Since Britain will profit from the ERM only if John Major leaves the Bundesbank to set British interest rates (i.e. interest rates given over to stabilising the pound), "Mr Major would need another instrument to affect demand": fiscal policy. Once again, *The Economist* discounts any opposition to demand management:

(441) City pundits such as Mr Nigel Lawson advise against this. Budgets, they say, should not be used for macro-economic "fine-tuning". Agreed, governments can sensibly do no more than keep demand on a broadly non-inflationary track. It is also true that the fiscal changes Britain needs most are microeconomic, not macroeconomic: for instance, the taxation of housing (an issue that goes well beyond the absurdities of mortgage tax relief and the poll tax) calls for far-reaching reforms. But taxes and public spending play a valuable part in coarse-tuning demand. Tighter fiscal policy was the natural way to offset the inflationary effects of the rise in debt that followed financial deregulation in the early 1980s – and it might well be again, if lower ERM-driven interest rates cause borrowing to surge anew. (*The Economist* 13.10.90: 14)

4.2.3 About exchange controls: from the Louvre accord towards the Bank of Europe?

In “A cool touch for an overheating economy” (*The Economist* 12.9.87: 37), it is mentioned that less than a month after taking over as chairman of the Federal Reserve (August 1987), Mr Alan Greenspan has given notice to the financial markets “that he intends to be as tough on inflation as his predecessor, Mr Paul Volcker”. To curb fears of resurgent inflation, he raised the discount rate on September 4th by half a point to 6%, the first increase since April 1984. However, in “Too little, too late,” *The Economist* argues that moneymen felt that half a point was not enough to support the dollar, which had fallen by 7% against the yen and D-mark since mid-August. It is further believed that “Mr Greenspan is probably less concerned about America’s obligation to stabilise exchange rates – as agreed in the Louvre accord - than about the impact of a falling dollar on American inflation”. One of the main causes of concern is that the American economy during the Reagan boom may be overheating in the labour market. The August unemployment rate of 6% was the lowest since 1976, the peak of the previous economic cycle. This is close to the ‘natural rate of unemployment’, the rate which is consistent with stable inflation. Once the jobless rate falls below the natural rate labour shortages will develop and workers will start to bid up wages, and so push up inflation. However, while some economists worry about soaring inflation, “others are already fretting that the Fed will be forced to push interest rates higher”, plunging the American economy into recession: “Could Mr Greenspan’s eagerness to reassure the markets put him in danger of copying his predecessor too closely and engineering a recession in a presidential election year, just as Mr Volcker did in 1980?”. *The Guardian* (22.1.87) explains the logic behind the Louvre accord (February 1987): within the United States, the falling dollar after the Plaza meeting (September 1985) began to feed through into import prices and thus stoked up inflation. Although this effect was far smaller than a devaluation would be in Britain because America is a continental economy which imports proportionally less, there was some point at which the Federal reserve cried stop. To make matter worse, the ‘J-curve’, which shows trade figures getting worse rather than better after devaluation as a result of the operation of leads and lags, stubbornly refused to flatten. Moreover, Japan and Germany saw their currencies appreciate the most against the dollar, leading to higher imports and stalling domestic production. A trade war was looming. Therefore, finance ministers of the big five advocated exchange rate stability, as agreed in the Louvre accord. Although *The Economist* reassures us that “Mr Greenspan has given only a gentle touch on the brakes, not a full emergency stop” (*The Economist* 12.9.87: 37), it is pointed out that a happier way for propping up the dollar

would be for Congress to cut America's budget deficit by means of fiscal policy (*The Economist* 3.10.87: 17). In this respect, *The Economist* has strong reservations regarding the Louvre accord and the obligation it imposes on the world economy to stabilise exchange rates through international co-operation:

(442) Even if ministers were to succeed in pegging the dollar, that would not be the end of their problems. Real exchange rates, not nominal ones, matter for businesses and consumers. Currencies that are stable in nominal terms often hide big swings – caused by differing movements in labour and other costs- in the underlying pattern of international competitiveness. Well-matched macroeconomic policies, desirable as they are, cannot tackle this deeper source of instability. To see why, consider Japan and West Germany. The two countries are often mistaken for economic twins: both have huge trade surpluses and next-to-no inflation; both have been criticised for over-tight fiscal policies; both have seen their currencies rise by 80-90% against the dollar since February 1985. There the similarity ends. The way that each has adjusted to a stronger exchange rate shows up their differences. Westerners who gleefully predicted that the yen's rise would end the Japanese miracle were wrong. Japan's industry has pulled off another miracle, adjusting to the stronger yen with astonishing speed. In the three months to August its industrial output was 4% higher than a year ago; West Germany's was 1% lower. The profits of Japanese manufacturers are set to grow by 25-30% this fiscal year, after falling by 29% last year; West German profits remain depressed. Such figures prove Japan's flexibility, Germany's sclerosis [high production costs, low competitiveness]. (*The Economist* 10.10.87: 16)

Moreover, the Wall Street Crash of October 1987 is put down to the side-effects of the Louvre accord. In an attempt to support the dollar, American interest rates had to go higher, which made dollar-denominated securities more attractive to international portfolio investors. The result was the expectation of a widening gap between the return on bonds and the return on equities. In other words, the Louvre commitment to keep currencies stable resulted in the growing gap between interest rates and the return on equities that primed the markets for the crash. This provoked the sudden fall in share prices that started on Wall Street and spread around the world. In "When the bull turned", *The Economist* (24.10.87: 13-14) explains the logic behind the fall in dividends:

(443) The gap between dividend cost and yield was double its normal size in the three previous decades. It could not widen indefinitely; indeed, there were plenty of reasons to think it would have to shrink via a rise in yields, with no fall in borrowing costs likely. When those reasons

dawned on lots of investors all at once, shares crashed. [...] The Plaza agreement of September 1985 signalled that the dollar should fall, which meant that Japanese investors had to fork out fewer and fewer yen for another slice of IBM or another fistful of Treasury bonds. Americans called it the selling of America, and many resented it as much as the swamping of America by foreign imports. Behind the xenophobia lay a simpler truth: trade deficits have to be financed by foreign capital, and the two were the alternative to the higher taxes and/ or lower spending that America's politicians could not bring themselves to impose on the people who elect them. [...] Yet the Treasury and the Federal Reserve eventually tired of the dollar's slide. They worried that it would rekindle inflation, while their counterparts in Japan and Western Europe worried that their currencies were going too high and putting the squeeze on industry at home. [...] In the splendour of the Louvre, a dozen men from the OECD governments said that the dollar had fallen enough. [...] Since the tryst at the Louvre had ruled out a lower dollar, higher interest rates it had to be. But it was not long before American investors started fearing that dearer money would push the economy into recession. When, last week, the trade figures for August appeared to suggest that the deficit would never come down, fear turned to panic: if the Fed was going to support the dollar at this level, interest rates would have to go higher, the threat of recession would grow, and profits would then start to shrink.

The Guardian (26.10.87) adds: "As *The Economist* points out, punters in London were borrowing money at 15 per cent to buy shares yielding only 3 per cent. In America they were borrowing money at over 16 per cent for a return of only 2,6 per cent. Once it became clear that the fresh sharp rise in share prices needed to justify these investments, investors, abetted by new technologies, fell over each other to get out, a process that may not yet have run its course." It further mentions that "the stage is now set for the next Thatcher U-turn". The government has already ditched its reliance on the money supply, it has abandoned its refusal to intervene in foreign exchange markets. All of these actions are a retreat from the "magic of markets" philosophy. Victor Keegan in *The Guardian* (26.10.87) concludes that "the great danger now is that the crash of share markets will be followed by a free-fall in the dollar which the newly installed mechanism will prove too weak to deal with. The governments which have encouraged the free flow of international capital by the removal of exchange control regulations may now have to face the consequences". Therefore, *The Economist* (24.10.87: 13-14) claims, cutting the deficit is still the best option. To let the dollar slide is much harder to practice after the crash than before the Louvre accord: since the Federal Reserve judged that the main immediate threat posed by Wall Street's crash is deflationary

(e.g. the 8,5% fall in copper prices in a single day), it pumped in liquidity and pushed down interest rates. This is good crisis management, *The Economist* argues, “but it can do no more than buy time while America’s politicians are given another chance to tackle the deficit”. In this respect, *The Economist* in “How to prevent a slump” (31.10.87: 13) agrees with the Federal reserve that “the immediate task is a Keynesian one: to support demand at a time when the stockmarket crash threatens to shrink it” and claims that “to underline their joint commitment, the West German Bundesbank and the Bank of Japan should all announce half-point cuts in interest rates”. It concludes that “[f]ine-tuning is back, but nobody should imagine it will be easy”. It should be noted, however, that *The Economist* regards Keynesian reflation as a temporary contingency plan, i.e. an exception rather than a rule. In “Lord Wishful, Lady Rigorous” (*The Economist* 24.10.87: 21) we read:

(444) Because supply-side theory failed, and America’s budget deficit soared, the Reagan years often win unwanted praise from economists of a Keynesian bent. [...] Worryingly, America’s leading economic policymaker, Mr James Baker, remains an unreconstructed Keynesian. He urges reflation on the other industrial countries. He fears higher interest rates in America more than the inflationary impetus that would come from another fall in the dollar.

Moreover, in “Wall Street’s fevers” (*The Economist* 16.1.88: 17), it is argued that President Reagan’s fiscal policies “deserve much blame for propelling American markets into unsustainable euphoria”: an overheating economy, labour shortages, unemployment below the natural rate, inflation. In this respect, Christopher Huhne in “Reaganomics: the alarming legacy” (*The Guardian* 7.12.88) claims that “[t]he bottom 20 per cent actually saw their tax burden rise despite the Reagan tax cuts, while the numbers in poverty have increased sharply. He concludes that “[t]he history of Reaganomics has been of a consumer boom – and getting foreigners to pay for it. One mechanism has been similar in Britain. Abetted by financial liberalisation, individuals have borrowed far more”. The leading governments are advised by both newspapers to modify the Louvre accord on currencies. America may need to use its monetary policy as a weapon against recession, so it can no longer prop up the dollar by raising interest rates. Indeed, the very fact of monetary ease makes fiscal tightness still more vital if faster inflation is not to follow. The dollar’s ‘gentle slide’ after September 1985 (Plaza meeting) was supposed to narrow the current-account deficit through more export possibilities. After the Louvre accord, high interest rates to attract foreign investment take on the negatively-connoted metaphorical form of a “dam wall” behind which a current-account deficit acts as a potentially destabilising force: once foreigners lose faith in the American

economy and stop lending, the balance of payment goes haywire and the dollar might go for a “hard landing”, i.e. a run on the dollar:

(445) Until [the Louvre Accord] the dollar fell gently and steadily; now, after months behind the dam wall, it might plunge into a gorge. Central bankers who watched equities plunge this week shudder at the thought of that happening to the dollar. (*The Economist* 24.10.87: 13-14)

(446) A controlled devaluation, with the dollar drifting gently downward over a period of months [...] has two big drawbacks. First, it is difficult. If the markets suspect what is intended, they will straight away take matters into their own hands, overwhelm the best efforts of jawboning and intervention, and compress the gradual fall into a sudden one which governments had pledged themselves to avoid. That is because investors will not willingly keep dollars which are to be allowed to depreciate. (*The Economist* 19.11.88: 15)

America should therefore rediscover fiscal policy as a tool of economic management. Higher taxes and lower spending would narrow the deficit and thus make America less dependent on foreign investment, i.e. a surplus in the capital account to compensate for the current-account deficit. In “Plug for the dollar” (*The Economist* 16.4.88: 16-17) it is mentioned that the “good news” is that the crash has done little to dampen America’s domestic demand, which means “that the Federal Reserve must keep an increasingly wary eye on the risk of rising inflation”.¹⁰³ The dilemma for Alan Greenspan goes as follows: if he lets short-term interest rates drift too low, long-term rates will rise on fears of inflation, and the dollar will fall abruptly; if he pushes them too high, he risks crunching the economy into recession- and the stockmarket into another collapse: “Therefore, governments must be willing and able to exert flexible control over both monetary and fiscal policies. They cannot rely on interest rates both to steer exchange rates and to maintain the right amount of domestic demand”. To get the external deficit down, “fiscal policy needs to follow a stabilising rule as well” (*The Economist* 24.9.88: World Economy Survey 71). It is emphasised that to squeeze the deficit again requires a fall in demand, not a fall in the dollar: a depreciated dollar can cause any fall in American demand to lead to lower imports and higher exports at a maintained level of

¹⁰³ In “Dicing with depression” *The Economist* (4.3.89: 16-17) claims that “the correct historical parallel for 1989 is the late 1960s, not the oil-shocked decade that followed. In 1968-69, as now, America saw an inching up of inflation, not a sudden leap. Then, as now, the main cause was an excessive growth of domestic demand, left unchecked for too long. A spiral of wage and price increases caused interest rates to rise, and the recession of 1970 followed. It was a shallow slump by later standards – but a slump all the same. It happened because tight money was used to squash inflation. [...] America needs to cut demand at home without relying on a much bigger interest-rate premium.”

production, rather than to a fall in total production. Without that fall in demand, however, the main effect of a cheaper currency on an economy at full employment is likely to be higher inflation because imports would be more expensive. America may want to lower its interest rates to check the dollar's strength, but to keep them up because domestic demand is still growing strongly. Similar to the advice given to John Major in 1989-90, the case for fiscal leadership also applies to President Bush: "With no help from fiscal policy, the luckless Mr Greenspan must shoulder the whole burden of (a) cooling the American economy, (b) maintaining currency stability and (c) avoiding a ruinous interest-rate overkill" (*The Economist* 4.3.89: 16-17). *The Economist* (7.1.89: 11-12) repeats that the surest way to keep creditors happy is to cut the external deficit, not higher interest rates ("It is pessimism over America's economic prospects, not optimism, that has driven the dollar up"). This is happening, but painfully slow; and without a smaller budget deficit, progress is bound to stay slow:

(447) In the meantime, Mr Greenspan knows that foreign happiness can be bought, by raising interest rates and/or lowering the dollar to make American assets seem attractively cheap. But higher interest rates could push the economy into recession, and frighten the stockmarket into another crash. A lower dollar could push up inflation, and would certainly worry the bond market. It is the same dilemma – inflation or recession? – but magnified a dozen times when you have some cheeky foreigners looking over your shoulder. [...] Foreigners now feel proprietorial about America: after all, they own \$450 billion of it, so the health of its banks, oil wells, factories and shops matters to them. As creditors, they are keenly aware of just how deep into hock Americans have taken themselves.

In this respect, the dollar's strength in the wake of President Bush's inauguration is not greeted with much optimism: domestic savings slumped in the 1980s as households preferred to consume rather than save and government preferred to borrow rather than tax or cut spending. More than half of total investment has been financed not by domestic savings but by the net inflow of foreign savings to finance the current-account deficit. Without this, investment would have been lower still. But, *The Economist* warns, America cannot go on borrowing from abroad for ever. The reluctance of the Bush administration to use fiscal policy to cool demand (Bush's acceptance speech at the convention in 1989 included the famous pledge, "Read my lips: no new taxes") and its complacency to rely on inflow of money from abroad ("a prolonged wasting disease") is metaphorically illustrated by means of HEALTH metaphors. If domestic savings remain low, investment will be squeezed further ("anorexia"),

along with future productivity and growth (“stagflation as a wasting disease”). America’s challenge is therefore not how to eliminate its current-account deficit, but how to do it at the same time as boosting investment (“the cure”):

- (448) “The wasting disease” (*The Economist* 27.5.89: 14-15) For investors, America has been the honeypot so far this year. The dollar has jumped 15% against the yen and the D-mark. The bond market has boomed, and share prices are back to the heights they reached just before the crash in October 1987. One reason is political: every [Peronist] Menem victory [in Argentina] and Honkong jitter sends people rushing into dollars, especially when Japan and West Germany seem temporarily to have lost their political way. But the bigger reason for America is the view that its economy is heading for a soft landing, not the hard bumpy sort that jolts profits and gives consumers a headache. Maybe: but expecting a soft landing is no justification for having a soft head. [...] a depressing prospect: annual GNP growth slowing to only 2%, while inflation remains stuck at 5-6% because of rapidly rising costs. The 12-month increase in unit labour costs is now more than 5%; a year ago it was only 2%. This means that inflation is going to remain a stubborn foe for a couple of years at least, tameable only by slow growth. Is it mere coincidence that “soft landing” is almost an anagram of “stagflation”? The United States of Anorexia. Now take the long view. The biggest threat to America’s economy is not of a sudden financial heart attack, but of a prolonged wasting disease, which erodes the country’s productivity and future living standards. [...] failure to invest, GNP growth that is consistent with stable inflation has fallen. [...] Worse, sluggish investment and growth are likely to push America further in the direction of protectionism and government intervention in industrial policy. Such medicine will only make the patient sicker. [...] If America is to cure its anorexia, it must cut its budget deficit and boost private savings.

The Guardian expresses similar macro-economic concerns when complaining that “Reagan rides off leaving Bush to rein in the deficit” (Alex Brummer, *The Guardian*, 9.1.89). Furthermore, in “US spellbound as Bush falls for voodoo economics”, Martin Walker (*The Guardian* 12.6.89) claims that “the US economy is about to experience another self-inflicted wound through the Alice-in-Wonderland logic of its tax policy”. According to Martin Walker, this began in 1988, when George Bush promised no new taxes during his Presidential election campaign, and even promised to cut the capital gains tax. Moreover, in “Cut the budget deficit? You must be joking...”, Martin Walker (*The Guardian* 10.7.89) claims that the US budget deficit is becoming a permanent feature of the global economy against the backdrop of opaque programmes like the “Flexible Freeze”: if the Federal Budget could be frozen at its current level, and the US economy kept on growing so that tax receipts went up, within the

four years of a Bush Presidency the deficit would virtually disappear. However, Martin Walker claims that the “Flexible Freeze” is actually contradicted by the reality of the “soft landing” (mild recession) induced by the higher interest rates imposed by Alan Greenspan, which Martin Walker denounces as an “Ayn Rand-style view of economic affairs”:

(449) The most important pledge George Bush made in last year’s election campaign was “Read my lips – no new taxes”. But he still claimed to have a clear plan to bring down the Federal budget deficit through a policy called the Flexible Freeze. [...] But that was last year. We have not heard the words “Flexible Freeze” for a while. Instead, what passes for policy in the American economy is summed up in another comforting phrase – the “Soft Landing”. This is a gentlemanly term for a recession so mild you hardly notice, induced by rising interest rates. I recently came across some disturbing news about Alan Greenspan, the current chairman of the Fed. As a young man, he was one of a small number of barely-sane disciples who sat at the feet of a woman named Ayn Rand. A Russian refugee, she made her name with two best-selling novels whose purpose was to promote her wacky political theories about the evils of collectivism, the wonders of totally free market, and the need for a return to the gold standard. [...] Ayan Rand was trying to promote a new political theory called “Objectivism”, which she saw as the free world’s answer to Marxism. It quickly became a faintly sinister cult, forbidding her followers from listening to Beethoven and Mozart or from enjoying Shakespeare or Tolstoy, and forcing them into humiliating self-criticism sessions that sounded like the kind of thing Chairman Mao and the Red Guards used to inflict. Doubtless Mr Greenspan has grown out of these youthful follies, but he still takes a recognisably Ayn Rand-style view of economic affairs, believing that inflation is wicked and deflation is good for you. Having accepted that a record-busting eight years of growth cannot go on forever, and that a recession must come, the chairman of the Fed thinks it is best to have it come sooner, but gently. But wait. What does even the mildest of recessions do to the Flexible Freeze? How exactly does the government get the increase in tax revenues it needs to cut the deficit if the economy is slowing, and the tax take falls off? Even if the Soft Landing can be controlled (and its current steepening momentum makes that a very big if), it is going to come down awfully hard on the Flexible Freeze. Put it another way. The White House economist needs fast growth. The chairman of the Fed demands low inflation, even if it means forgoing growth. The Director of OMB needs these men to agree, but it looks as if they can’t. Whatever George Bush promises at the Paris summit, the US budget deficit is here to stay, along with the high interest rates required to attract the money to fund it.

In conclusion, *The Economist* warns not to be smug about the early 1990s. In “The world’s next inflation” (5.5.90: 16-17), *The Economist* admits that the world economy looks pretty inflation-proof at the start of the 1990s: “OPEC has cracked, and the death of communism has created marvellous new possibilities for supply-led growth”. However, inflation is poised to strike back:

(451) Like Presidents Reagan and Bush, Mr Kohl prefers budget deficits; like them, he can tell the voters that faster economic growth will make everything all right. He might even be correct. But supply-side miracles notwithstanding, in the early 1980s America’s Federal Reserve felt compelled to answer rising inflation with a viciously tight monetary policy. Mr Karl Otto Pöhl at the Bundesbank may face the same choice in the early 1990s.

Tight fiscal policies have supply-side drawbacks if they mean higher taxes or lower public investment but they do make it easier to combine low inflation with low interest rates. Therefore, *The Economist* concludes “the more worried Mr Bush becomes about the risk of a credit crunch in America, the more he should regret his promise never to raise taxes” (*The Economist* 5.5.90: 16-17). In “Markets on edge as Bush flexes muscles on budget”, Alex Brummer (*The Guardian* 4.10.90) reports that “the US economy is on the brink of recession, if not already in one. Calculations about the willingness of foreigners to invest in US government bonds have been changed”. While perceptions of the US as a safe haven have been undermined, Bush finally agreed to cuts and tax increases despite his famous “Read my lips: no new taxes” pledge. In doing so, Bush alienated many members of his conservative base, losing their support for his re-election. Bush raised taxes in an attempt to address an ever-increasing budget deficit. His decision to raise taxes might have been the key in his defeat against Bill Clinton in 1992.

In “Time to tether currencies”, *The Economist* (6.1.90: 13) admits that “economic historians will look back on the 1980s as the decade in which the experiment with floating currencies failed”. *The Economist* stresses that the starkest evidence of this failure is not, as it might seem, the dollar’s sharp rise in the early 1980s followed by its equally spectacular fall after 1985: “Those who advocated the move to floating rates through the 1960s and early 1970s – including, it should be said, this newspaper – did so precisely because they wanted exchange rates to shift”. The price of a currency, on that view, should be free to act as a balancing mechanism: it ought to move about so that other things (wages, workers, productive

capacity) would not need to. However, *The Economist* argues, what matters is that these swings failed to do what they were supposed to:

(452) Instead of reducing economic volatility, they increased it. Floating exchange rate would offset international differences in inflation rates, it was argued. High-inflation countries would see their currencies depreciate; their firms would thereby stay competitive in international markets without the awkwardness of having to cut wages. But the dollar's extraordinary rise and fall had nothing to do with inflation, and everything to do with short-term interest rates and financial traders' guesses about government policy. Far from narrowing the gaps between international costs, the dollar's fluctuations widened them. Floating was also supposed to cope with trade imbalances. A trade deficit would drive the currency down, it was said, making exports cheaper and imports dearer. This would shrink the deficit – a neat, self-correcting process. Hardly. The dollar's 40% drop between 1985 and 1988 has done little more than dent America's deficit.

As a result of this disillusionment with floating currencies, *The Economist* advocates exchange rate stability. In "Towards the Bank of Europe", *The Economist* (30.1.88: 12) investigates how Europe could provide a model for currency reform that the world would want to follow:

(453) In Western Europe their loudest supporters are Mr Nigel Lawson of Britain and Mr Edouard Balladur of France: "The first expounds to all the world the case for greater management of exchange rates, but cannot persuade his own prime minister that Britain should join its neighbours in full membership of the European Monetary System. The second calls for the creation of a European central bank and for other moves towards a European currency, but implicitly threatens to make the EMS a softer and more inflationary regime. Such pontification clouds intelligent ideas on the practical course towards eventual monetary union in Europe.

In this respect, *The Guardian* (27.1.89) claims that Britain should join the European Monetary Union. Although it may be that the Community may also set up a wider but less demanding European umbrella grouping, available for countries who were either not willing or able to keep up with the core EEC countries determined to accelerate the trend to outright integration, "it is not a prospect which the bulk of British industry – or many in the City would be happy about". However, it could be the result of "continued British footdragging on the question of EMS membership".

As already discussed in 4.2.2, Mr Lawson (an exchange rate monetarist) believes full United Kingdom membership of the EMS would enhance the credibility of anti-inflationary resolve and the role of exchange-rate discipline in particular. Since his chosen weapon against inflation is the exchange rate, he has signalled to employers that he is not prepared to underwrite excessive pay rises with a cheaper pound. This may impress manufacturers, facing strong foreign competition. However, diverging opinions and ulterior motives form an impediment to progress: while Mrs Thatcher and Sir Alan Walters (both monetarists in favour of a floating exchange rate) want to retain exchange-rate flexibility as a tool of economic policy, Mr Balladur calls for the governments of the big economies to devise a new Louvre accord on exchange rates and signed an economic co-operation pact with West Germany. However, *The Economist* claims that Mr Balladur urges Britain to join the EMS because “he thinks that Europe’s monetary policy is, in effect, in the hands of German zealots”: the Bundesbank controls Europe’s monetary policy, and imposes on would-be reflators such as France its unbending monetary conservatism. *The Economist* suspects that “Mr Balladur badly wants to shake that anti-inflationary grip” and that therefore “Mr Balladur’s wooing of Britain is a two-edged compliment” (*The Economist* 30.1.88: 12). He wants “another country with a looming balance-of-payments problem and (by German standards) less of a phobia about inflation to help him bounce the Bundesbank”. In this respect, the MOBILITY metaphors urging for a European Monetary System disqualify would-be-reflators such as Mr Balladur in favour of stern Karl-Otto Pöhl:

(454) Union in Europe is worth pursuing. More than that, all the trends towards greater economic integration are pushing that way, like it or not. British membership of the EMS and the creation of a European central bank are stages towards that long-term destination – the first helpful, the second inevitable. [...] Inflation will be a risk unless overall monetary expansion can be held in check. It will be vital to appoint a Karl-Otto Pöhl and not an Edouard Balladur to head the new central bank, and to give that bank as much independence of national governments as possible. (*The Economist* 30.1.88: 12)

(455) The aim of Europe’s post-1945 founding fathers was to demolish frontiers (welcoming multinationals, guestworkers, tourists and free-ish capital movements) rather than – as in 1919 – make frontiers more bristly. Today it would not be possible to get a really fascist or communist government, because half its national wealth would be telecommunicated abroad in its first hour. The scrapping of Europe’s internal protectionism between now and 1922 should be another and irreversible stage in this quiet heroic. (*The Economist* 13.2.88: 14)

The logic behind entry into the EMS goes as follows: Although Mrs Thatcher has refused to put sterling into the European Monetary System (EMS), the pound unofficially shadowed the D-mark in 1986-87. In this respect, the president of the West German Bundesbank spoke of sterling being a “de facto member of the EMS”. By shadowing the EMS rather than joining it, “the government got the best of all worlds: an anchor against inflation, combined with flexibility in its monetary and fiscal policies” (*The Economist* 12.3.88: 31). However, against the backdrop of macroeconomic incoherence at home “the policy may be producing the worst of all worlds”: it is harder to stabilise the exchange rate if the markets are left in the dark about the governments intentions. Inside the EMS, *The Economist* argues, the task would be easier: “A strong link with the D-mark will help to moderate pay settlements only if everyone is aware of the policy. That is more likely to happen if Britain formally joins the EMS” (*The Economist* 12.3.88: 31). Moreover, “[i]f sterling stays parochial” (*The Economist* 21.5.88: 11) the future of the City of London and its dominance in Europe will slip away, probably to Frankfurt, and so misses out on the coming revolution in European finance: “The one remaining obstacle to full EMS membership for sterling is Mrs Thatcher’s own hostility to the idea”. This, *The Economist* argues, is inconsistent with her own ideology since “Britain has more political commitment to deregulation and free markets than any other European country; more interest in stopping the EEC’s drift towards protectionist rules for trade and finance” Moreover, “much of the [EEC’s] 1992 policy is not dirigisme run riot, but embodies things she holds dear: more choice and competition, minimal central rules, fewer barriers” (*The Economist* 24.9.88: 16). In short, the modern Adam Smith with his insistence on competition and free trade (“a matter of cheapest supply”) would approve.¹⁰⁴ Sadly, *The Economist* claims, “progress towards trade has [...] taken the form of exchanges of concessions, mainly through the General Agreement on Tariffs and Trade. Countries expect to be compensated for free trade” (25.3.89: 13). More recently, most rich governments have tried to stabilise farmers’ incomes by insulating them from market forces:

¹⁰⁴ In “Protectionism’s clever wheeze”, *The Economist* (3.12.88: 13) claims that the GATT should take a hard look at what Europe and America call dumping: “Predatory price-rigging starts when a seller sustainedly quotes unrealistically low prices abroad on the back of state support at home (as with various Eastern European exports); or by milking its customers at home with high prices in a protected market (as some Japanese companies do; or both, as the EEC does in exporting farm products”. Moreover, “[t]he basic flaw in the agricultural policy of most OECD countries is the belief that stable and adequate incomes for farmers should be achieved by supporting farm prices and dumping excess production abroad” (*The Economist* 17.12.88: 14).

(456) The EEC's common agricultural policy (CAP), for example, "protects" European farmers in three ways: it puts up barriers to imports, in particular "variable levies" which are equal to the difference between the EEC's target price for a commodity and the prevailing world price; it buys and stores surplus production in Europe; and it subsidises exports to non-European countries to get rid of what is left. [...] Because subsidies are paid according to how much a farmer produces and not to his need for them, the richest two-thirds of farmers get 90% of the cash. [...] The masters of the CAP will say overnight abolition is politically unthinkable. [...] For large, efficient farms only a fraction of their total production would receive support payments and the rest would be sold at the open market price. Most of the production of small farms, on the other hand, would be supported. (*The Economist* 15.4.89: 15-16)

In her notorious Bruges speech, Mrs Thatcher articulated her abhorrence of European federalism. She told ministers to oppose in Brussels anything that seems an arrogation by the Community of national sovereignty. "We have not successfully rolled back the frontiers of the state in Britain", Mrs Thatcher exclaimed, "only to see them reimposed at a European level, with a European super-state exercising a new dominance from Brussels." In "The island fortress and the future", *The Guardian* (21.9.88) notes that "it is a speech of profound significance": It shows "how limited her horizons are; why in Edinburgh, never mind Milan or Marseilles, she must forever remain an English nationalist". *The Economist* (24.9.88: 25) reports that "Mr Jacques Delors [...], the increasingly outspoken president of the European Commission, [...] is unrepentant but angry, especially at the caricature she draws of his ideas". Although rejecting Mrs Thatcher's insistence on floating currencies, *The Economist* endorses her opposition to the abolition of frontier controls on the ground that they are needed to check terrorism, drug-running and illegal immigration. *The Economist* (20.5.89: 35-36) argues that the split in the Conservative party over the future of the European Community may turn out to be its most significant rupture: "Already, Europe looks like the rock on which – one day – Mrs Thatcher's premiership will founder. Mr Heseltine's new book calls for greater British involvement in Europe" and describes the mood in the Conservative party as "the kind of chaos on which Labour holds a copyright". [...] A full-scale cabinet row is expected to break over a report of the Delors committee on European monetary union, which recommended a three-stage approach, including the foundation of a central bank and a European currency. A British endorsement of stage one would mean putting sterling into the EMS, and this the prime minister and her economic adviser, Sir Alan Walters, are still not ready to do. The Walters Doctrine rejects the view that exchange-rate discipline, by itself, can deliver a lower rate of inflation. Alan Walter starts from the assumption that real exchange

rates matter, not nominal ones. Currencies that are stable in nominal terms often hide big swings – caused by differing movements in labour and other costs- in the underlying pattern of international competitiveness:

(457) One of the “Britain is different” arguments for keeping the pound out of the EMS now looks much weaker than it used to: the idea that sterling behaves like a petro currency. If it did, it would sit uncomfortably in the system. [...] Sterling, however, no longer behaves like a petro currency. Oil is a dwindling part of the economy, and big changes in oil prices now have hardly any effect on the exchange rate. In this respect, therefore, the time is right for sterling to join. [...] Sir Alan Walters claims that Britain is also different in another way. Suppose it has a higher underlying rate of inflation than West Germany – perhaps because of its labour markets – and, crucially, that the exchange-rate discipline of the EMS would not deal with this. Then not only will Britain fail to see the low-inflation benefits that the others have seen, but EMS itself will begin to operate perversely. This perversity works as follows. The EMS gives financial markets an assurance that exchange rates will remain within a prescribed band pending realignment of the system. Since realignments are to be avoided, exchange rates will stay semi-pegged for a year or more at a time. With that assurance, interest rates for assets with a one-year maturity or less cannot diverge by much. Members with high inflation will have nearly the same nominal interest rates (and hence lower real rates) as those with low inflation. Monetary policy, in other words, would be looser in Britain than in West Germany. Eventually the difference in inflation rates would force a realignment. Once this was expected, interest rates in Britain would have to rise sharply to compensate investors for the depreciation to come. So periods of monetary looseness would be followed by bursts of extreme interest-rate volatility. (*The Economist* 20.5.89: 36)

Mr Lawson, by contrast, believes that fixed exchange-rates lead to lower inflation and points at the microeconomic benefits which that would bring as well. The core of the chancellor’s view is that greater exchange-rate discipline really can bring Britain’s underlying rate of inflation down. It would do so by confronting managers and workers with a clearer promise that they will have to suffer the unpleasant consequences of wage and price increases that leave their firms uncompetitive. Under the present policy, they can tell themselves that a future devaluation of the currency will always be there to bail them out – at the cost of higher inflation. *The Economist* (20.5.89: 36) concludes: “If Mr Lawson is right about the disciplinary effect of greater exchange-rate rigidity, an EMS like today’s might still work well after 1990 – and Sir Alan’s fears would come to nothing”. Moreover, Mr Pöhl insists that a European central bank would have to be just as independent of national governments, and of

the European Commission, as is the Bundesbank. Otherwise it could be lumbered with tasks like printing money to cover budget deficits, “which would undermine what he reckons is a central bank’s main task: keeping prices stable” (*The Economist* 29.10.88: 71). In this respect, also *The Guardian* (13.6.89) claims that it is now a matter of urgency for Mrs Thatcher to choose between the views of her elected Chancellor and those of her unelected economic adviser (Alan Walters) on the crucial question of whether Britain joins the European Monetary System:

- (458) Membership of the EMS is incompatible with Sir Alan’s view that interest rates should be set at whatever rate is necessary to contain inflation, leaving the exchange rate to find its own market level. If Britain joins the EMS, he argues, then as long as inflationary pressures are higher here than in West Germany, the pound would be on a one way downward trajectory. The speculators would seize on that to make certain capital gains as they switched in and out of sterling in advance of devaluations. This, he claims, would produce a roller-coaster of interest rate changes combined with massive floods of hot money chasing one-way bets against sterling devaluations. Proponents of the EMS argue that this approach allows nothing for the catalytic effect which membership would have upon the behaviour of companies. Faced with the prospect of fixed exchange rates, they might be expected to stand up more forcibly to wage claims and so reduce the very inflationary pressures which Professor Walters finds destabilising (and which successive monetarist experiments in the UK haven’t done much to improve).

The Guardian argues that Sir Alan is right in believing that exchange rates are vital. While the views of *The Guardian* and *The Economist* converge on the issue of EMS membership, their opinions diverge on the issue of exchange-rate discipline: “If Britain entered the EMS at an unrealistically high exchange rate her goods might be priced out of the market even faster than before”. Nevertheless, *The Guardian* concludes that “[t]he Government should announce forthwith that it intends to join the EMS very soon and end a decade of uncertainty”. Moreover, it adds: “By 1992 most of the once-and-for-all bounty of revenues from North Sea oil and privatisation will be in decline. It is time now, surely, for a nationally coordinated effort to prepare for a new era in the United States of Europe. Nothing less will suffice” (*The Guardian* 31.3.88). In “The reluctant European”, *The Economist* (10.6.89: 15-16) claims that Margaret Thatcher’s hostility to much EEC-ery “is bad for Britain, bad for Europe, bad for America”. Moreover, *The Economist* suggests that it is a bit rich for Mrs Thatcher to fuss about monetary independence in view of her own government’s macroeconomic incoherence:

- (459) To listen to Mrs Thatcher's rhetoric, you might suppose she is wedded to anti-inflationary restraint. Then look at the record [...] The monetary independence that Mrs Thatcher so values has been used to generate the result she most despises. Because of this perverse attachment to inflationary isolation, Britain is in no position to argue coherently about the EMS's future. [...] For Americans, it is no use having a special relationship with a sulky outsider; what they want across the Atlantic is a united Europe, strong in its economy and confident of its future.

The MOBILITY or PATH metaphors in both newspapers illustrate the cumbersome process of European integration, in which Britain runs the risk of missing out ("marooned"). In this respect, Hugo Young in *The Guardian* (15.6.89) notes that Thatcher has "no mandate for a crusade against Europe". The Delors plan is flexible about the timing and the content of its later two stages. It allows an indefinitely long period of locked exchange-rates before getting to the Single European currency that is its goal. According to *The Economist*, however, its weakness is the way it links steps towards monetary union with ever closer co-ordination of national budgetary policies ("a breakneck dash towards monetary union"): "There is no economic reason why the members of a common monetary system should not run budget deficits as they see fit. By ruling out exchange-rate risk, a common currency ought to allow them more freedom, not less" (*The Economist* 1.7.89: 10). Financial markets would punish heavy borrowers with high interest rates only if their creditworthiness was in doubt:

- (460) "Poll forces hands on to the EEC tiller" (*The Guardian* 1.6.89)
- (461) When the curtain lifts for the second act, the impulses will be about moving forward, not hanging back. (*The Guardian* 4.3.88)
- (462) It is now a matter of urgency for Mrs Thatcher to choose between the views of her elected Chancellor and those of her unelected economic adviser (Sir Alan Walters) on the crucial question of whether Britain joins the European Monetary System (EMS). [...] This is unsettling for the markets, now also contemplating an unexpectedly unpalatable set of figures for retail spending in May; but above all it is profoundly disturbing for the future of his country which stands dithering at a bifurcation of history, unable to decide between the route marked "Europe" and the one marked "Go-it-alone". (*The Guardian* 13.6.89)
- (463) "A defeat, with the seeds of victory"
 Madrid was, after all, decisive: a turning point in history. [...] Britain *will* be involved in the second and third stages towards European monetary union. An inter-governmental conference

to make necessary amendments to the Treaty of Rome *will* take place. Britain *will* sit at that table: and the conference – whatever the present smokescreen – will, in the end, agree. We are aboard the train for good and all – if only because, with Germany and France in the driving seats, the engine can leave without us. Madrid was the fundamental crossroads for the Community, the choice between two paths forward. Nobody else would tread the British path. It is we who hesitated and turned back. That, of course, does not mean that the argument is over. Indeed, as it proceeds through its various stages, Mrs Thatcher will begin to play some good tunes. The Delors blueprint is seriously defective in too many ways – a European Central Bank modelled on the Bundesbank needs democratic, political control: an integrated Continental economy cannot, without intolerable strain, be constructed around a narrow Paris/Bonn axis; there is serious, continuing hypocrisy over exchange controls, competition policy and a whole gamut of issues where sweet rhetoric butters no courgettes. But if – a critical if – Britain is actually part of the process, amending from the inside rather than carping outside the walls, then there is much that can be achieved. (*The Guardian* 28.6.89)

- (464) Mrs Thatcher's visceral foreign policy is leaving Britain marooned. (*The Economist* 17.2.89: 18)
- (465) “Slouching towards the Monnet”¹⁰⁵ They will not march in step, they will not go at the same pace, and they may not even reach their destination, but at least they will head off in the same direction. [...] Some enthusiasts for European integration, including most EEC leaders, believe Britain is now firmly on the road to monetary union and will find it impossible to pull over, let alone turn off. [...] Others doubt whether Thatcher even accepts the inevitability of a common currency: she has agreed to the first steps, they reckon, only to be better placed to resist subsequent ones. Whatever her intentions, it will be hard for Britain to back away now. Yet she is not alone in having made some concessions. The French, who have been setting a pedal-to-the-metal pace towards the Monnet, will have to go slower than they wanted. Good: the EEC's agenda is already packed with its 1992 project. A breakneck dash towards monetary union would mean too little rigorous deliberation. (*The Economist* 1.7.89: 10)

¹⁰⁵ *The Economist* (5.3.88: 16) “Ecu into monnet”: “But if the ecu is to win the hearts and minds of tomorrow’s Europeans, it needs more than governmental prods. It should have a new name, and a purchasing power that does not flicker. The best name would be one suggested by a letter writer to the Financial Times – the monnet, which intellectuals will like because of the link to Jean Monnet and almost everybody else will understand because it sounds like cash. How would the monnet hold its value? Only answer: by being issued by a Bank of Europe that was as independent as the Bundesbank is now. That is the Genscher view, whereas Mr Balladur wants the central bank to be controlled by EEC governments. They would be as bad at resisting inflationary increases in the monnet supply as they are at resisting inflationary increases in farm spending.”

- (466) The European Community's magical mystery coach races on. Its destination, as ever, is European unity: whose nature, as ever, remains undefined. [...] Will the mystery tour's destination then be clear? (*The Economist* 5.5.90: 15)

The Economist advocates “[a] modest monetary union” (9.9.89: 19-20) and refutes the findings of Mr Alexandre Lamfalussy, head of the Bank for International Settlements, whose paper for the Delors committee argues that a Community-wide fiscal policy makes sense:

- (467) Without [a Community-wide fiscal policy], a single currency might encourage governments to borrow recklessly. They would no longer need to worry that over-borrowing might cause a run on their national currencies. Moreover, financial markets would expect other member countries to bail out governments unable to service their debts. The markets would therefore fail to discriminate between good borrowers and bad. They would ask the same interest rate of both, indulging the over-borrowers at the rest of Europe's expense. Mr Lamfalussy draws a logical conclusion from a false premise. [...] The vital point is that governments would no longer have access to the printing press, so could not inflate their way out of debt. This denies spendthrift treasuries their favourite remedy for over-borrowing. The financial markets could therefore make a sharper distinction between good and bad borrowers, based on a clearer view of capacity to repay. Heavy borrowers would see a risk premium slapped on their interest rates (which is what already happens to companies, and they too are unable to print money to repay their debts). If anything, governments would take more fiscal care, not less. [...] Europe does need to decide how much fiscal power it wants to move from national governments to Brussels.

In “Britain, Europe and the generation game”, *The Economist* (21.7.90: 10) criticises old Tories for their xenophobic arrogance: “The trade and industry secretary, Mr Nicholas Ridley, did untimely damage. He said bluntly that the reunifying Germans had dangerous national characteristics and that the structures of the European Community were oppressive. Mr Ridley's vintage is also Mrs Thatcher's. [...] As Britons wrestle with inflation and high interest rates, and compare them with those on the continent, they become harder to convince that monetary sovereignty is worth fighting for”. In “Going for it” (*The Economist* 13.10.90: 13-14) it is reported that “ignoring her instinct about economics and the European Community”, Margaret Thatcher put the pound into the exchange-rate mechanism of the European Monetary System on October 8th, cut interest rates “and fixed her gaze on the next election”. The ERM obliges each member to keep its currency within a band against the

others in the system. Britain, like Spain, has chosen a 6% band, instead of the 2,25% band of the D-mark, the French franc and the system's other currencies. This will allow greater day-to-day exchange-rate freedom. In theory, Britain can still ask its partners to move the pound's band if need be. Thus, future devaluations are not ruled out, which *The Economist* views with suspicion. In contrast, a believable promise not to devalue obliges producers to defend their competitiveness by setting pay and prices at levels their markets can stand. Therefore, with interest rates given over to stabilising the pound, Mr Major needs another instrument to affect demand, i.e. fiscal policy:

(468) The sovereignty at issue is the right to let the currency depreciate. However, as the Treasury argued during several years of carefully formulated opposition to ERM-entry, devaluation will henceforth cause great political discomfort. [...] Is it sensible to surrender this freedom to devalue? [...] No. Governments – especially British ones – have consistently abused their exchange-rate discretion. Again and again they have permitted depreciation for no other reason but to accommodate a rise in inflation. [...] As long as Germany's Bundesbank remains convincingly intolerant of inflation (and, despite the cost of German unification, there is little reason to think otherwise), the ERM makes low inflation feasible. [...] Germany's excellent intolerance provides only a foundation for this pain-reducing credibility. [...] A strong economy can withstand the rigours of German central banking. The pity is that the government is undermining this advantage. [...] If the prime minister has planned nothing more than an election-stealing wheeze, the ERM's initial effects will be harmful. A temporary fall in interest rates and mortgage rates will lead to an exaggerated fall in the official rate of inflation (to as little as 5% by next summer); underlying inflation will fall by much less; if at all. A pre-election boom in public spending, with a few tax cuts thrown in next spring, will add further to the danger of higher inflation later. (*The Economist* 13.10.90: 13-14)

The Guardian (6.10.90) reports that mortgage rates were immediately cut as John Major joined the ERM. However, Ben Laurance in *The Guardian* (6.10.90) warns that “excitement will pass, but not the difficulties” since Britain's underlying inflation figure is higher than the average rate in the rest of Europe. Moreover, British industry's costs are rising more quickly than those of its competitors. In contrast to *The Economist*, which rules out devaluations, *The Guardian* welcomes devaluation as a stabiliser for export industries in order to stay competitive in world trade, and fears the restriction of the 6% band:

(469) In a world unfettered by 6 per cent bands and the like, we would see a gradual devaluation of sterling. In the ERM, that can happen only until the lower limit of the band is reached. And

then what? British industry becomes progressively less competitive. Companies that once made their living by selling goods abroad find themselves undercut. They no longer win the orders they once relied upon. And when that happens, they no longer have work for the people whom they once employed. Unemployment rises.

Therefore, in “When the honeymoon evaporates”, *The Guardian* (15.10.90) claims that “to prevent the disaster scenario, the economy needs something of an economic miracle in wages”. However, “[e]ven under the monetary overkill of the eighties the average rise in earnings never dropped below 7,5 per cent”. *The Guardian* predicts that sterling will be vulnerable to speculators moving in to profit from expected regular devaluations - the scenario feared by Sir Alan Walters – and from companies conceding high wage claims because they, too, “don’t believe the ERM is for real”. *The Guardian* (6.10.90) explains that it has “for many years been a strong advocate of ERM entry at a “realistic rate”. But we are frankly apprehensive about the consequences of locking Britain’s battered manufacturing sector into a fixed system at an overvalued rate”.

4.3 About Labour and trade unions

In “Her majesty’s lousy opposition”, *The Economist* (17.9.88: 19) evaluates the middle of the second year in Margaret Thatcher’s third office, which “normally tends to mark low-water”. However, in September 1988, “even ministers admit that today’s Tory lead is bigger than the government deserves”. This popularity is partly ascribed to the divisions within Labour and the suicide of the Alliance. *The Guardian* (17.9.87) argues that “[t]he Left is in a crisis of ideas, but also in a crisis of leadership. This is as true of the Liberals as of the Labour party”. As for the Alliance, “it needs one leader, not two – but a leader who believes in the market economy, rather than in some woollier tenets of Liberal interventionism” (*The Economist* 20.6.87: 19). Having unsuccessfully fought the Labour and Tory parties in the 1987 general election, the two leaders of the Alliance party turned their guns on each other. Mr David Steel, of the Liberals, wanted the two parties to merge; Dr David Owen, of the Social Democrats (SDP), did not. The Liberals favour unilateral disarmament, Keynesian economics, more public spending. So do Labour’s moderates. Dr Owen’s vision of the SDP, by contrast, “is of Thatcherism with a caring face, rather than the cosy interventionism of the right wing of the Labour party and of many Liberals” (*The Economist* 4.7.87: 17). Moreover, in “A loveless marriage”, *The Economist* (6.2.88: 26) mentions that “Dr Owen clearly despises the anarchic indiscipline of the Liberal party”. It is mentioned that Dr Owen has always believed that a

centre party should replace Labour with a non-socialist alternative to the Tories: “He thinks that much in Mrs Thatcher’s revolution is praiseworthy and should be built on”. However, Dr David Owen’s Social Democrats failed to come up with policies “attractive to those repelled by Margaret Thatcher but as yet unconvinced by Labour’s new moderation” (*The Economist* 9.9.89: 17). The Liberals, by contrast, see their priority as the dismantling of Thatcherism. To achieve that, some Liberals are even prepared to contemplate an electoral pact with Labour. As for the Tories, their popularity is based on the fact that more Britons can identify with their members: the old class of British politics has been weakened. They are no longer a party for the nobs; “they have become the party of the prosperous, upwardly mobile south” (*The Economist* 17.9.88: 19). Class has become less a matter of income and occupation, more of taste and culture. The Labour party, in contrast, has become more and more identified “not just with the poor and the underprivileged, but with the unsuccessful”. The centre parties, the SLD and SDP, have no class basis: “it reflects their lack of image, rather than breadth of appeal”. *The Economist* explains that fault line in British politics runs not between Labour and the Conservatives, but down the middle of the Labour party – between those who want to run a basically capitalist economy and those who do not: “So long as Labour’s crypto-capitalists are lumped together with its crypto-Marxists, they will never convince voters that they are potentially competent managers of capitalism”. *The Economist* warns that for now, the effective opposition in Britain comes from within the ruling party: the British Constitution is largely an unwritten one, based on an accumulation of customs, conventions and laws. Power is concentrated in the hands of the Prime Minister. If her party has a majority in the Commons, she controls the house rather than the other way round. Moreover, the performance of any government may grow sloppy if its members think they have a freehold on their power:

(470) That is unhealthy. Power in Britain is extraordinarily unconstrained. Parliament is run by the two whips, the judges have no Bill of Rights to administer, the freedom of the press rests on convention rather than law, the appointment of people to positions of power rests (increasingly) on political patronage. The parliamentary opposition is the best check on the abuse of power – but only if there is a real chance that it will one day win power itself. In Britain, effective opposition is the best defence of civil liberty. Without one, the whole country becomes the poorer. It is the poorer now. (*The Economist* 17.9.88: 19)

This concern for democracy is repeated in “Thatcher’s non-opponents” (*The Economist* 7.1.89: 12-13): “Until Britain’s opposition parties catch up with the world, the Tories will have things all their own way”. In the absence of the centre parties, the duty of opposition

falls to Labour. Mr Neil Kinnock, its leader, recognised at his party conference in 1988 that Britain would remain a market, capitalist economy: “But perhaps an eighth of his MP’s – more than any parliamentary majority he will ever have – and a third of his party activists do not believe that. [...] Labour still clings to the wreckage of the trade unions, which Britons have not yet forgiven for the excesses of the 1970s”. In “Labour’s German lessons”, *The Economist* (25.7.87: 12) advises Neil Kinnock to change his party as West Germany’s socialists did in 1959:

(471) Mrs Thatcher talks of freeing the individual from the trammels of the state. Labour could turn that on its head, and advance the state as protector of the individual. It could develop the idea of the state as countervailing force, working for the voter and the consumer against the big battalions”. [...] Let Labour welcome the Tory policy of allowing schools to opt out of local-authority control – but urge parents’ and teachers’ co-operatives to set up schools of their own. See the state as protector of the consumer, and many of the arguments against privatisation collapse. Instead, Labour should demand more competition, more rivals to ex-public-sector monopolies, a tougher role for merger policy [...] emphasise equality of opportunity and choice [...] Take away the unions’ block vote, and the special relationship would soon crumble. A collectivist party would become a party of individuals. [...] West Germany’s Social Democratic party put aside public ownership and espoused the social market economy.

In “Labour does its best”, however, *The Economist* (13.5.89: 20) accords little credibility to Labour’s economic policies, which is electorally damaging. Labour is presented as a conglomerate of competing and lacerated factions, equally divided over Europe as the Conservatives are:

(472) If Labour is serious about its policies, the policy reviews in favour of market, consumers and capitalism must stand up to scrutiny. Some of them don’t. The 70,000 words of policy reveal a depressing affection for boards for this and that, investment banks, revamped ministries and other beefed-up institutions of corporatism. [...] Those on the left or centre-left of politics have nowhere to go but Labour. Hence Labour has always been a fissile mass. It has been made up of liberal radicals; of reformist, Fabian, social engineers; of Utopian dreamers; of trade unionists; of Marxist theoreticians; of revolutionaries. To outsiders, it has seemed self-absorbed, with one part always squabbling with another.

In “Dynasty, or how Labour has to rewrite Mrs Thatcher’s long-running role”, Martin Jacques in *The Guardian* (24.3.88) claims that the defining characteristic of the new world is the

disappearance of the old forms of mass production, and the rise of computer-based flexible specialisation coupled with the decline of manufacturing itself. The Labour party was built on the former: its labour force, its culture, its sexism, its politics:

(473) These changes represent the overturning of the material and cultural conditions of socialist politics over the last 70 or more years. [...] The NHS is another example. Labour is living in Cloud-cuckoo-land if it thinks it can save the NHS by a simple defence. It may be the jewel in Labour's 1945 crown, but the Tories have remorselessly shifted the argument from tactics to strategy. Labour's only hope is to defend the NHS by an argument for transformation, a new vision of health care for the Nineties. As yet, there is little evidence of this.

Moreover, Hugo Young from *The Guardian* in "How Labour needs to break the mouldy" (9.5.89) claims that "Labour needs to become a new party". The Left would like it to remain an old party: "The left have held a certain sway for years on the basis of an historic lie: namely the contention that Labour's failures are solely attributable to an insufficient commitment to old-fashioned socialism. But every indicator has shown that it is, above all, the totems of the left – unilateralism, nationalisation, patch politics in the constituencies – which have been responsible for making the party unelectable". In 1988, Tony Benn challenged Neil Kinnock for the leadership of the Labour Party. The contest highlighted the contrast between the traditional brand of socialism Tony Benn represents and the more pragmatic brand personified by Mr Kinnock. *The Guardian's* left-of-centre stance is well illustrated by its use of CONFLICT and RELIGION metaphors, which imply a negative bias against the hard left and, by consequence, a positive bias towards the right-wing of the labour party, which is embodied by Roy Hattersley. Although Tony Benn and Margaret Thatcher are diametrically opposed to each other, they are metaphorically discredited through the same conceptual metaphors, which denounce both politicians' reliance on dogmatism and zealotry:

(474) "Big Eric [Heffer] should know better than to go along with Bennery's last kamikaze gesture" Indeed, if the eventual result is humiliation for Mr Benn [...] then the outcome for left wing fundamentalism will not just be damaging, it will be terminal. [...] For conducting the entire debate about the future of socialism around the candidature of Tony Benn offers Mr Hattersley's [right] wing of the Labour Party a rich but wholly unforeseen windfall. Put at its crudest, it is that the debate will become polarised in such a way that the right wing's version of socialism becomes the true alternative to the hard left's, at the expense of Mr Kinnock. To be sure, this prospect has been helped on its way by the difficulty of determining just what Mr Kinnock's brand of socialism is, and how far it differs from his running mate's [i.e. Mr

Hattersley's]. [...] [T]here is still a genuine difference of substance between a latter-day Bevanite like [Mr Kinnock] and a latter-day Gaitskellite like Mr Hattersley. [...] Mr Benn, safe in his messianic dreamworld. [...] [I]t is difficult to see why Mr Heffer has been willing to associate himself with yet another, even more public exercise in Mr Benn's self-defeating brand of politics. There were no pressing reasons why he should have accepted nomination as Sancho Panza to Mr Benn's Don Quichote, and many good reasons why he should not. (Ian Aitken, *The Guardian* 28.3.88)

The Guardian's support for right-wing Labour is further illustrated in "Labour must break with labourism to provide a socialist alternative for Britain" (*The Guardian* 29.3.88). The leadership battle is a contest between a burnt-out socialist fundamentalism (Tony Benn) and a tempering, old-fashioned labourism (Neil Kinnock): "Benn is trapped in the quasi-marxist categories of his early middle age, infatuated with the heroic proletariat he thought he discovered nearly twenty years ago. But Kinnock is trapped in obsolete categories too; and whereas Benn's categories at least admit the possibility of crisis, Kinnock's prevent him from realising that he and his party have been engulfed in one for years". The Kinnock-Hattersley position remains "deeply labourist and sectarian" (Martin Jacques, *The Guardian* 31.3.88). Thus, *The Guardian* urges Labour to establish a new agenda, as indicated by its use of HEALTH and MOBILITY metaphors: the Labour Party should become the vehicle for a decentralist, bottom-up, post-industrial socialism ("The Left needs what might be described as the 90s equivalent of the Keynesian revolution of the 30s"). At root, the problem is to understand the very new world of the 90s in which the old forms of mass production and their cultural expressions have given way to a more decentralised, flexible and consumer-oriented environment:¹⁰⁶

¹⁰⁶ *The Guardian* (29.3.88) explains: "Four strands in the socialist tradition are now obsolete: the class analysis which sees conflict between bourgeoisie and proletariat as endemic and unendable, and the proletariat as the vehicle of salvation; the belief in a final state, when history stops and mankind enters the promised land; the assumption that social justice is by definition impossible as the means of production are privately owned; and the managerial centralism which takes it for granted, with perverse and tragic illogicality, that the way to create a new and better social order is to use the apparatus of an originally capitalist state to force change through. These strands have notoriously led on repeated occasions to waste, oppression and brutality. A socialism embodying them either collapses in humiliation and disillusion or turns, in practice, into an instrument of manipulation or tyranny. They are not, however, the only strands in the socialist tradition. It also contains enduring strengths: its ethic of human solidarity; its vision of social man as an autonomous being, capable, at least in principle, of taking his destiny into his own hands; above all, its central insight that while the market may, in certain spheres, be made for man, man was not made for the market. There is no reason of principle why the weaknesses should not be abandoned and the strengths retained. That done, a decentralist, bottom-up socialism – a socialism close to and perhaps associated with the decentralist bottom-up radicalism of sections of the pr[o]-merger Liberal Party – could speak to the true condition of late twentieth century society at least as powerfully as any other creed in sight."

- (475) What is needed is some combination of the market and social control. Simplistic calls for nationalisation of the commanding heights and the throwing of the levers of state power belong to the old economic era. The Left must think itself into how the new system actually works. Sometimes the appropriate form of social control will indeed be ownership: for example, in a strategic area like micro-electronics. But elsewhere it might be by regulation and purchasing policy. [...] The Left needs what might be described as the 90s equivalent of the Keynesian revolution of the 30s. [...] Labour should be decisively in favour of a culture of consumerism, but one where access to it is not denied by the poverty of an underclass. [...] [Kinnock's] attitude is essentially of the past, when politics was more or less confined to the two main parties and there seemed little else to worry about. Worse, it takes no cognisance of the Thatcherite threat. As we move into an authoritarian era, Labour should be firmly on the side of pluralism, both in society and through its own practices as a party. (*The Guardian* 31.3.88)
- (476) More obviously than any other member of his front bench, [Kinnock] is a product of the traditional Labour culture which is now in its death throes: the master of its symbols, and chief beneficiary of its rituals. To ask him to transcend it may be to ask him to undergo a kind of psychic amputation. If he can do it, he will deserve to become the unchallenged leader of the entire democratic left. If he cannot, it is hard to see an early end to its current diaspora unless the Labour Party and the Democrats can somehow fashion a common agenda. In the last resort, then, the challenge is not to Kinnock alone. It is to everyone who fears the nightmare of a fourth Thatcherite government, returned to power on two-fifths of the popular vote. (*The Guardian* 29.3.88)
- (477) “Rolling the stone back up the hill”
Mr Kinnock has done his best [...] to take Labour further down that modernising/revisionist road on which he embarked when he won the leadership: further towards a pragmatic approach to public ownership and the role of the markets, further towards open acceptance of a continuing role in Europe, further towards an internal party democracy based on one-member-one vote. (*The Guardian* 3.3.88)

In “A friendly TUC?”, *The Economist* (2.9.89: 18-19) reports that the summer of 1989 was one reviving hope: Unions defeated managements at the BBC, British Rail and London Regional Transport. They won pay awards well above price inflation from companies like ICI. Some victories “reflected the tight labour market in much of British industry at this peak of a seven-year boom”. *The Economist* recognises the irony in the improved relations between TUC government and their members:

(478) Although unions will never say this openly, Margaret Thatcher has helped them perform part of their business better than they used to. By making it difficult to call strikes, and impossible to win them by bullying workers who don't want to strike, the government has forced unions to listen to their members [...] improving their services to their members

As such, *The Economist* advocates a stabilising role for both the Labour party and the Unions in a free market economy: not to resist it, but to accommodate it in order to remedy its weaknesses and to give it a caring face, which Margaret Thatcher has failed to deliver:

(479) As the monolithic, centralised welfare state is breaking down, radical unions should now be looking for bits of the welfare state to pick up. Could they run employment exchanges in competition with both government and private firms? [...] To some union leaders, this would be the ultimate heresy, an admission that we are all capitalists now. It would also be nothing less than the truth. (*The Economist* 2.9.89: 18-19)

The Guardian too advocates a modern role for the unions in “A gentler road, with a turning” (4.9.87): “[T]here is growing recognition that the TUC should play a much more muted role in macro-economic policy and concentrate instead on new recruitment, services to members and refurbishing the unions’ image”. Moreover, in “By appointment to the underclass”, *The Economist* (28.5.88: 20) allocates a special role for Britain’s social workers who “have a feel for the urban poor that the government shouldn’t ignore”. By contrast, bar-room analysts say social work is unnecessary and undesirable, or that social workers are part of the problem, not its solution. The government, *The Economist* argues, unjustly shares the bar-room view: “The uncomfortable truth is that, in tomorrow’s Britain, skilled social workers may be needed even more than nurses” in view of the growing underclass in inner cities, increased drug and alcohol abuse, racial tensions, rising crime and the spread of divorce, illegitimacy and one-parent families. Therefore, *The Economist* advises the social workers to abandon their proto-syndicalism in favour of extending service industries and moving their assets from lower to higher-valued uses:

(480) Leave the local-government union, form a union or “college” of their own, and never go on strike. Next, they should welcome the idea of a “mixed economy” welfare state in which public authorities act as agents, buying services for clients from competing public and private suppliers. Most social workers will always be public employees, but that does not justify unthinking hostility to words like choice, efficiency and value for money.

In “Labournomics”, *The Economist* (14.4.90: 10-11) alerts us to the importance of Labour’s change in commitment and ideals. In the 1983-87 parliament, the three top economic portfolios were held by Mr Roy Hattersley (shadow chancellor), Mr Bryan Gould (trade & industry) and Mr Michael Meacher (employment). All three are instinctively more interventionist, egalitarian and nationalist than their successors, Mr Smith, Mr Gordon Brown and Mr Tony Blair: “The new men know, as does their leader, Mr Neil Kinnock, how much the world has changed. They know that Britain, as a member of the European Community, has little or no leeway on policy issues like trade and exchange controls. Some of the changes wrought by Mrs Thatcher are irreversible because of her own will; some – though she may hate to admit it – because the Brussels regime imposes them”. However, MOBILITY metaphors still convey distrust with regard to the portent of what would later become known as New Labour: Union-sentimentality and minimum-wage laws are impediments on the Thatcherite road towards economic salvation:

(481) The mildness of being blown off course. Labour has learnt from those craven, confused years. In some ways it has: it will not repeal all the trade-union laws passed by the Thatcher governments. [...] an ominous sign of unrepressed union-sentimentality is Labour’s attitude to low pay. The party is committed to introducing minimum-wage laws despite copious evidence that such laws reduce the job prospects of the least skilled [...] The minimum wage promise has no place in the economic programme of a party that is serious about employment, competitiveness and credibility. [...] If Labour is to form a government, and wants to stay on course, it cannot delude itself that tough words and soft actions will reassure them for long.

Moreover, “the danger for Labour is that it will confuse form for substance”, i.e. an inclination towards economic illiteracy: “It did so last year over interest rates, saying it favoured credit controls to help stop Britain’s borrowing binge. In a world of mobile money, credit controls would be easily by-passed. By choking off the supply of credit, some would actually if perversely push interest rates up” (*The Economist* 14.4.90: 10-11). In “Who pays the piper”, *The Economist* (8.9.90: 20) argues that official TUC policy has safely dispensed with immunity from the law, the sanctity of the closed shop, unlimited rights to secondary action and picketing. However, “the ghosts remain, the block votes too”:

(482) The structural ties between Labour and the unions – helpfully catalogued by the Tories in a new pamphlet this week - have to be seen for what they are: all-embracing. No talk of an informal alliance can ring true, so long as the unions sponsor a majority of Labour’s executive, command the loudest voice in the election of Labour’s leadership, and call the tune (by dint of

the block-vote anomaly) at Labour's annual conference. [...] The day the union bosses hand over their money with no strings attached will be the day Labour can convincingly trumpet a new era for them both.

In this respect, *The Guardian* (3.10.90) concludes that on the economy, Kinnock makes it clear that there can be no return to bureaucratic, centralist nationalisation. On defence, he put an end to unilateral nuclear disarmament "which has been emblematic of the Left's control of the party" throughout most of the decade. Labour deserves great credit for these achievements "[y]et they tell us what Labour is not, rather than setting out a more forward-looking vision of what it aspires to be". Therefore, *The Guardian* claims that Labour's necessary revisionism "desperately needs to be embodied in broad, clear radical principles" and "it must not imagine that it will achieve that goal merely by carefully cobbled phrases pushed through a quiescent conference".

4.4 About welfare and government spending

Nowhere is the government's desire for speedy radicalism in the third term more obvious than in education and health. Mr Kenneth Clarke was appointed Health Secretary in 1988, introducing the 'internal market' concept in the NHS. Likewise, in a single wide-ranging bill, Kenneth Baker plans to break the local-authority monopoly of public education, devolve power from administrators to headteachers, and introduce a National Curriculum. In this respect, *The Guardian* (10.9.87) asserts that even "some Conservatives feel seriously unconvinced by large parts of the programme for the current session, especially the poll tax and the Cromwellian centralisation of power over education". The immediate agenda of government action (electricity, water, and education) is denounced as "excessive zeal for the destruction of public provisions in health and education" (*The Guardian* 6.10.87). *The Economist* claims that "parts of the bill that reduce local authorities's grip on schools will be widely opposed by many professionals out of simple self-interest" (*The Economist* 27.6.87: 31). Plans to let schools opt out of local-authority control, and to let good ones expand regardless of council policy, are opposed not only by local councillors and town-hall officials but also by many teachers and headteachers "who find the present arrangement more cosy". Schools will be allowed, if governors and parents want and the education minister agrees, to "opt out" entirely from local-authority control. They would be free to choose their pupils and

get their cash per pupil direct from the education department.¹⁰⁷ Critics of the education bill fear that the poorest children, from the least-motivated homes will be left behind in local-authority “sink” schools. In “Still a lot of learning to do”, *The Economist* (26.9.87: 29) claims that local authorities will lose much of their power over schools. They will no longer be able to share out pupils among popular and unpopular schools. Instead, “open enrolment” will allow parents to send their children to any local-authority school they choose, as long as it has the capacity to take them. School heads will be given more power to manage their school’s finances, and to hire their own teachers. *The Guardian* (1.3.89) wonders if Mr Kenneth Baker is “a masochist” and protests “[w]ho would like their school report published worldwide?”. It is mentioned that “the grade which the chief inspector of education awarded the Education Secretary [...] puts Mr Baker near the bottom of the class”. *The Economist* reports that the Thatcher reforms already raise big practical problems: school heads and governors will suddenly have to become managers and finance directors – both roles which most are not trained to fill. The provision for opting out is supposed to make efficient schools grow, and inefficient schools close down: “Mrs Thatcher has long felt that education needs more entrepreneurs”, an assumption further supported in “Let schools compete” (*The Economist* 31.10.87: 19). Kenneth Baker’s planned reforms are said not to create enough of the variety he is seeking. Moreover, *The Economist* recognises a nasty habit of Thatcherism in the education reform: to roll back the power of the state (local government) while wanting to centralise power (the imposition of a national curriculum, opted-out schools financed directly from Whitehall). The opting-out provision is designed to break local authorities’ monopoly of state education, but explicitly prohibits opted-out schools from changing their character. In “Choosing to be different”, *The Economist* (23.4.88: 43) reports that churchmen and socialists are both hostile – for different reasons – to the idea of allowing schools to opt out of local-authority control: the proposed national curriculum may be too prescriptive, with less emphasis on spiritual values and the educational bill does more to create uniformity in schools, through a common curriculum, than to encourage diversity. Though an early advocate of decriminalization of male homosexuality, Thatcher, in December 1987, gave personal backing to the controversial Section 28, which stated that a local authority “shall not

¹⁰⁷ In “Wanted: a head for figures”, *The Economist* (25.11.89: 40) therefore believes that schools are in the middle of their biggest shake-up since 1944. Local Education Authorities (LEA’s) will delegate responsibility for management – including the management of budgets – to all secondary schools: “The more pupils a school attracts, the more money it receives from its LEA. The government argues that the delegation-and-capitation combination will give schools just the kick they need. Headmasters will gain greater freedom to run their schools, unplagued by the bureaucratic inefficiencies or ideological whims of their LEA’s. And the competition for pupils – every child wins a budget – will be a spur to educational excellence.”

intentionally promote homosexuality or publish material with the intention of promoting homosexuality” and which made it virtually impossible for teachers to broach the subject in class (this legislation has since been abolished by Tony Blair’s Labour administration):

(483) The basic aim of the education secretary is fine: he wants to improve schools by making them more accountable for their performance. That will annoy teachers’ unions, and help education, by delegating the management of schools’ budgets and staffing from local authorities to head teachers; they will be better placed to keep out the bad teachers they do not want. But these heads will then face two new and sometimes competing pressures. From above, Whitehall will for the first time set national minimum standards and a common curriculum for all children; from below, parents will have more freedom to choose their children’s schools, and may vote to take a school out of the local-authority monopoly over state schooling. Schools will find it hard to satisfy both these pressures simultaneously. Mr Baker’s ambitious aim of making schools compete for their customers will work only if he allows them to differ.

The Economist concludes that “competition between schools does not have the instant advantages of competition in the high street. But the better school a parent prefers will usually be oversubscribed”. A better way to challenge local-authority monopoly would be “to enable rival organisations to duplicate the services that the authorities now provide”. Thus, opting-out schools could opt into the services of educational trusts specialising in a particular discipline or operating in a particular area.

In “National Health Silence” *The Economist* (4.7.87: 20) contends that “Britain’s NHS is dangerously close to becoming a no-go area for politicians”: the clash between the ever-increasing demands (and expectations) of an aging population, and the government’s pledge to limit public spending. *The Economist* advises the Health Secretary to boost preventive medicine – “to help remove some of Britain’s other embarrassing records, such as the worst heart-disease rate in the world. Although the government seems to have promised no value-added tax on food, VAT on the fatty foods that bring heart disease would be a good thing”. In “Health for the taxman”, *The Economist* (17.9.88: 18) warns that tax relief for private medical insurance is not an option: “Tax breaks are an ineffectual and expensive way to boost private health care. [...] The benefit from tax relief would not pass to consumers in the form of lower costs. Much would be syphoned off by the private health industry, just as mortgage-interest relief gets capitalised into house prices”. However, in “How to make public money go further”, *The Economist* (9.1.88: 21) claims that the best way of all to improve public-sector efficiency is to subject suppliers to competition. The education-reform bill does a bit of this

for schools: “Mrs Thatcher will need to push competition in the provision of public services much further if she is to squeeze out the many restrictive practices and inefficiencies that remain”. It is deplored that the NHS has become a system where the rights of the consumer (patient) “are all too often pushed to the bottom of the heap, below doctors, managers and unions”. The most promising solution to this is competition: between health authorities and hospitals, between groups tendering to be the best and cheapest cleaners and cooks. That requires better information for patients, more freedom for them to choose doctor, hospital or treatment. Competition also means more systematic evaluation of costs and results: what drugs or treatments are most cost-effective. It is pointed out that “improving public-sector efficiency may be the main political task of the 1990s”:

(484) As the public-spending white paper will show later this month, nearly nine years of Conservative government have left state spending still absorbing over 42% of GDP. That is only a smidgeon less than in 1979 – and even the smidgeon is thanks to fast GDP growth rather than ministerial axes. [...] Higher public-service productivity does not show up in national-income accounts because they record inputs, not outputs. So do politicians, lobbyists and a lot of commentators. Most of the recent rows about the NHS have come from people who have said the government must increase inputs like cash, nurse numbers and hospital beds, when what it ought to be trying to increase are outputs like cured patients. Setting and monitoring output objectives. (*The Economist* 9.1.88: 21)

Competition in the health service takes on metaphorical forms through the conceptual metaphor NHS is HEALTH: the National Health Service adopts metaphorical mappings that require the creation of an internal market mechanism and a mixed economy in health care, with the private sector playing a more active part. Its hospitals would compete for patients and combine equality of access with effective cost control (“efficiency-breeding competition”):

(485) NHS. Time to localise the pain. (*The Economist* 16.1.88: 23)

(486) Competing prescriptions Creating an internal market mechanism in the NHS. Its hospitals would compete for patients. Efficient hospitals would gain money; inefficient ones would have to close. Private-public collaboration. Health Maintenance Organisations (HMO’s). They combine equality of access with effective cost control. (*The Economist* 27.2.88: 21)

(487) “Set the hospitals free”

The best cure for Britain's sickly health service. [...] Health authorities should become purchasing and financing agents on behalf of patients and the general practitioners who refer them. Hospitals would be set free to compete with each other for patient referrals. Those that treat more applicants would get more cash from the taxpayer. [...] The NHS will be 40 on July 5th. Its mid-life crisis has come, right on cue, but it need not be followed by a steady decline. (*The Economist* 30.4.88: 12)

In “Half-bold on health”, *The Economist* (17.12.88: 13) claims that “more boldness is needed to make good ideas workable. [...] incentives are the key to improvement, and marketplace competition is the key to incentives”. Ministers should “not be sidetracked by financing gimmicks, such as tax relief for people who opt out to go to private hospitals”. The British problem “is not, whatever Labour critics may claim, primarily a shortage of public money. The problem is the inefficient and unresponsive way in which health care is delivered”. The government’s preferred solution is to give control over health budgets to general practitioners (GP’s), the doctors who provide primary care. They would buy from competing providers whatever hospital treatment, lab tests, X-rays or drugs their patients needed. Such a scheme, *The Economist* claims, has one great advantage: it would sensibly separate the financing of health care from its supply. Therefore, *The Economist* claims, hospitals should be given more freedom than the government at present intends. The government wants hospitals to be allowed partially to “opt out”: freed from health-authority control, they would compete for patients and the NHS cash they bring with them. Moreover, “the emphasis in health care will switch from drug prescribing and hospital operating towards care at home and healthy living”: *The Economist* (4.2.89: 17-18) concludes that “[p]lans to reform Britain’s health service deserve seven out of ten” and lauds the principle that spending should follow patients, not determined by the choices of Whitehall bureaucrats. Since the white paper by Kenneth Clarke proposes to achieve this by separating the finance of health care, which will still largely come from taxpayers, from its delivery by competing providers “general practitioners will get a bigger job: they will hold the purse-strings for their patients’ health care, and be held to account for the results. Some of the thinking behind these ideas is based on American experience”. However, *The Economist* warns that “as GP’s and hospitals grow more independent, accountability for their work will become more diffuse” and that “existing community-health councils, whose members are appointed, not elected, are not strong enough to make the health authorities responsive to local people”. Therefore Mr Clarke is advised to consider elected watchdogs.

The Guardian (5.6.87) recognises that a health service more in line with public needs requires an effective form of NHS audit “which can monitor and control spending and management across regions”. It therefore advocates a *meaningful* way to improve choice, information and accountability. In this respect, *The Guardian* (11.3.89) in “Doctor, they’re in trouble” warns against the untested and untried drugs appearing on the market if the NHS were to be blindly deregulated by the Conservatives: “a nationwide restructuring of the NHS that is untried, untested and not at all thought-through” takes on similar metaphorical mappings in *The Guardian*, which makes a personal statement to the contrary by means of these metaphors. These anti-liberalising metaphors nevertheless give evidence of the same conceptual metaphor NHS is HEALTH (or: ILLNESS):

(488) A fit NHS needs more than money (*The Guardian* 5.6.87)

(489) “Labour hits hard at NHS bypass” (*The Guardian* 17.3.88)

The tax concessions made to the rich in Tuesday’s Budget precisely equalled the sum required for investment in the National Health Service, the shadow Chancellor, Mr John Smith, told MP’s yesterday.

(490) Mr Clarke should take a dose of his own medicine; and call in the doctors. (*The Guardian* 11.3.89)

(491) “A Whitehall farce on the operating table” (*The Guardian* 2.6.89)

(492) “When buzz words become a killing joke” (*The Guardian* 9.6. 89)

The Guardian is altogether sceptical about the NHS reform. In “Inside and out” (*The Guardian* 11.3.88), it is emphasised that “the future of the National Health Service is now in the hands of a hand-picked government team, membership undisclosed, operating in secrecy”. The think-tanks of the radical right are thus accused of dangerous sectarianism and having a deleterious effect on community life:

(493) We don’t know their terms of reference or what groups command their ear, though there is no shortage of proposals, especially from the think-tanks of the radical right. All the more reason, then, to be grateful for the dispassionate testimony of the King’s Fund Institute which, reading

the runes last July, set up its own inquiry into future NHS funding. Unlike many now shouting their wares in this market place, the Fund came to the job with no deep ideological commitment. But the final message is unequivocal. We shouldn't, it says, under-estimate the merits of the system we've got; and we shouldn't under-estimate either the weaknesses of some of the gleaming alternative systems now on offer.

The Guardian (24.10.89) argues that the most important need is “for ministers to review their strategy” of this “disruptive restructuring”. It urges Mr Kenneth Clarke to reform “step by step” and to concentrate on “practical rather than ideological ways of improving the NHS”. Already in 1987, in the run-up to the General Election, Hugo Young in *The Guardian* (13.1.87) warned against the dismantling of the welfare state, the great monument of the post-war era, during a third term Thatcher: “The welfare state in all its manifestations is a monument to social conscience, which began to emerge in the last century and reached a crescendo of outgoing generosity in the 1960s. But the welfare state is alas, on the analysis of many prominent modern Conservatives, a substantial aberration”. It is, however, recognised that there are deep seated problems in the welfare state, “which is having to finance levels of unemployment and permanent poverty undreamed of by Lord Beveridge and the founding fathers” (*The Guardian* 26.9.87). Moreover, in “There's no accounting for national health” (*The Guardian* 6.1.89), Melanie Philips accuses Margaret Thatcher of narrowing the scope of democracy and points at the inherent contradictions in the NHS reforms:

(494) One of the loudest sounds in contemporary public life is that of the buck being passed. Accountability has been largely replaced by a refusal to take responsibility for things that go wrong. At the same time, the centralisation of so much policy-making has meant that the public now has far less of a say of what is being done. [...] [The] replacement of Mr Moore, Kenneth Clarke, appears to be more genuinely committed to the NHS and the review will be seen as the product of his labours. This, by all accounts, would be a mistake. For it has been subjected to an unprecedented amount of interference by the Prime Minister, who has astonished those concerned with it by her simultaneous grasp of detail and refusal to face facts. [...] There was her refusal to accept that there was any merit in the NHS, her desire to return to a mythical, golden pre-1948 age, her inability to stomach the thought that the principles of the health service were anything other than evil; and there was her wholly contradictory realisation that the NHS was at root politically untouchable because of its (to her) incomprehensible popularity. [...] At the heart of the confusion is the muddle over accountability. The muddle dates back to the Attlee government, when Herbert Morrison wanted the service to be run by local government and Nye Bevan wanted it run nationally. The

resulting compromise meant that, through successive reorganisations, the NHS didn't know who was supposed to be running it. [...] Now we learn that hospitals are to be allowed to "opt out". Opt out of what? Not the NHS; so are they to be run directly by the Department of Health? Since hospital services have to be planned in relation to each other, who's going to do the planning? The regions? The health department? And who's going to answer to the public? If another radiation overdose occurred at an opted-out hospital, would Mr Clarke resign? Reconciling political sensitivity with locally encouraged anarchy is going to be a difficult circle for Mr Clarke to square.

In "Bad start on health", *The Economist* (27.5.89: 16) reports that the British Medical Association (BMA) voted to block the government's reform programme, so many Britons took this as proof that the programme was flawed and unworkable. Despite this value-for-money progress, the doctors' hostility is a blow. It could make the delivery of the proposed reforms immeasurably more complicated. With an internal market, consultants will be put at commercial risk: local health authorities, as the purchasers, will ensure that money follows the patient; hospitals unable to attract the patients will see their revenues fall. Because ministers were reluctant to tackle the consultants head on, they opted for caution in explaining their programme and setting out their priorities. The government is applauded for its overhaul of the Pharmaceutical Price Regulation Scheme (PPRS) and its introduction of generic and other less costly drugs in an otherwise inelastic market (where a small percentage change in price results in a proportionally smaller change in the quantity demanded), as illustrated by its use of HEALTH metaphors. However, in face of the BMA's resistance, which is in effect stalling the implementation of the NHS reforms, the overhaul of the NHS is cast in terms of "suspended treatment" and "postponed surgery":

(495) "Still in search of a cure"[...] Plans to reform Britain's health service are bogged down. Time for a pep-up. The government has been reluctant to push hard for the most radical bit of its reforms: the creation of an internal market, which will cast doctors as the providers of properly costed services. This was always bound to be opposed by doctors, and particularly by consultants. They currently do exactly what they like, when they like, without being accountable in any managerial sense. [...] Mr Clarke can take comfort from what has already happened in Britain's schools. The government proposed reforms, the teachers bitterly opposed them. But once the reforms reached the classroom, the teachers changed tack. (*The Economist* 19.8.89: 14)

- (496) “Drugs and NHS. A tighter prescription” [...] As a crucial part of its proposed health-service reforms, the government wants to control spending on pharmaceuticals by making the market more efficient. In a breakthrough for the government this week, doctors have finally decided to accept this sensible move. [...] Doctors are to be allocated a notional limit on their drug spending (“indicative budgets”) [...] Those who exceed the limit will have to explain why to a network of local tribunals and face penalties, fined and closely monitored. The incredibly inelastic market. Doctors are essentially free to prescribe what they like, with little or no regard for costs: The sclerotic state of this mechanism [...] Drug prices have been determined jointly by Whitehall and the drug companies, tortuous and secretive procedure known as the Pharmaceutical Price Regulation Scheme (PPRS), modelled on defence-contract schemes initially designed to promote competition, has done little to promote lower prices. For many years the government has set profit ceilings too high. [...] cost-cutting initiatives [...] PPRS profit ceilings have been cut [...] the use of generic and other less costly drugs [...] one immediate benefit ought to be the elimination of superfluous prescriptions by lazy doctors. (*The Economist* 30.9.89: 38-40)
- (497) “Treatment suspended” Worried about the Tories’ continuing unpopularity, Margaret Thatcher has decided that the restructuring of the national health service had better wait until after the next general election. Surgery has been postponed. The government has quietly ditched its plans to begin a radical shake-up of the national health service (NHS) in April. [...] the implementation timetable was hopelessly unrealistic [...] the early stages of the reforms are likely to be hectic – many say chaotic – as successful hospitals squeeze resources from the unsuccessful and managers come to terms with hopelessly inadequate information about costs and benefits. (*The Economist* 16.6.90: 43)

It should be pointed out that before the Thatcher reforms, the basic national-insurance pension had been annually uprated in line with earnings or prices, whichever was higher. Since 1980, it has risen in line with prices only: “In 1984, however, a green paper on long-term trends in public expenditure showed that the government was still worried about the high cost of pensions. So, as part of a review of social security, the terms of the state earnings-related pension (SERPS) were tightened. The cost of state pensions will, the government thinks, now be bearable” (*The Economist* 19.11.88: 39). In its evaluation of the Thatcher Years, *The Economist* pays attention to the reshaping of the welfare state. The conclusion is that Mrs Thatcher succeeded in “making money go further”:

(498) To zealous detractors and disciples alike, Mrs Thatcher was the hammer of the welfare state. From start to finish, in this view, she laid into bloated government and state mollycoddling. She hated the poverty lobby and its compassions. The unemployed, to her, were idlers, the sick – unless they could pay – must wait. Let public services crumble and cardboard cities proliferate, so long as she kept public spending down. Not so. The figures show that she presided over a real rise in public spending of a fifth. The thirstiest motors of the welfare state, education, the national health service (NHS) and social security, all are now consuming more, in real terms – health and social security a third more – than in 1979. And money spent is not the true measure. The “real terms” that count are the output that it buys. Mrs Thatcher was determined to get more for every penny. One method was to subject the swollen welfare bureaucracy to more business-like management. (*The Economist*; The Thatcher Record 24.11.90: 20)

In “Tories sticking to their circular arguments, Andrew Rawnsley (*The Guardian* 12.5.89) claims that “[w]e can abandon opinion polling about politics altogether. You can tell how unpopular a Government policy is simply by how much money the government is spending trying to promote it”. *The Guardian* refers to the unpopular privatisations of British electricity and water. In “Learning the lessons of privatisation from the rise of BP to the decline of British Telecom” (*The Guardian* 14.9.87), Victor Keegan voices his indignation at privatising overzeal:

(499) There was a time in the sixties and early seventies when the “BP solution” (public money, but private entrepreneurialism) was held up as a model for public enterprises in the mixed economy, something which right and left could agree to. Now it no longer applies even to BP. None of the traditional arguments in favour of privatisation apply to BP. It can’t be rid of State interference, because there wasn’t any to start with. It can’t be said to boost competition because BP remains as fiercely competitive as ever. [...] The main reason is cash. [...] The important point is that the service [of British Telecom] has *deteriorated* since privatisation three years ago rather than improved.

In “Three reasons why Rover is going so cheap”, Hamish McRae (*The Guardian* 30.3.88) discusses the notorious ‘undersale’ of British Leyland Rover to British Aerospace after Ford and General Motors had been prevented from buying in 1986:

(500) If you want to buy a Rover 800 it will cost you around £12,000. But if you take the rest of the company as well it will cost you nothing and the Government will throw in £650 million and extinguish most of your debts. That is what British Aerospace managed to negotiate in just over three weeks with a Government keen to get out of Rover at almost any price. [...] British Leyland only came to be nationalised because of the gigantic failure of the former private sector company which continued to shell out dividends (much criticised by a government report at the time) while desperately needed long term investment was wantonly neglected. [...] Were all Sir Michael Edwardes' efforts to turn BL round, all those crisis meetings with the TUC, the battle with Red Robbo, all that investment in robots, have they all been utterly wasted? [...] Ford and General Motors would have paid more, but they were effectively barred from buying. (*The Guardian* 30.3.88)

In “Primitive privatisations”, *The Economist* (27.6.87: 19) reiterates its advocacy of “sound privatisation”, i.e. through competition and to the benefit of the customer. Private monopolies, just like public ones, merely extract monopoly prices from customers and create deadweight loss: “Selling state assets is an art, but an improvable one”: pricing the share to offer buyers an immediate capital gain is still regarded as “theft disguised as generosity”: “In Britain, privatisation has already trebled the number of individual shareholders, to at least 9m Yet both governments are still repeating the mistakes they made in the experimental stages of privatisation. The big British mistake is routinely to under-price state assets”. Earlier concerns are repeated in “Privatisation revisited” (*The Economist* 18.7.87: 16-19): “Selling state companies is one thing; sharpening them up, quite another.” The sell-off of Britain’s state industries is at risk of becoming a turn-off. Therefore, in “Time to return to first principles” (*The Economist* 16.9.89: 17-18) it is argued that privatisation was once the popular mainspring of Thatcherism, but now threatens to become a political liability. Few people are persuaded that water and electricity should be sold: ministers have come to see privatisation as an end in itself. In fact, it is only one means to a different end: lower prices and better products for the consumer. This confusion hardly mattered so long as the targets of privatisation were operating in competitive markets – like British Steel and Jaguar, which should never have been in the public sector in the first place. But as the sale programme has rolled on, it has swept up natural monopolies. Therefore, *The Economist* claims that “the sold-off companies must be regulated in such a way that they serve their customers better than public ownership did in the past” and that “the regulatory framework that consumers deserve has yet to be properly devised”. Moreover, *The Economist* suggests that the wrong industries

have been privatised first and that related industries, such as electricity and coal (“Siamese twins”), suffer micro-economic consequences if one of them is privatised before the other:

- (501) Britain’s coal mines have come a long way. Next stop, the real world. Some 76% of Britain’s electricity is generated from coal; some 77% of Britain’s Coal output is bought by the electricity industry. The government is going to privatise electricity. It has not announced any plans to privatise coal. Yet it makes little sense to sell one Siamese twin but keep the other in state hands. [...] the price of imported coal is unlikely to reach the average that British Coal charges, even allowing for transport costs. [...] Worst of all, taxpayers have paid British Coal £9 billion since Margaret Thatcher moved into Downing Street, and are due to pay another £800m in the financial year just beginning. Some of this subsidy has been essential to the industry’s future health. But if British Coal is to thrive, it still has further to shrink [...]. Streamlining British Coal would be easier if it were under more pressure to compete. [...] The proposed electricity scheme means that coal companies would depend for much orders on two near-monopoly generators, which will have a strong incentive to collude in order to drive coal prices down – perhaps to loss-making levels. The fear of that happening may put investors off the idea of buying coal mines. (*The Economist* 23.4.88: 19-20)
- (502) Some of the newly privatised firms are undoubtedly better run than they were under public ownership, Jaguar and the National Freight Corporation being the two most striking examples. But the popular criticism of British Telecom in recent months is a timely warning against converting more state monopolies into private near-monopolies. [...] Driven by its desire to raise cash, the governments has tended to sell off industries which have always been state or municipal monopolies (gas, telecoms) rather than industries which used to compete but were nationalised. So coal, steel, Rover stay untouched. Yet these are the very industries which would benefit most from competition. They should certainly come ahead of water authorities (and, probably, the British Airports Authority) in the queue. Indeed, industries, or parts of industries, where competition is virtually impossible – like the cables which carry telephone services or the pipes which deliver gas – should probably not be privatised at all. (*The Economist* 18.7.87: 16-19)

The advocated “sharpening up” by means of competition is metaphorically expressed by means of the HEALTH metaphors: sound privatisation is “the right medicine”, monopoly formation mere “quackery”; its negatively connoted adjectives “lumbering” and “cumbersome” (as opposed to “lean”). It is emphasised that the pattern of mergers or take-

overs in the late 1980s has become less inter-sectoral and more international (or ‘horizontally integrated’), sometimes at risk of monopoly creation:

- (503) “Incurable mergeritis” The disease has changed, but remains dangerous. The merger splurge in the 1960s and 1970s rarely added value for the shareholders of the acquiring firm. There proved to be little truth in arguments like “synergy” – the pretence that two plus two equals five – which were used to persuade shareholders to let their company go on a buying spree rather than indulge in one themselves. [...] The fashion in the 1960s was for diversification [...] the main new fashion is to try to be “global” – to be big in a few things in all the world’s big markets. Only global operators, goes the wisdom, can take full advantage of economies of scale. [...] This change of strategy has meant that the pattern of take-overs has become less inter-sectoral and more international. [...] But as more companies chase the same targets – ie, the best big, available firm in a foreign market – they boost prices, and reduce the uncorkable value. [...] When a company buys a competitor – even more than when it diversifies – it rarely calculates the value that will be lost in the target company through the confusion and frustrated ambition of its most talented employees. (*The Economist* 23.4.88: 16)
- (504) Poor British Telecom. It is slowly adapting to life in the private sector after decades of sloth in the public. (*The Economist* 18.7.87: 22)
- (505) For Britain’s electricity, public competition would be better than private monopoly. [...] British Telecom and British Gas went under the hammer undivided. Sold that way they brought the Treasury more cash. Both utilities – with the exception of a little harrying of British Telecom by Mercury – remain the lumbering monopolies they have always been. [...] peripheral competition is not enough to transform the behaviour of the old behemoths. (*The Economist* 12.9.87: 20)
- (506) The supporters of privatisation rightly say that the Central Electricity Generating Board (CEGB) needs a healthy dose of competition. (*The Economist* 16.1.88: 18)
- (507) “Hope after the hop” How has privatisation affected former state companies? Not all alike. [...] One broad truth is unhappily clear: their chief executives mostly find it easier to talk of changing cultures than of a new deal for the customer. [...] Some think it strong medicine, just what was needed by the 1980s to reinvigorate the British economy; others detect more than a whiff of quackery. [...] The consensus elicited by the study fell a little short of the standard government eulogy. [...] What emerged instead is something less equally measured: the

virtually unanimous view among the heads of the privatised companies that their biggest challenge has been to steer their organisation into a fully commercial culture. Three-quarters of the companies interviewed said they had instigated a thorough shake-up of management functions after privatisation. [...] a sizable number have subsequently settled back into their old ways. (*The Economist* 9.6.90: 39-40)

Moreover, in “A wet way to sell water”, *The Economist* (6.8.88: 12) suggests that privatising water is a bridge too far: “Britain’s water supply, has two characteristics that would make it wrong to sell off in the traditional way. Water is a natural monopoly – nobody suggests competing reservoirs or water pipes. And it provides social benefits, health and cleanliness that are hard to price”. However, it proposes to “[l]et public authorities own and control water pipes, but give out franchises to companies to run the water through them. A system of franchises or leases such as this “would improve water services in many ways”. However, on a positive note, *The Economist* concludes that “the more an industry, even a natural monopoly, is open to competition around its fringes, the more its managers start to think entrepreneurally”:

(508) Both British Telecom and British Gas still need price control and a quality regulator; but, in time, competition may make them redundant. Water is different. Its core business of water supply and sewerage will always be complete local monopolies. The heavy investment which pipes and sewers require will ensure that. Hence the franchising option makes sense; full-scale privatisation does not.

In “Troubled waters”, *The Economist* (16.9.89: 35) argues that “H₂O ownership still seems as alien as home ownership is popular, with 80% of Britons preferring to leave things as they were”. Freeing the water business to raise their prices by varying amounts above the rate of inflation (the k-plus formula) “has won friends in the initially sceptical City; it goes down less well with consumers”. In order to improve its standing, the government has made heavy use of an advertising agency. However, “this advertising binge has left a nasty taste in many mouths”. In this respect, *The Guardian* (6.3.89) remarks that “No previous privatisation has been as inherently difficult and unpopular as that of water; if, as the Prime Minister inadvertently admitted this weekend, the enterprise is going badly, that’s the fault of a founding philosophy which exalts ideology over practicality and common sense much more than a reflection of personal defects in Messrs Howard and Ridley”. All in all, it should be noted that *The Guardian* has more reservations with respect to ‘liberalisation’, and is

therefore significantly more prudent in its use of HEALTH metaphors: while the average frequency of all instances in *The Economist* amounts to 15.4, *The Guardian's* use of HEALTH metaphors, including the 'vague or ambiguous' instances, is only 5.7 over stretches of 5,000 words.

In "Learning to live in the market" *The Economist* (5.8.89: 15-16) continues to extol the virtues of the American way of fund-raising for expensive and elitist art forms, such as opera: "As state subsidies grow tighter, Europe's arts festivals are having to rely on business sponsorships and their own marketing skills". The move to marketing is therefore strong. However, the risk of fossilisation of repertoire in case of financial constraint is recognised as well, though not restricted to festivals depending largely on private donorship:

(509) Nearly every festival has a speciality to sell: Bayreuth, the Wagnerians' paradise, is the supreme example. But innovation and quality alike cost money. And the climate has changed. The financial pressure to shun avantgarde work in favour of popular classics is strong. Mostly the festivals have tried to maintain their standards. Not always happily: Salzburg's, with subsidy enough to do anything it chose, degenerated into an opulent showcase for the record industry and Herr Gott von Karajan.

By contrast, *The Guardian* highlights the dangers of over-reliance on private sponsorship. In "The phantoms at the opera" (*The Guardian* 13.12.88), it is recognised that opera in the UK is a high cost, high risk business. It is admitted that the Royal Opera House suffers from a lack of clear artistic vision and symphonic conductors' limitations of theatrical experience and little understanding of the genre. However, in "Ringed by sponsors", lush productions at the Metropolitan Opera in New York are denounced as "old-fashioned" since they merely aim to satisfy the financial elite that pays for them:

(510) The Met, lavish as ever, has all but created the Rhineland for its Ring cycle. It is the drama, the politics and the psychological depths of Wagner's allegory that are skimped, argues Hugh Canning. [...] The visual style of Walt Disney has been scornfully invoked by the New York critics, but that is to insult the great cartoon magnate who would have done it so much better. [...] The Metropolitan Opera is an anachronism because it panders to wealthy benefactors who want to be entertained and learn nothing. Opera for these people is pure escapism and this Ring a project of stupefying theatrical mediocrity catering for the lowest common denominator of operatic taste.

4.5 Conclusion

Thatcher's third term hinged on TINE ('There is no excuse') and focused on 'social engineering' to make 'dry' policies 'common sense' in the share-owning democracy that Thatcherism had aimed to create. Its crowning achievement was the tax-cutting budget of 1988, which in hindsight proved the Chancellor's undoing: the mistake to cure an excess of consumer demand with tax cuts. Moreover, both *The Economist* and *The Guardian* blame the Treasury's lack of macroeconomic coherence for the untameable inflation following the Lawson Boom of 1986-87, especially its vagueness about the role of fiscal policy in demand management. Therefore, monetary policy is faced with two conflicting interests: keeping the pound within its 'shadow' EMS Intervention bands, which in 1988 meant trying to keep interest rates low; and keeping domestic credit expansion under control, which means keeping interest rates high. The urge to use a mix of macroeconomic instruments (fiscal and monetary) is metaphorically translated in both newspapers through their use of MOBILITY metaphors and applies both to the UK and US economy. In this respect, *The Economist* claims that the right sort of demand management stops with demand: governments can control the total flow of spending in an economy – nominal GDP – though they can do less about how it splits between real output and inflation. This should be interpreted as an amendment to old-fashioned Keynesianism (which aimed to tie demand to targets for real output). *The Economist* contends that judging the government's economic record requires a sharp distinction between microeconomic or 'supply-side' reforms, on one side, and, on the other, the government's inability to get macroeconomic policy right: double-digit inflation is a macroeconomic mistake. It reflects a failure to manage demand. However, *The Economist* recognises that, for all Margaret Thatcher's supply-side zeal, the labour market is still not flexible enough, with the resulting effect of excessive wage bargaining stoking up inflation. Thus, *The Guardian* argues that the economy has become immune to the discipline that monetarism (and high interest rates) is supposed to impose. *The Economist* urges the government to use a tighter fiscal policy (lower public spending and the abolition of tax shelters) to cool demand whereas *The Guardian's* advocacy of tighter fiscal policy should be understood as an indictment of a tax-cutting budget acting as a redistribution of income from poor to rich, not as a plea for lower public spending. At a metaphorical level, *The Guardian* continues the pattern of moral condemnation through its use of CRIME and RELIGION metaphors, the value judgement of which operates against the primary tenet of Thatcherism:

the redistribution of wealth from poor to rich or “Robin Hood in reverse”¹⁰⁸. *The Guardian* rejects the government’s view that more tax cuts for the upper middle classes mean more incentives, and that more incentives mean more enterprise and growth. Furthermore, it regards Keynesianism and community values as antidotes to morally tainted Thatcherism. Although Tony Benn and Margaret Thatcher are diametrically opposed to each other, they are metaphorically discredited through the same conceptual metaphors, which denounce both politicians’ reliance on dogmatism and zealotry.

The Economist is an advocate of a radical tax reform which would scrap the middle-class tax breaks, and introduce a flat-rate 25% British income tax all round. To broaden the income-tax base means scrapping tax allowances (the relief on mortgage interest and on pension contributions). To broaden the spending-tax base would mean extending value-added tax: this shift from direct to indirect taxation encourages saving (included in the 1979 Conservative Manifesto).

As the inflation rate becomes double-digit, WAR metaphors illustrate Mrs Thatcher’s beleaguered position as leader of the Conservative party, exacerbated by the widely unpopular privatisations of British electricity and water, the imposition of the poll tax and the divisions within her own party over European integration. It should be noted that *The Economist* (anti-poll tax) uses far more salient CONFLICT metaphors to describe the dissonance within the Tory party between June 1987 (General Election) and October 1989 (Conservative party conference and resignation of Nigel Lawson): an average of 10,4 clear instances per stretches of 5,000 words versus only 7,9 clear instances in *The Guardian* (anti-poll tax). Including the ‘vague or ambiguous’ category, the ratio is 13.4 versus 12.1, respectively. Between October 1989 and November 1990 (Thatcher’s resignation), *The Economist* (anti-poll tax) still uses more salient CONFLICT metaphors: an average of 20,2 clear instances per stretches of 5,000 words versus only 13,8 in *The Guardian* (anti-poll tax). Including the unclear instances, the ratio is 27.4 versus 22.9, respectively. The markedly higher incidence of CONFLICT and metaphors in both newspapers between 1989 and 1990 may be explained by the dismal state of the economy (double-digit inflation, sterling crisis), the implementation of the poll tax and the confrontation with the British Medical Association (BMA).

Both *The Guardian* and *The Economist* advocate entry into the ERM and EMS since the experiment with floating currencies failed to act as a balancing mechanism and international co-operation such as the Louvre accord (February 1987) merely added to distortions in money

¹⁰⁸ *The Guardian* (12.5.86) and *The Guardian* (17.3.88)

markets. Having abandoned monetary targeting, Nigel Lawson saw entry into the European Exchange Rate Mechanism as a new means to bring inflation down. *The Economist* displays an array of MOBILITY metaphors to hold out hope of anti-inflationary resolve and the role of exchange-rate discipline in particular. The underlying belief is that British producers dependent on exports would be forced to keep labour and production costs in check if they wanted to stay competitive in a free market where future devaluations of the pound were ruled out. In contrast to *The Economist*, which rules out devaluations, *The Guardian* welcomes devaluation as a stabiliser for export industries in order to stay competitive in world trade, and fears the restriction of the 6% band within the ERM. Both newspapers want fiscal policy to remain the prerogative of nation states within the EMS, and not, as Mr Jacques Delors had advocated, a Community-wide fiscal policy. *The Guardian* claims that fiscal policy should be used as a tool to undo the wrongs of Thatcherism. *The Economist* has no difficulty in praising Mrs Thatcher's governments for their supply-side reforms, which did not reverse the post-war decline of Britain, but started to do so. The conclusion is that Mrs Thatcher succeeded in "making money go further" in the public sector: the real terms that count is the output that it buys.

The Economist and *The Guardian* recognise the transformation that the Labour party and the TUC have undergone during 11 years of Thatcherism. Both newspapers claim that Labour and the TUC should review their roles: Labour should demand more competition, more rivals to ex-public-sector monopolies, a tougher role for merger policy, emphasise equality of opportunity and choice. As such, they see a stabilising role for both the Labour party and the unions in a free market economy: not to resist it, but to accommodate it in order to remedy its weaknesses and to give it a caring face, which Margaret Thatcher has failed to deliver. As the monolithic, centralised welfare state is breaking down, radical unions should pick up where the government left off.

Fearing the drawbacks of private monopoly (as opposed to private competition), *The Economist* continues to point at the problem of shrinking consumer surplus (e.g. British Telecom) and has strong reservations with regard to the privatisations of natural resources (like water). It prefers the privatisation of industries which used to compete but were nationalised (coal, steel, Rover) but regrets that the governments has tended to sell off industries which have always been state or municipal monopolies (gas, telecoms). Therefore, it is important to set up a regulatory framework to spur competition, as indicated by the use of HEALTH metaphors. In this respect, the Baker and Clarke reforms aimed at creating an internal market within education and the NHS are welcomed, though with caution.

Competition in the health service takes on metaphorical forms through the conceptual metaphor NHS is HEALTH: the National Health Service takes on metaphorical mappings that require the creation of an internal market mechanism and a mixed economy in health care, with the private sector playing a more active part. Its hospitals would compete for patients and combine equality of access with effective cost control (“efficiency-breeding competition”). The government is applauded for its overhaul of the Pharmaceutical Price Regulation Scheme (PPRS) and its introduction of generic and other less costly drugs in an otherwise inelastic market, as illustrated by its use of HEALTH metaphors. However, in face of the BMA’s resistance, which is in effect stalling the implementation of the NHS reforms, the overhaul of the NHS is cast in terms of “suspended treatment” and “postponed surgery”. By contrast, *The Guardian* warns against the untested and untried drugs appearing on the market if the NHS were to be blindly deregulated by the Conservatives: a nationwide restructuring of the NHS takes on similar metaphorical mappings in *The Guardian*, which makes a personal statement to the contrary by means of these metaphors. These anti-liberalising metaphors nevertheless give evidence of the same conceptual metaphor NHS is HEALTH (or: ILLNESS). It has been discussed in 4.4 that *The Guardian* has more reservations with respect to ‘liberalisation’, and is therefore significantly more prudent in its use of HEALTH metaphors: while the average frequency of all instances in *The Economist* amounts to 15.4, *The Guardian*’s use of HEALTH metaphors, including the ‘vague or ambiguous’ instances, is only 5.7 over stretches of 5,000 words.

5. An experiment: “No pain, no gain in a free-market rhetoric: revisited with authentic materials”

Hypotheses

It would be interesting to know whether the metaphorical framing in *The Guardian* and *The Economist* may have contributed to readers' thought patterns and consequently and may indirectly have contributed to a change in public opinion about the socio-economic issues under discussion. A fictitious text (business game: a company wanting to penetrate new markets) enabled Boers in “No pain, no gain in a free-market rhetoric” (1997b) to incorporate only one variable, i.e. only the metaphors were different between the two texts, content-wise they were identical (see appendix). So any statistically significant differences in the ideas put forward by the two groups of participants had to be due to that single variable: students from the *Université Libre de Bruxelles* who had been exposed to HEALTH and SPORTS metaphors were more likely to solve microeconomic problems by means of “*downsizing*”, “*slimming down*”, “*surgery*” and “*amputations*”. Moreover, they emphasised the importance of R&D (“*in order to stay ahead of the competition*”) and were more likely to concentrate on a specific segment of the market (“*take the company upmarket*”, “*produce high-quality goods*”). Students who had been exposed to WAR metaphors projected the logic of this concept area into their microeconomic solutions (“*cut prices to start a price war and force the competitor out of the market*”, “*a merger or an alliance to join forces against the mutual enemy*”). Possible criticism is that the texts were so contrived and so full of instantiations of pre-selected conceptual metaphors, that one may doubt if such a thing occurs in real life. Therefore, a follow-up with authentic materials seemed desirable. The hypotheses were the following:

1. Readers who are exposed to metaphors drawn from concrete concept areas are inclined to project the logic of this specific concept area into their own argumentation produced in response to the source text;
2. Readers are susceptible to the evaluative nature of the metaphors from the source text, given the assumption that metaphors do not only transfer semantic structures but also emotive and evaluative aspects as integral parts of seemingly self-evident conclusions.

Participants

In 2004, an experiment with 111 last-year students of Economics at the University of Hasselt was carried out. These students had had at least three years of Business English and they had acquired a sound knowledge of sociology and macroeconomics. Their handbooks of economics were mostly American although the teaching language of these courses was Dutch. None of the students was a native speaker of English. Their proficiency in English was estimated to be of upper-intermediate to advanced level. The students were unaware that the writing assignment would be used for research purposes.

Procedure and materials

72 out of the 111 students had seen a BBC documentary on the Thatcher Revolution one week before the actual experiment took place. For the experiment itself, authentic materials were used: the contrastive full text reactions of *The Economist* and *The Guardian* to the publication of the Conservative Manifesto in April 1979 (see appendix). 56 students were asked to read the editorial from *The Guardian* and 55 students were asked to read the editorial from *The Economist*. After they had read their articles, they were requested to write a letter to the editor in which they should agree or disagree with the ideas put forward. It was explicitly mentioned on their answer sheets that there were no true or false answers and that their written contributions would not be used for any political purposes. The problem there, of course, is that there are more variables involved (not just the metaphors differ, but the whole content and argumentation, too), so that any different responses/ideas by participants need not be due to the metaphors they have been exposed to, but quite simply by the content of the articles. The only way of estimating whether exposure to the metaphors had any effect is to calculate correlations between the participants' own metaphor choice (imitating the source text or not) and the ideas put forward in their own essays/letters to the editor. This was done for the new data through the Spearman Rank Correlations test.

Results

Students who had read the *Economist* article were more inclined than students from the *Guardian* group to project the logic of the WAR domain into their own letters to the editor, and came up with WAR metaphors themselves, with means of 3.96 and 0.30, respectively. Application of the Mann-Whitney *U* test revealed the higher incidence of WAR metaphors in the *Economist* group to be significant at $p < .0001$. These were sometimes conventional (“government should declare war to aggressive unions”, “beat strikes down”, “resist

socialist threats”), recycled from the editorial itself (“*weaken the power of the unions*”, “*doing battle*”) or completely new (“*outflank the unions*”, “*roll back the power of big government*”, “*liberate the economy*”). There was a statistical correlation between the use of WAR metaphors and positive evaluations with regard to privatisation ($p < .02$) and negative ones concerning the “tax-and-spend” welfare state ($p < .01$). Likewise, students from the *Guardian* group were more inclined than students from the *Economist* group to use CRIME metaphors, with means of 1.68 and 0.02, respectively ($p < .0001$). Moreover, students from the *Guardian* group were more inclined to use LIVING ORGANISM metaphors, with means of 1.14 and 0.67, respectively ($p < .001$). The use of CRIME metaphors (“*government shouldn’t rob people on welfare*”, “*government shouldn’t steal from its own industries*”, “*do harm to social services*”) correlated statistically with positive evaluations regarding welfare state ($p < .05$) and negative ones concerning privatisation ($p < .01$). Moreover, there was a statistical correlation between the use of LIVING ORGANISM metaphors and positive evaluations with respect to welfare state and negative ones concerning privatisation. Application of the Mann-Whitney *U* test showed a slight significance at $p < .05$. These LIVING ORGANISM metaphors were probably created in defiance of the perceived injustice of Social Darwinism that was already hinted at, though not explicitly mentioned, in the *Guardian* article (“*I don’t want to live in a Survival-of-the-Fittest-Society*”, “*the economy is not a self-regulating body*”, “*government should protect us against the ultra-liberal virus*”, “*protect us against social ills*”). It is noteworthy that the minority of students from the *Economist* group that gave evidence of more leftist leanings (17/55) as well as the small group of right-wing students from the *Guardian* group (3/56) often reused the dominant metaphors from the editorial to make a personal statement to the contrary or to challenge the ideas put forward by the editor. Sometimes, the dominant metaphors from the editorial were substituted by a more suitable one which nevertheless gave evidence of the same conceptual metaphor (“*Government should protect the strong, not the weak and sick losers*”, “*People on welfare are leeches*”, “*It’s socialism that steals our money*”). Worthy of mention is the fact that boys were more inclined to use WAR metaphors than girls with a correlation at $p < .01$ whereas girls tended to use more CRIME metaphors with a slight correlation at $p < .05$. Both groups had equal gender distributions.

Discussion

The data from this experiment corroborate the conclusions of Boers (1997b) as they indicate that metaphors do contribute to the construction of a mental framework from which people

judge the socio-economic world that surrounds them. We should bear in mind, however, that these preliminary findings do not inform us about individual differences in metaphor processing and cognitive styles, and that they do not reveal anything about metaphor production. One limitation in the experiment is the fact that the political viewpoints of the students were not measured before the actual experiment took place: a questionnaire devoid of metaphors would have given us the opportunity to gauge the political sympathies in both groups before exposing them to the political metaphors which may have influenced the students' thinking about the socio-economic issues under discussion. Main criticism, of course, remains that there were more variables involved, so that any different responses/ideas by participants need not be due to the metaphors they have been exposed to, but quite simply by the content of the articles. It should also be noted that the small minority of students (17/111) who came up with creative metaphors themselves may have picked up some of the so-called 'new' metaphors from the BBC documentary, which had been shown a week earlier (and where it was mentioned that Thatcher had indeed "*outflanked the unions*" during the miners' strike, and that she had argued in her famous Bruges Speech that "*we have not successfully rolled back the frontiers of the state in Britain, only to see them reimposed at European level, with a European superstate exercising a new dominance from Brussels.*"). One suggestion for future research is to involve participants who are native speakers of English and who are therefore less restrained by lack of vocabulary to produce novel metaphors.

Conclusion

Given the small scale and its intrinsic limitations, the experiment offers only a glimpse of the cognitive effects that metaphors have when used in argumentation. These preliminary findings in conjunction with the results of Boers (1997b) point to the possibility that exposure to a particular choice of metaphors (on top of the actual arguments used) may have contributed to readers' endorsing the editors' arguments/ideology. This, however, deserves much more investigation.

General Conclusion

This study has tried to understand and explicate the use of metaphor in left-of-centre and ‘liberal’ political-economic discourse, as typified by the publications in *The Guardian* and *The Economist* in response to radical monetarist or ‘Thatcherite’ policies in the 1980s. Monetarism as the economic centrepiece of the New Right marked the end of the Keynesian consensus among economists and intended to achieve zero inflation through a contraction of the money supply and a sharp reduction in state expenditure, emphasising that the economy is a self-regulating body in the absence of major fluctuations in the money supply. Moreover, monetarism promoted micro-economic or ‘supply-side’ measures to increase the flexibility of the labour market, advocating the end of restrictive practices and union power. This set of measures temporarily deepened the recession against the backdrop of an overvalued currency and high interest rates in the early 1980s.

In order to investigate the blending of metaphor and political economy, this study has drawn on Lakoff and Johnson’s Conceptual Metaphor Theory. Taking the insight that metaphors frame people, events and problems, we have investigated their incidence by means of quantitative and qualitative analysis, with a strong emphasis on the latter. It has been shown that both newspapers make use of Conceptual Metaphors (e.g. HEALTH, CONFLICT and MOBILITY) but that these are used to suit the ideology of either newspaper: metaphors are never impartial, they imply a strong bias in favour of or against specific target domains (e.g. government spending, union power). In this respect, Musolff’s theory of ‘entailment’ has been amply illustrated: it is perfectly possible to accept a metaphorical mapping without subscribing to all its entailments. For instance, it is arguable that the metaphorical mapping ECONOMIC ACTION AS MOTION ALONG A PATH TOWARDS A GOAL as adopted by *The Economist* actually taps into the eschatology of Fukuyama’s *The Last Man*. Fukuyama informs us that the ‘end’ of history means that history has reached a supreme goal: this global move towards liberal democracy goes together with a free market economy. In this respect, ‘movement at a standstill’ finds its mirror-likeness in an equally paradoxical formulation: radical conservatism. It has been well illustrated ‘at metaphorical level’ that social democracy went into reverse course with the arrival of Ronald Reagan and Margaret Thatcher, who both sealed ‘freedom’ as the master signifier in the 1980s. It should be noted, however, that *The Economist* supports *economic* (or fiscal) conservatism, and hence subscribes to the entailments of the MOBILITY metaphor, but that this entailment is not extended to the *social* conservatism of Reaganite/ Thatcherite policies.

Both *The Economist* and *The Guardian* metaphorically convey scepticism with respect to the monetarist ‘theory of rational expectations’, i.e. the optimistic idea that market forces cause inflation, unemployment and production to adjust themselves automatically and efficiently around the fixed amount of money, which small government is supposed to ensure. However, both newspapers diverge on the alternative strategies. As the Conservative government in the mid-1980s gradually abandons monetarism (the scrapping of monetary targets or their replacement by a poor surrogate like M0), MOBILITY metaphors in *The Economist* nevertheless promote monetary controls (and hence, monetary targets) and entrance into the European Monetary System as indispensable safeguards in the process of economic recovery with low inflation. In this respect, *The Economist* favours fixed exchange rate monetarism over floating exchange rate monetarism. This wisdom is metaphorically illustrated by PATH and HEALTH metaphors which argue for a stable supply-side policy, not activist macroeconomic policies injecting inflation into the economy. However, *The Economist* concedes that fiscal policy (Keynesian fine-tuning) acting as a built-in stabiliser would be justified as long as the microeconomic conditions (no restrictive practices, flexible labour market) make it possible for demand to be met by higher productivity (not inflation and more imports). In this respect, *The Economist* promotes a mixture of monetarism and a modified form of Keynesian demand management. *The Economist* contends that judging the government’s economic record requires a sharp distinction between microeconomic or ‘supply-side’ reforms and the government’s inability to get macroeconomic policy right: double-digit inflation in 1989-1990 is a macroeconomic mistake. It reflects a failure to manage demand. By contrast, *The Economist* praises Mrs Thatcher’s governments for their supply-side reforms in the decade of confrontation (e.g. with the unions), sparking an array of CONFLICT metaphors that imply a strong bias in favour of ‘dry’ policies. Furthermore, *The Economist* advocates the monetarist shift from the public to private sector as long as privatisation is a means to increase consumer surplus. Fearing the looming danger of private monopoly (as opposed to private competition), *The Economist* points at the problem of rent seeking and deadweight loss. Therefore, it is important to achieve privatisation by moderation and minimal but sound regulation, as indicated by the use of HEALTH metaphors. As far as *The Economist* is concerned, free market and competition are the cure for all social ills. *The Economist* concludes that Mrs Thatcher succeeded in making money go further in the public sector: retrenchment in nominal terms but an increase in real terms (i.e. the output that it buys).

By contrast, *The Guardian* vociferously rejects monetarism at a theoretical level when stating that the economy has grown resistant to the discipline which monetarism was supposed to impose with a view to improving the supply-side. Moreover, *The Guardian* challenges the monetarist assertion that an expansionary fiscal policy leads to ‘crowding out’ of the private sector and claims that there is no close connection between movements in the borrowing requirement and changes in the money supply or interest rates, which it takes as a vindication for higher public spending (fiscal policy) to remedy the flaws of Thatcherism. It denounces the use of North Sea Oil profits for middle class tax cuts as an epitaph for a lost opportunity: government spending on hospitals, schools and infrastructure would have contributed to long-term prosperity while tax cuts for the well-off merely fuel demand leaking into imports and higher inflation. Though equally advocating supply-side reforms and the curbing of union power, as illustrated by its use of CONFLICT metaphors, *The Guardian* regards Keynesianism and community values as antidotes to morally tainted Thatcherism. In this respect, it is noteworthy that the ‘Lawson Boom’ (1986-87) is ascribed to the government’s abandonment of its original reliance on monetarism and a strong pound in favour of a much lower, more competitive currency and a pragmatic form of Keynesian expansion in the run-up to the 1987 election. Although Tony Benn (hard left) and Margaret Thatcher (hard right) are diametrically opposed to each other, they are metaphorically disqualified through the same conceptual metaphors, which denounce both politicians’ reliance on sectarian dogmatism. At a metaphorical level, *The Guardian* continues this pattern of moral condemnation through its use of CRIME and RELIGION metaphors, the value judgement of which operates against the primary tenet of Thatcherism: the redistribution of wealth from poor to rich (‘Robin Hood in reverse’), with its consequent effect of ripping the fabric of British society.

From a quantitative perspective, it should be noted that this study (partly) corroborates the findings of Boers (1997a and 1999). Boers (1997a: 93) concluded that *The Financial Times* showed a much higher frequency of HEALTH and FITNESS metaphors than *The Guardian*: An average of 13,9 instances per stretches of 5,000 words versus only 5.9, respectively. Moreover, all the instances in *The Guardian* were highly conventional items, like “recovery”. These preliminary data support the suggestion that HEALTH and FITNESS metaphors may be more typical of economic discourse advocating free markets. The results of this pilot study also supported the hypothesis that the RACE metaphor (as a subcategory of the higher-level MOBILITY metaphor) appears to be well-suited to free-market rhetoric: the RACE metaphor was instantiated almost three times more frequently in the sample of *The Financial Times*. Furthermore, it is mentioned in Boers (1999) that from April 1986 to March

1996, the average frequency for ‘all instances’ of HEALTH metaphors (i.e. clear and unclear) during the winter months (from December to March) in *The Economist* is 1,74 over stretches of 1,000 words, i.e. 8,7 over stretches of 5,000 words. Our study shows that between October 1985 and June 1987, *The Economist* uses 5.3 HEALTH metaphors (clear instances only) with respect to ‘dry’ policies. Including the ‘vague or ambiguous’ category, the average frequency is 8.9. Over the same period, the average frequency per 5,000 words regarding ‘liberalisation’ and public spending is 13.4 (clear and unclear instances). This included the frequent use of the term “*British disease*” to describe uncompetitive industries with respect to supply-side economics. It is striking that *The Economist* uses far more salient HEALTH metaphors to describe the dismal state of government policy between the March 1980 budget and the March 1981 budget: an average of 20.3 instances (‘vague or ambiguous’ ones included) per stretches of 5,000 words. We can only hypothesise that this markedly higher incidence of clear instances reflects the convulsions of its historical setting, i.e. the recession years 1980-81 when the monetarist experiment produced “*a cure not less painful than the condition remedied*”. It should be pointed out that the quantitative data concerning the ‘clear’ instances and those concerning the ‘ambiguous or vague’ ones turned out to be mutually supportive since the ratio between average frequencies in *The Guardian* and *The Economist* was not dramatically affected by the inclusion of the unclear instances as far as the conceptual metaphors HEALTH and MOBILITY were concerned. However, evidence suggests that *The Guardian* is more inclined to make use of vague metaphors, especially the highly conventional items drawn from the WAR domain (e.g. “*resists threats*”), whereas *The Economist* is inclined to use more ‘punchy’ or ‘salient’ metaphors. This might be ascribed to the aforementioned reason that a weekly newspaper (such as *The Economist*) enjoys more time to muse about figurative language before it is actually printed on equally glossy paper. It was already mentioned in the introduction that from a linguistic (and stylistic) point of view, the weekly has an edge over the daily. If this idea were validated, the supposedly higher frequency of creative HEALTH and MOBILITY metaphors in *The Economist* would not only reflect its liberal ideology, but also its luxury of time.

Since this study is not primarily about quantitative analysis, one suggestion for future research in this field is to investigate the discrepancy in salient language use between daily and weekly newspapers in more detail. In addition, it is worthwhile to investigate whether the high frequency of HEALTH, CONFLICT and MOBILITY metaphors in the written press during the Thatcher Years decreased as the dust of her governments settled and the age of confrontation drew to a close.

From a psycholinguistic point of view, the preliminary findings of our experiment “No pain, no gain in a free-market rhetoric: revisited with authentic materials” corroborate the results of Boers (1997b) and point to the possibility that metaphors do contribute to the construction of a mental framework from which people judge the socio-economic world that surrounds them. Given the limitations of the experiment, however, one suggestion for future research is to involve participants who are native speakers of English and who are therefore less restrained by lack of vocabulary to understand and produce creative metaphors.

In this final analysis, we are not going to be able to avoid the use of metaphors. As this thesis is going to press, news gets over the radio that the world’s central banks are anticipating a “*liquidity trap*”, that the housing market in the US is shrinking by “*cripplingly high*” interest rates and that the dollar’s devaluation is the result of foreign investors’ unwillingness to finance the US budget deficit any longer. As a last resort, GW Bush has promised to give the markets a “*financial injection*” to get the economy “*moving again*” and to avoid a “*currency meltdown*” in the run-up to the Republican primaries. He has argued for a reduction in the discount rate to boost investment and consumer spending (granted by Ben Bernanke). The problem is that when the Federal Reserve cuts short-term rates, the intent is to lower borrowing costs for corporations so that they will invest and hire. But this economic growth can lead to inflation. That in turn leads bond traders to demand higher rates on their long-term bonds – and that drives up mortgage rates too. Of course, the president wants a burst of growth in order for his party to win the next election. A reference to God was not far away: in the face of a recession, a president needs all the help he can get (though Keynes would have argued for more substance). Who knows what these metaphors may set in motion? History, it seems, repeats itself. Our introduction included a reference to Naomi Klein, writer of *The Shock Doctrine* (2007), who, like Susan Sontag argues that we should treat HEALTH metaphors with suspicion, especially when they are uttered by those who want to cure us at any cost. As Susan Sontag points out, even if metaphorical thinking is inevitable, this does not mean that there aren’t certain metaphors we shouldn’t ‘retire’. Since the persuasiveness of metaphors is often based on false, deceptive analogy between vehicle and recipient, the invitation for future research applies not only to the target domain of political economy but to various fields within sociology, including gender studies, where notions like ‘naturalness’ and ‘normality’ in ‘common sense’ rhetoric need further investigation. This call is best summarised by Garrett Hardin (1977: 261): “Since metaphorical thinking is inescapable it is pointless to weep about our human limitations. We must learn to live with them, to understand them, and to control them.”

Appendix

1. Fictitious text materials from “No pain, no gain in a free-market rhetoric” (Boers 1997b)

You are a top executive of a Belgian firm that produces kitchen equipment. So far, your company has been *active* only in the northern European market. Now it would like to *move* into southern Europe. However, apart from other western competitors, you are confronted with a new Taiwanese competitor which has started to set up its *lean* and *dynamic* affiliates in Europe. They move *swiftly* to prospective customers and they are *way ahead of* your firm in the *race* for new market share. Moreover, since their products are much cheaper than yours, you are afraid they will soon be *catching you up* in your domestic market too. Your company does not seem to be *fit* enough to deal with this *vital* new competitor. Your company seems *paralysed* by high labour costs and *crippled* by regulations, *chronic* inefficiency and bureaucracy. Today the board of directors is meeting to decide on the right *cure* for your firm. What would you propose?

You are a top executive of a Belgian firm that produces kitchen equipment. So far, your company has had its *stronghold* in northern Europe only. Now it would like to expand into southern Europe. However, apart from other western competitors, you are confronted with a new Taiwanese competitor which has started to *set up its camps* in Europe. They *swiftly conquer* prospective customers and are *winning the battle* for new market share. Moreover, since their products are much cheaper than yours, you are afraid they will soon be *invading your domestic territory* too. Your company seems to *lack the muscle to fight this new adversary in the market arena*. Your firm seems unable to *retaliate* because of high labour costs and its positions seem *enfeebled* by regulations, recurring inefficiency and bureaucracy. Today the board of directors is meeting to decide on the right *strategy* for your firm. What would you propose?

2. Authentic text materials from “No pain, no gain in a free-market rhetoric: revisited with authentic materials” (Caers 2006)

The fall and rise of Margaret Thatcher: Election profile

(*The Economist* April 21, 1979)

“Just as the British Labour party in 1945 was watched throughout the western world as the first full-blooded practitioner of democratic socialism, so Mrs Thatcher is confidently expected by her supporters to become the first Tory prime minister to succeed in turning back that process begun in 1945. As such, she has aroused more intellectual curiosity than any British party leader in recent history. She has stepped forward to challenge the almost identical enemy – that of the modern corporatist state – which just five years ago so comprehensively overwhelmed her predecessor, Mr Edward Heath.[...] The 1970 Heath administration entered office with a harness. [...] In the summer of 1970, this harness was strapped to the workhorse of government, and two years later it duly broke, with Mr Heath’s

conversion to incomes policy, lavish industrial support and eventual coalition centrism. [...] In the bitterness of defeat, however, all parties feel an atavistic need to return to their ideological grass roots. In the leadership elections of 1975, Mrs Thatcher emerged as the candidate of these roots. [...] She is old-fashioned in outlook, a passionate believer in the power of individual hard work to overcome collective evil [...]. Also beneath her scepticism has run a suspicion that much of the party's policy-making activities remain Heathian, if not downright corporatist, in outlook. [...] She has, after all, let it be known in no uncertain terms that her ministers will stand or fall by their ability to bring major cuts in estimates to the cabinet table – and the bigger the cuts, the higher in her estimation a minister will rise. It is merely to emphasise the Herculean reversal in normal Whitehall role-playing that she is expecting of her colleagues. Indeed, the major areas of cuts currently in the shadow cabinet pipeline – housing subsidies and industrial support and employment programmes – are certain to produce vehement public opposition. [...] As a result, it is likely that a Thatcher government will see the emergence of a close-knit team of non-spending ministers grouped round herself and her chancellor of the exchequer. Such an inner cabinet would act as a countervailing force to the public sector pressures which rapidly establish themselves in full cabinet. [...] An ability to deal with strikes and the trade unions has been the one poll issue on which the Tories have persistently fared worse than Labour. Despite the recent winter, the NOP poll published on April 6th gave the startling statistic that only 35% of respondents thought the Tories would be better able to handle strikes, while only 19% thought Mrs Thatcher would be better at dealing with union leaders. It was the only issue on which Labour scored better than the Conservatives. [...] But Mrs Thatcher is obdurate that something must be done to honour what she regards as a massive public mandate to curb union power. As a result, she has pinned her colours as firmly to the mast of some (though far less legalistic) sort of union reform as Mr Heath did in 1970. Mrs Thatcher sees such reform as playing an essential role in weakening the bargaining power of the unions in wage-round discussions. [...] Margaret Thatcher is a politician not so much of principle as of will. To write of her in the context of 1970-1974 is to miss the lesson which she herself has drawn from that period of office: that policies must be given a chance to prove themselves even in the bloodiest of battles and that, whatever happens, the will of the leader must not break. It is true that another Tory prime minister held the same belief. Mr Edward Heath's harness was to prove brittle. Mrs Thatcher's own brand of pragmatism is to see the failure of 1974 as the precursor of the success of 1984. It is in this perception that Mrs Thatcher's claim to political originality must lie. If she can break through the myriad forces stacked against her and give government a leaner and sharper edge, if she can achieve a lasting shift in resources from the public to the private sector – and do so in a climate of industrial peace – then she will deserve the place she will certainly gain among the gods of Tory legend.”

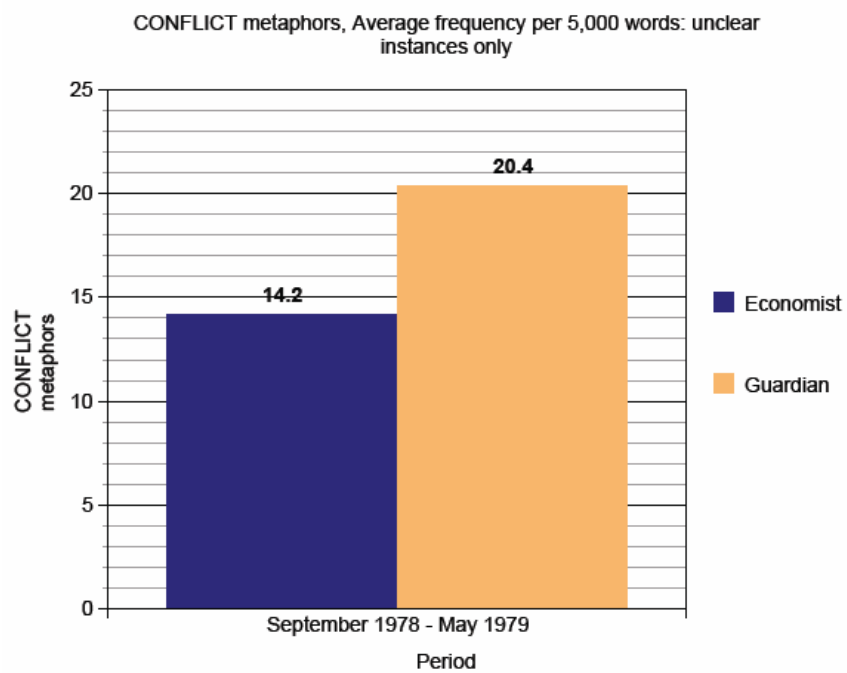
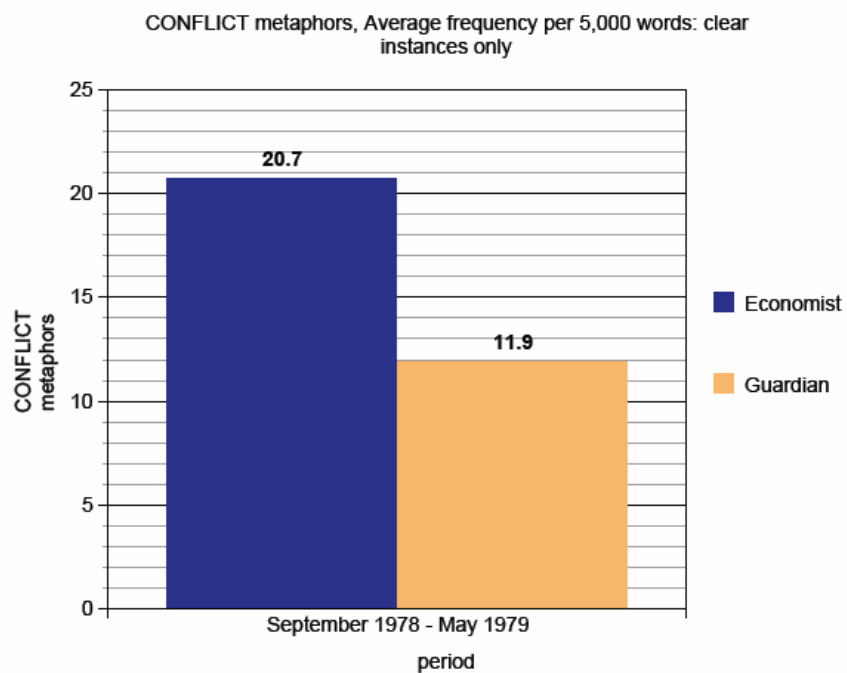
A great leap into the past?

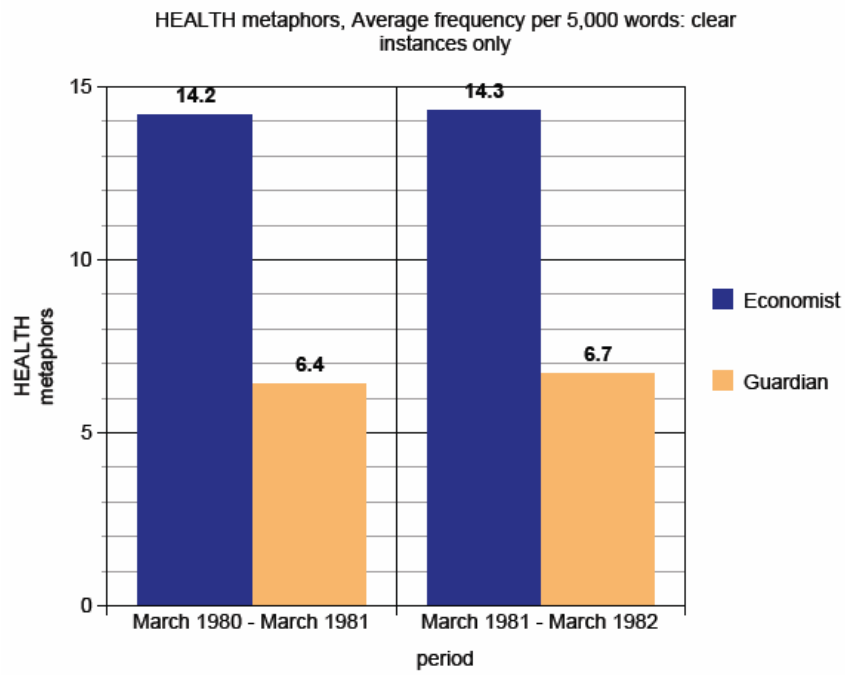
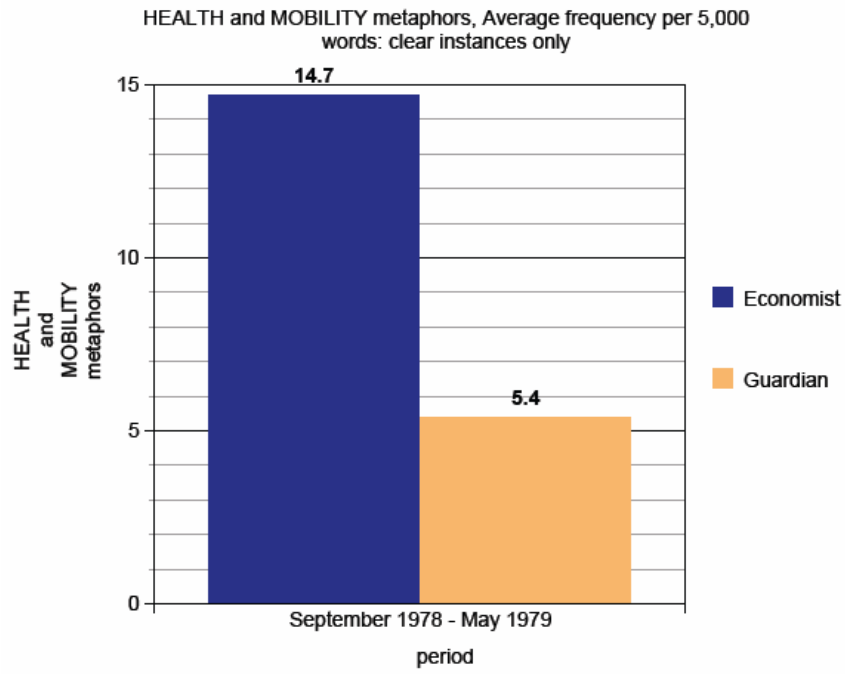
(The Guardian April 23, 1979)

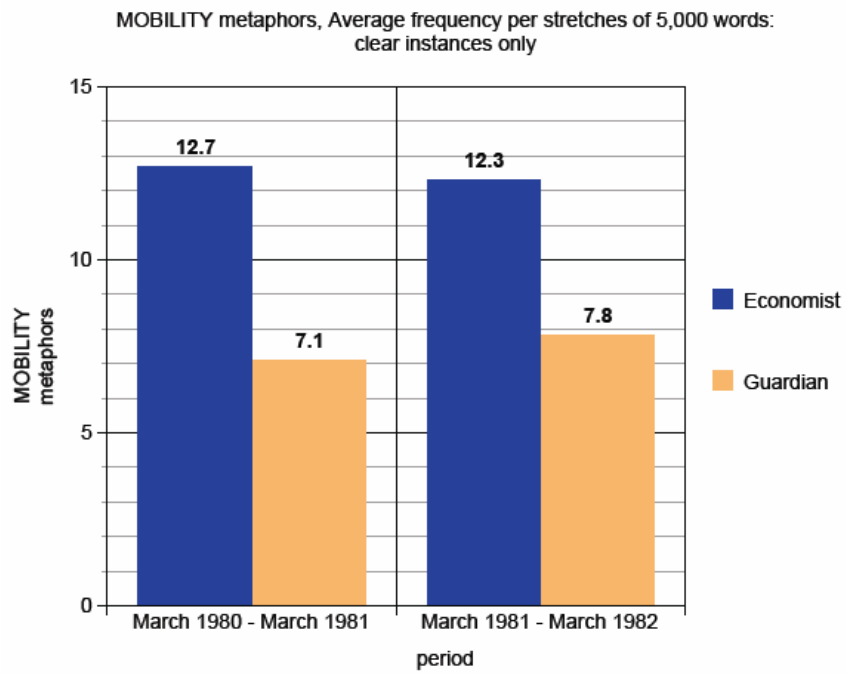
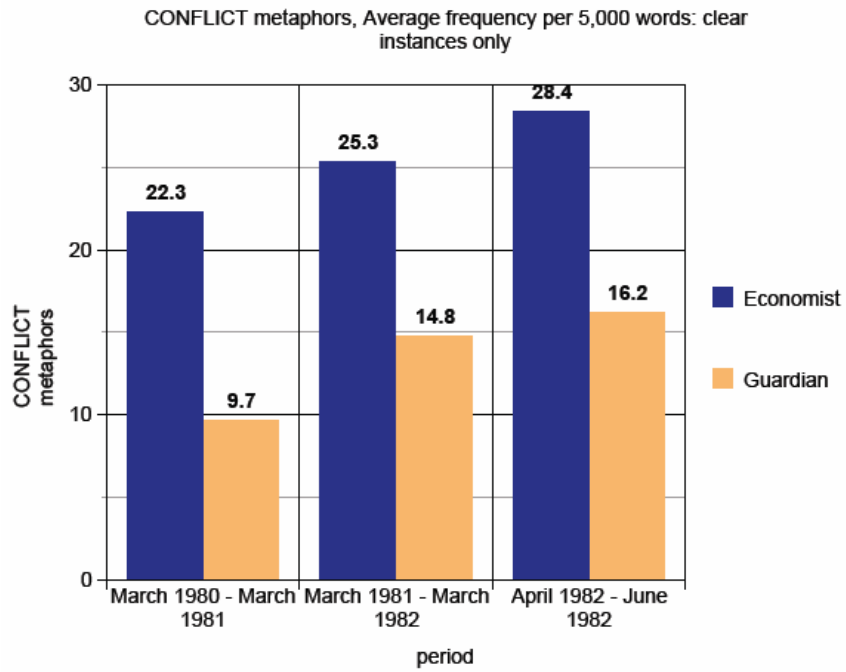
“And, meanwhile, we continue to languish in doubt as to where the compensating savings would be made. There will be a shift from direct to indirect taxation to be sure, but that is hardly a good enough answer from a Party which has been preaching a historic relief from taxation because a great many people, and especially the less prosperous, will merely find that much of what they take from one government hand is promptly snatched back by another. If this is the only route by which the Conservatives plan to relieve the family budget, then many of those who have been attracted by the promise of really substantial cuts in the tax they pay

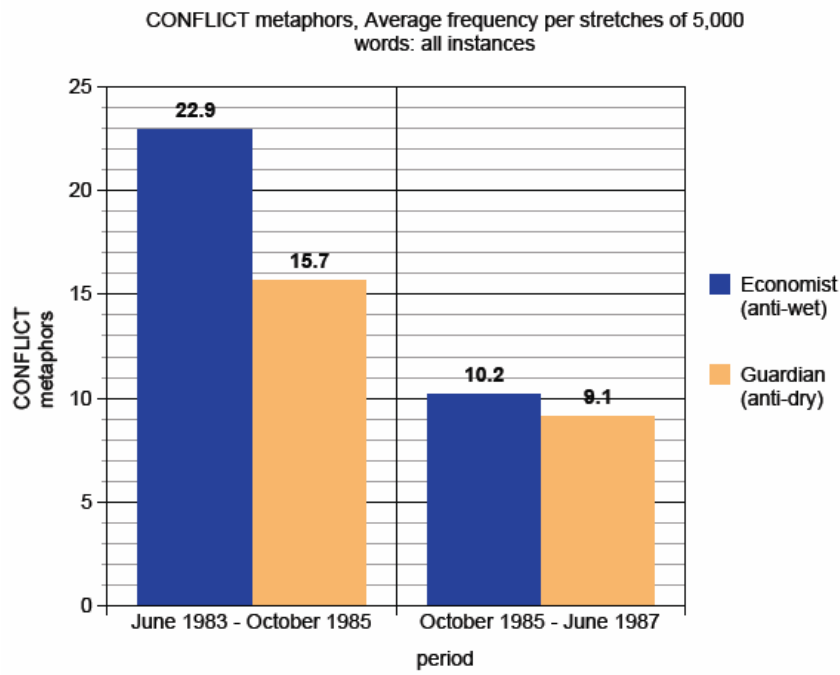
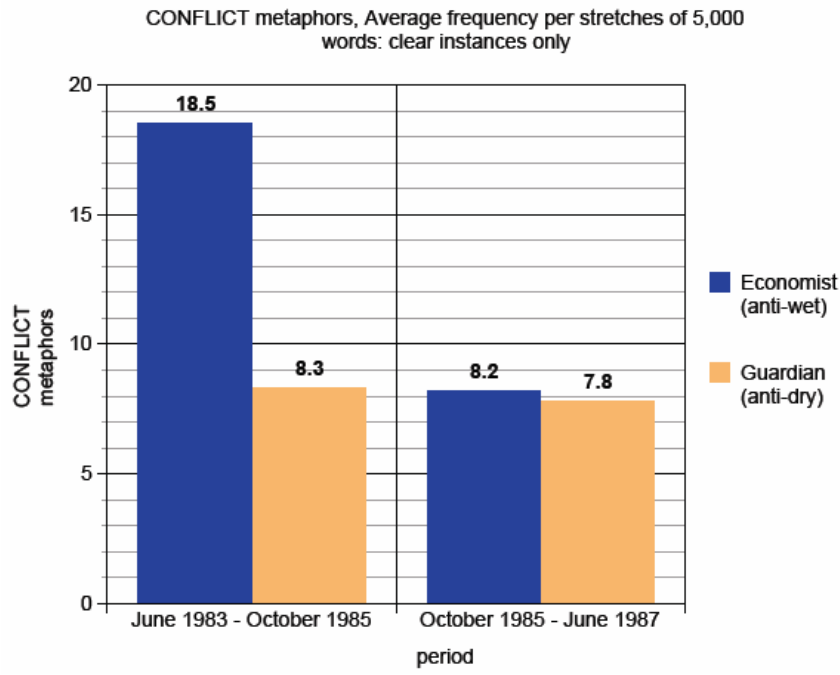
will soon under a Thatcher Government come to the conclusion that the politicians have conned them again. But that is only part of the story. There are also to be cuts in public spending. Sir Geoffrey Howe talked not so long ago of a net reduction of £4 billions in view of the promises that have already been made of higher government spending on law and order and defence. If the public services on which the great majority of people must continue to depend are not grievously damaged in the search for these economies, then where else will the money be found? Many of the advertised alternatives crumbled under Weekend World's examination yesterday. We are left with the promise to sell off state assets – which will bring only momentary relief and may lead in the end to a decline in the state's revenue; with the plans to prune bureaucracy (bureaucracy which the last Tory government [under Edward Heath], incidentally, did so much to create) ; and with the endless whining on about a war on waste, which could not conceivably produce the kind of savings on which the Tories' programme had seemed until now to be founded. Meanwhile, the process of "liberation" will also damage the standards and opportunities of those who cannot afford the fun. By creaming off the brightest children from the comprehensives, the Conservatives will hurt the academic standards of these schools (which will in turn furnish their detractors with additional grounds for claiming they are academically incompetent institutions) and will diminish the educational chances of those other children, also bright, whom the pruning process leaves behind. Does nobody in the Conservative hierarchy care about that? The NHS [National Health Service] will suffer too. Saturday morning's party political broadcast featured a fictitious member of the lower middle class complaining of long delays in getting his wife into hospital. The Tories, said the commentator, would give him the chance of getting quick help for his wife through treatment in the private sector. Not a word trying to cut the NHS waiting list: it was almost as if the NHS were to be reduced under the Tories to a fall-back service where those who cannot afford to pay for private treatment are consigned to stand in disconsolate queues until the second-best service gets round to seeing them. To their great credit, Mrs Thatcher and some of her colleagues like Sir Keith Joseph [...] have been frank about what their revolution would entail. They aim to create a more prosperous society at the cost of creating a less equal society."

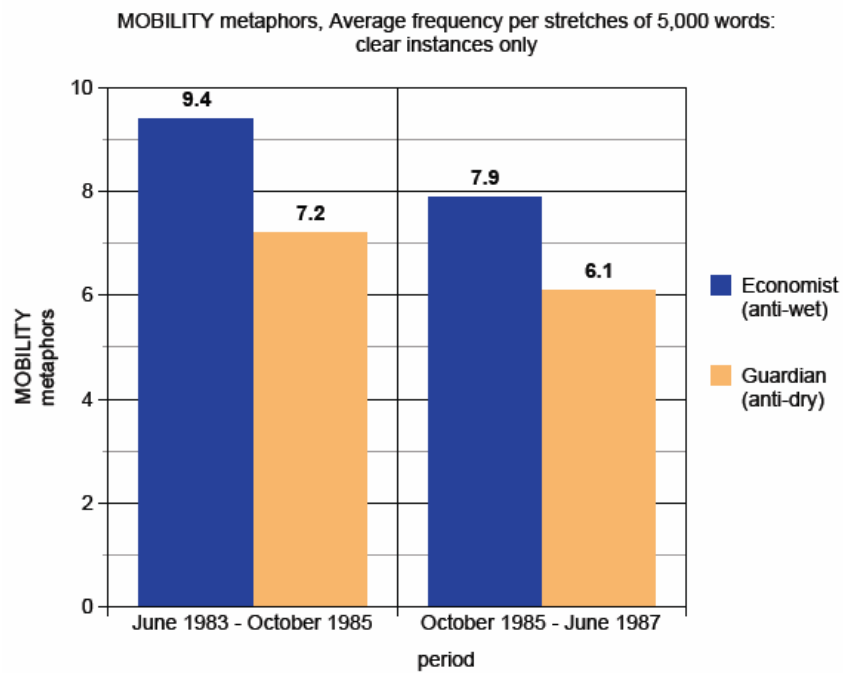
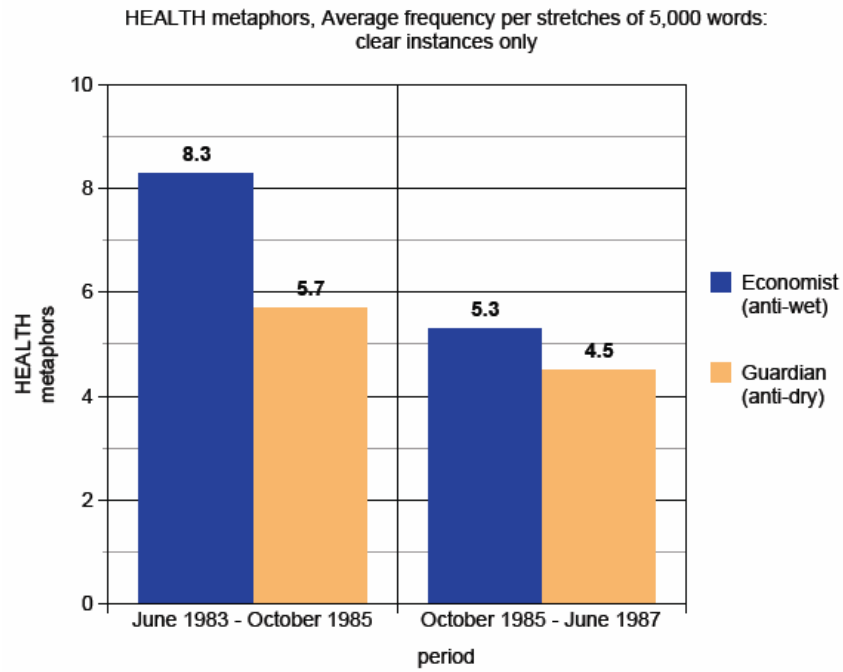
Graphs

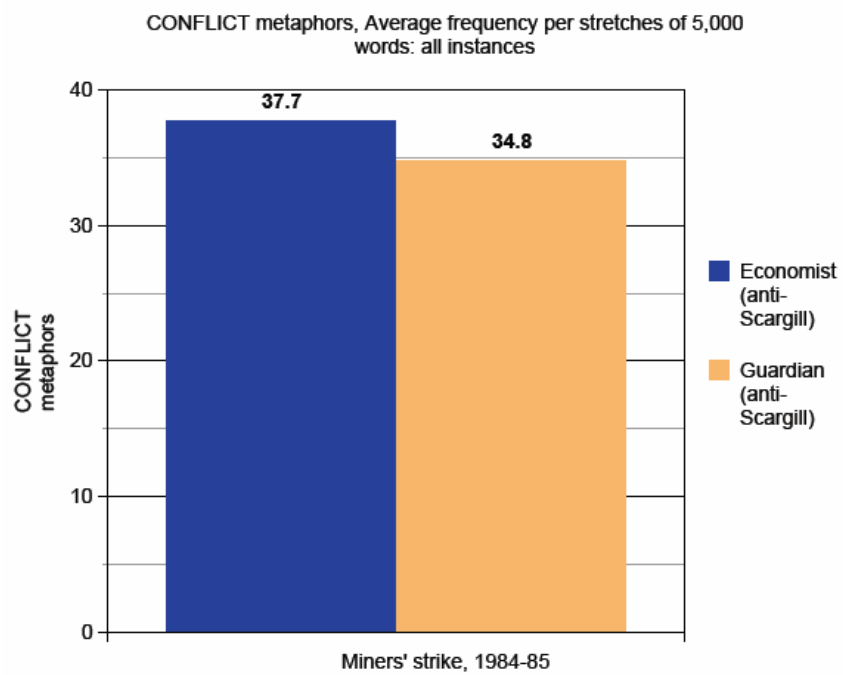
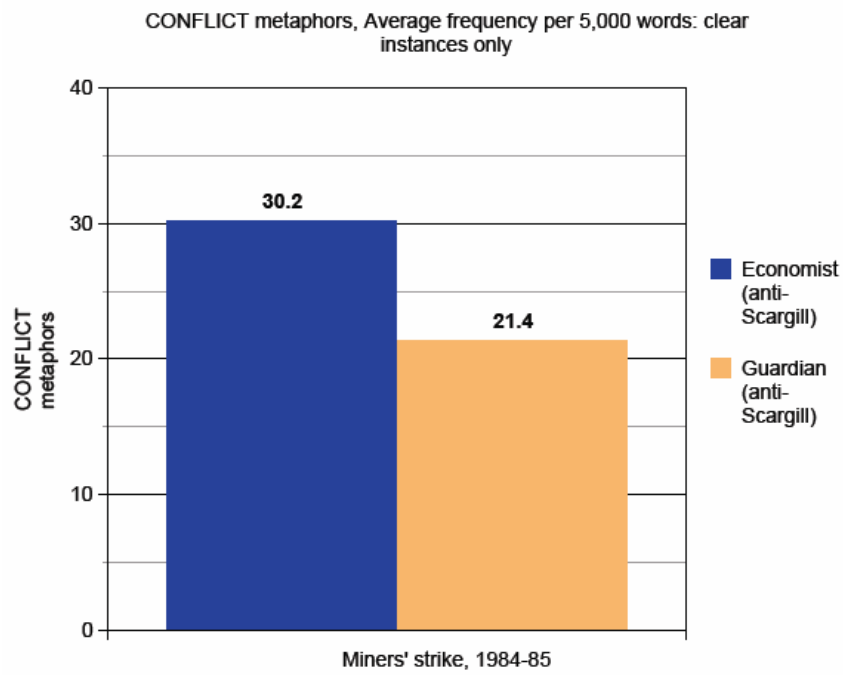


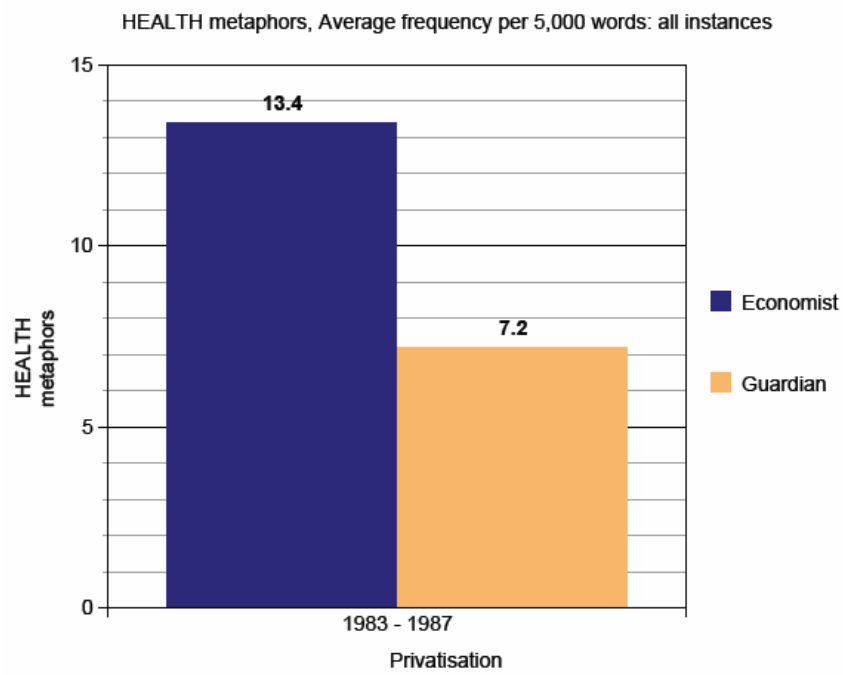
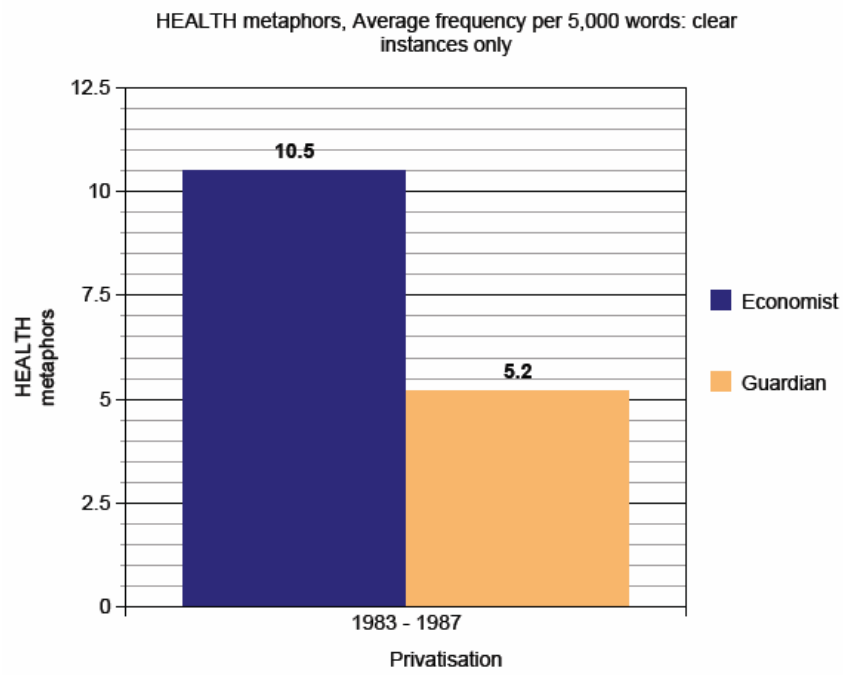


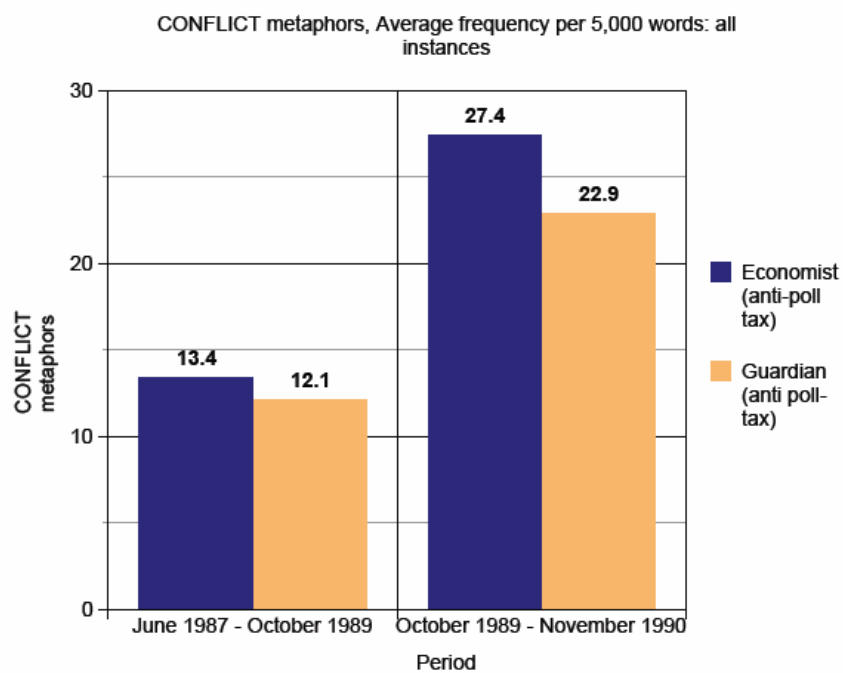
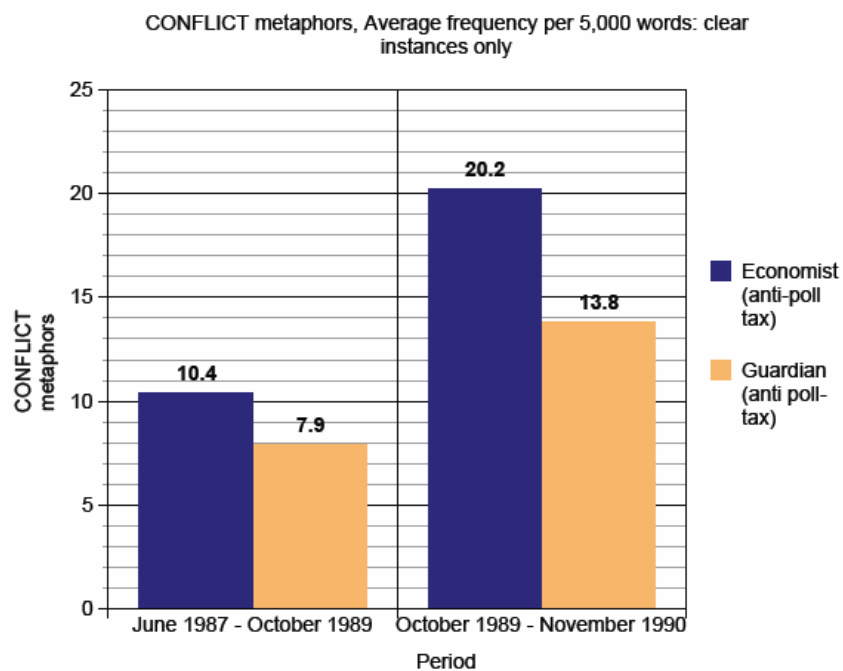


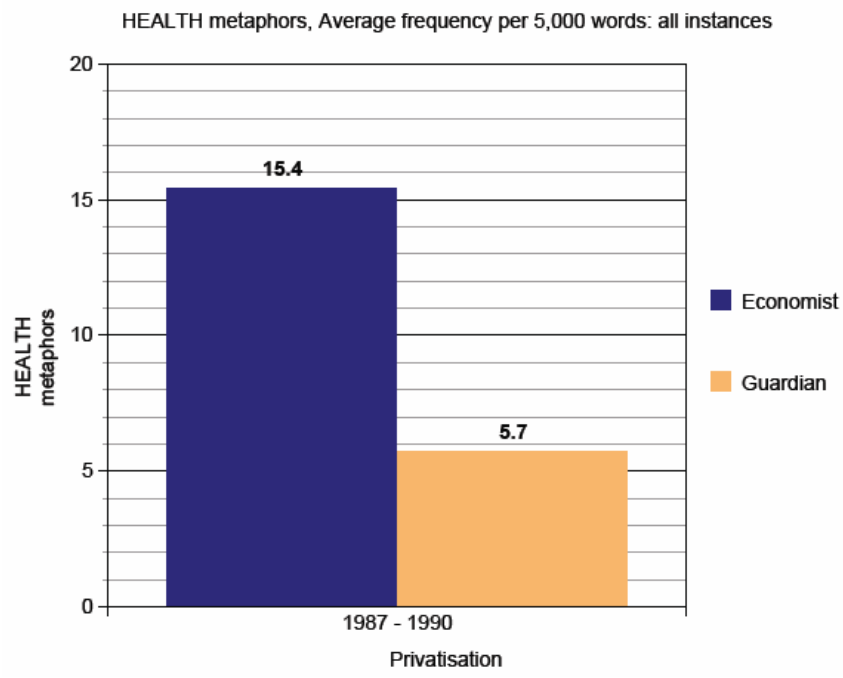












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Samenvatting

Het doctoraat is geschreven in het Engels en onderzoekt het gebruik van (politieke) metaforen in de centrum-linkse en liberale pers tijdens de regeerperiode van Margaret Thatcher (1979-1990) en Ronald Reagan (1981-1989). Zoals de titel van het proefschrift doet vermoeden combineert dit onderzoek tekstanalyse met economische geschiedenis. Uitgaande van de wetenschap dat metaforen niet louter een vrijblijvend stijlmiddel zijn maar veeleer een manier om abstracte entiteiten (zoals de economie) te categoriseren, vertrekt deze studie vanuit de Conceptual Metaphor Theory van Lakoff en Johnson. In deze theorie krijgt de emotionele en evaluatieve kracht van de metafoor in de (geschreven) pers een centrale rol toebedeeld: metafoor als betekenisoverdrager. Deze metaforentheorie wordt toegepast op een specifiek doeldomein: de overgang van Keynesianisme naar monetarisme in de jaren '80. Het monetarisme van de Chicago School is de economische vertaling van Nieuw Rechts en werd praktisch vertaald door Ronald Reagan en Margaret Thatcher. Monetarisme brak met de Keynesiaanse traditie die decennia lang gericht was op economische groei door een expansief fiscaal beleid en een actieve rol van de overheid in de economie. In de jaren '70 bleek de Keynesiaanse methode ontoerikend: hogere overheidsbesteding leidde niet tot lagere werkloosheid maar tot hogere inflatie en stagnatie. Monetarisme zocht naar radicale alternatieven en legde de klemtoon op het zelfregulerende karakter van de economie: wanneer de economie bepaald zou zijn door een duidelijk gedefinieerde monetaire politiek (strakke regulering van geldhoeveelheid) zouden alle andere variabelen (prijzen, lonen, werkloosheid) automatisch bijgestuurd worden. Een te hoge loonpolitiek zou veeleisende werknemers (en vakbonden!) automatisch uit de markt prijzen. Het monetaristisch experiment in het begin van de jaren '80 was omstreden: een hoge rentevoet ter bestrijding van inflatie en een overgevalueerde munt tegen de achtergrond van torenhoge inflatie. Export viel sterk terug en middelgrote ondernemingen konden hun schulden aan de bank amper of niet terugbetalen. Tegen het midden van de jaren '80 was de inflatie bestreden. De prijs hiervoor was een ongekend hoge werkloosheid die moeilijk terug te dringen was. De korte 'boom' van 1986-1987 bleek gebaseerd op overoptimisme en leidde tot oververhitting van de economie met nieuwe inflatie tot gevolg.

Deze studie gaat na welke metaforen typisch zijn voor het discours in *The Guardian* en *The Economist* tijdens deze bewogen jaren. Via metaforenonderzoek wordt nagegaan wat deze kranten respectievelijk 'socialistisch' en 'liberaal' maakt. Hoewel de studie niet bedoeld is als ideologiekritiek worden onrechtstreeks ook de contradicties binnen het Thatcherisme en de Reaganomics blootgelegd. Het onderzoek combineert kwantitatieve met kwalitatieve analyse, waarbij de klemtoon op de laatste ligt.

De behandelde thema's zijn in het licht van de huidige economische crisis nog altijd erg actueel, vooral wanneer men bedenkt dat het neo-conservatisme van president Bush zijn oorsprong vindt in de Reaganomics. Het huidige tekort op de Amerikaanse betalingsbalans en het probleem rond de financiering van het deficit is in feite een herhaling van het scenario uit de jaren '80. Opnieuw grijpen beleidsmakers naar Keynesiaanse en/of monetaristische instrumentaria om de recessie te bezweren. History, it seems, repeats itself...