

Bob Rowthorn

The Past Strikes Back

Britain's postwar decline is dramatic. Thatcherism represents a new kind of response to it. But what would an SDP/Liberal Alliance mean?



It is a common place to point out that Britain's present crisis is the culmination of more than a hundred years of economic decline, during which her position as the world's leading industrial power has been destroyed, and that her economy is now one of the weakest in Western Europe. The prospect of such a decline, and its consequences for the British people, were already clear to such writers as J A Hobson at the end of the last century, and have been a familiar theme of commentators ever since. Despite such warnings however, governments have been unwilling to confront the problem of decline or to act decisively so as to halt it.

The British state has displayed an extraordinary passivity and incapacity in the face of growing economic difficulties, and has never seriously pursued a concerted modernising strategy of the kind implemented, on occasion, in countries such as France or Japan. This is true even in the post war period when, apart from a brief flirtation with the idea of planning, governments have not even



tried to develop a coherent and positive programme for the regeneration of British industry, nor to create the kind of civil service and state apparatus required to implement such a programme.

The hesitant and ineffectual character of government policy since the war is the outcome of a particular balance of class forces in Britain during this period. Capital has in general been opposed to a policy of vigorous planning and detailed state intervention in industry, whilst the working class has lacked the consciousness or unity of purpose to impose such a policy. The reasons for capitalist 'opposition' are both economic and political. On a political level, most capitalists are frightened of any really determined and coherent policy to modernise industry and plan its development. They believe that such a policy is the thin end of the wedge and, if successful, would legitimise socialist ideas in popular consciousness, and give rise to pressure for more radical forms of state intervention, or even for outright expropriation. Such a belief is well-founded and reflects a sound appreciation of the way in which capital maintains its hegemony in British society. Britain is a highly proletarianised country. It has a small petty bourgeoisie, the peasantry disappeared long ago, and the bulk of the population consists of wage and salary earners and their dependents. There is a strong trade union movement and, until recently, a substantial proportion of the working class supported the Labour Party. Ever since 1918 this party has been formally committed to the establishment of a socialist society, based on the 'common ownership of the means of production, distribution and exchange', and there has always been a significant element in the trade unions and Labour Party who take this commitment seriously. Given the numerical importance of the working class, the very existence of such a strong and potentially radical labour movement has posed a permanent threat to the continued survival of capitalism in Britain.

One of the main political objectives of the capitalist class has always been to contain this movement and to isolate its more radical elements. To achieve this objective capital has been forced to forgo the economic advantages of certain kinds of state intervention because their success would legitimise socialist ideas and strengthen the Left within the labour movement and society at large. Planning and nationalisation, for example, are widely associated with socialism in the public mind, and they have either been opposed outright by capital — or else, where such measures have been unavoidable, efforts have been made to give them a form which minimises the political dangers involved. In conformity with capitalist opinion, planning agencies such as the National Economic Development Council and the ill-fated Department of Economic Affairs were denied the powers they required to function effectively; there has been a persistent emphasis on the voluntary character of relations between capital and the state; and the National Enterprise Board, the Industrial Reorganisation Corporation, and many other government agencies, have been set up as semi-autonomous bodies — which are explicitly not part of a coherent central planning framework. Capital has also sought to prevent detailed intervention into the day to day workings of industry by forcing the government to deal with trade associations and similar bodies, rather than with individual companies. In these and in many other ways, capital has kept the state at arm's length and prevented the establishment of a strong and integrated planning system, whose very existence might have been politically dangerous.

Freedom of manoeuvre

Quite apart from any political motives, capital has also had strong

The article is based in part on the Isaac Deutscher Memorial Lecture given in November.



the Labour government lacked both the will and the popular support to implement such a programme against the opposition of capital and its allies at home and abroad

economic reasons for opposing the establishment of an effective central planning system in Britain. Much of this capital has extensive international connections and is worried that detailed state intervention in its affairs will inhibit its global freedom of manoeuvre. This is most obvious in the case of the City of London whose role as a world banking and commercial centre requires great flexibility and involves the perpetual transfer of funds across national boundaries. It is less obvious in the case of industrial firms, but over the past thirty years they, too, have become increasingly international in character. British industry is now dominated by great multinational companies, which own productive facilities in many different countries and organise a complex international division of labour within their own enterprise. Most of these firms are British, some are American and some are Continental; but no matter what their legal nationality, all of them think in international terms and wish to minimise detailed state intervention in their operations. Thus, although there have certainly been conflicts between industry and the City during the postwar period, they have shared a common interest in opposing state policies which might disrupt their international operations. This is even true as far back as the 1950s when, although still mainly national in operation, big British industrial firms were already thinking in international terms and beginning to invest heavily overseas. Given the excellent long term prospects for such investment, these firms were quite unwilling to sacrifice their freedom of action in the interests of national economic growth. Even

when British firms later became worried about economic decline and began to support planning in the early sixties, the kind of planning they had in mind was so weak as to be almost useless.

So, there are both economic and political reasons to explain why, throughout the postwar period, capital has opposed the kind of planning and state intervention required to halt Britain's economic decline. By legitimising socialist ideas such measures could have been politically dangerous and undermined the hegemony of capital; and by controlling the international operations of industry and the City these measures could have jeopardised the profits they derived or hoped to derive from such operations. This opposition from capital has been remarkably successful both in preventing the emergence of an effective planning system and in discrediting the whole idea of systematic planning in popular consciousness. It is, perhaps, the main reason why government attempts to halt Britain's economic decline have been so ineffectual.

BRITAIN'S DECLINE

At this point it will be useful to consider briefly Britain's postwar decline whose various phases illustrate clearly the factors we have just described. When the Labour government took office in 1945 it inherited a crude but effective planning apparatus, which it used to organise the conversion of the economy from war production to peacetime operation. Once this task was complete, the planning apparatus was dismantled and, from then on, no serious attempt was made to organise postwar economic development. Economic surveys were produced outlining future requirements, but these documents were unimpressive and there was no effective system to ensure the various targets were actually met. Because of Treasury hostility and in deference to capitalist opinion, those responsible for planning were denied any real power; the surveys soon degenerated into little more than a public relations exercise in market forecasting and were finally abandoned when the Tories took office in 1951. So ended the first exercise in planning.

The new Tory government explicitly rejected planning and systematic state intervention in the economy, arguing that the allocation of resources and the direction of economic activity should be decided by market forces. At first, this policy was successful, living standards rose and British capital prospered. However, Britain was living in a fool's paradise and success was based on a special combination of factors which could not last. After the Korean War, food and raw material prices fell dramatically and military expenditure was drastically reduced. Up to the mid-fifties this had provided considerable resources with which to increase living standards without harming the profits of British capital. However, it was a once and for all gain, and from then on any further increase in popular living standards had to come from increased productivity or at the expense of profits. Internationally British capital also came under pressure as Britain's formal and informal empire began to crumble at the end of the 1950s. For some years after the Second World War British firms had enjoyed captive markets in the Empire, from which most foreign rivals were excluded; moreover, many of their potentially dangerous rivals in continental Europe and Japan took some years to recover from the effects of the war. Later during the 1950s however, as the empire disintegrated, British firms began to experience increasing competition in formerly captive markets from both the Americans and the newly recovered Continental and Japanese rivals. Imperial decline also created difficulties for the City of London. In the 1950s the prosperity of banking and commercial capital was still based on the use of sterling as an international currency, and this in turn depended on Britain's continued domination of her formal and informal empire (ie, the so-called 'sterling area'). As this domination was undermined, the position of sterling

By the later 1970s the British economy was clearly in a bad way and things could not go on as they were. Something had to give.

became ever more vulnerable, and the long term future of London as a world financial centre became increasingly uncertain.

Growing difficulties

Thus, on almost all fronts, British capitalism was in difficulties by the end of the 1950s. With the loss of imperial power and increasing competition from abroad, the balance of payments became weaker, sterling crises became endemic, and the prospects for sustained growth seemed gloomy. There was a widespread feeling, especially amongst industrial capitalists, that something had to change, and in 1961 the Federation of British Industries floated the idea of national planning as a way out of the difficulty. Such planning, they hoped, would give big firms the security they needed to undertake long term investment projects and might also persuade the trade unions to accept wage restraint. However, for the reasons described at the beginning of the article (fear of the working class, international connections etc), the kind of planning envisaged by industrial capitalists was extremely weak, and they were never willing to surrender any real power to the authorities. In 1964 Labour won the election and, after denouncing Tory planning as a fraud, set up their own planning agency called the Department of Economic Affairs. Amidst a fanfare of publicity, they unveiled the National Plan in 1965. This looked impressive, but was really little more than a set of pious hopes. In deference to capitalist opinion, the planning authorities were once again denied the powers required to operate effectively, and the plan was already a dead letter by the time it was published. It was formally buried in July 1966 when, in response to a severe sterling crisis, the Labour government abandoned its commitment to growth and full employment, and implemented an emergency package of deflationary measures designed to save the

pound against speculative attack.

The implementation of this deflationary package is often portrayed as a victory of the City over industry, but such an argument is misleading. It implies that there existed at the time a viable alternative strategy for growth which industrial capital would have been willing to support. There was certainly some support in 1966 amongst industrial capital for devaluation as an alternative to deflation, but this was by no means universal. Moreover, as later experience demonstrates, devaluation by itself would not have saved either the economy or the pound, and was not in the long run a viable alternative to deflation. The only real alternative was either a *dirigiste* policy involving state control of investment and foreign trade — which industrial capital did not want — or else a full socialist programme involving the wholesale takeover of private firms — which industrial capital wanted even less. Thus, the abandonment of growth and full employment by the Labour government did not occur, as many believe, because the City triumphed over industry. It

The approach of the Thatcher government to economic affairs marks a radical break with what has gone before and, contrary to what many people believe, is by no means stupid or ill-considered

occurred because no significant section of capital was willing to support the kind of state intervention required to avoid deflation and maintain economic growth, and because the Labour government lacked both the will and the popular support to implement such a programme against the opposition of capital and its allies at home and abroad.

1966 — a turning point

Labour's burial of the National Plan in July 1966 marks the beginning of a prolonged economic and political crisis which has lasted to this day. During this crisis, Britain's decline has decelerated and all pretence at national planning has been abandoned. As economic difficulties have multiplied, government policy has gone from one desperate experiment to another and, until the advent of the present Thatcher government in 1979, there has been nothing which can really be described as a long term strategy for the economy. The nearest approach to such a strategy was, perhaps, the Barber 'dash for growth' in 1972-73, when the Tories sought to encourage investment through a combination of selective state intervention, financial incentives and an expansionary demand policy. However, this was not a well-articulated programme and it disintegrated as the world economic crisis built up towards the end of 1973.

In 1974 the Tories were replaced by a Labour government which promised to plan the economy and implement a vigorous programme of industrial regeneration. However, because of their radical thrust, these proposals were bitterly opposed by capital and were never implemented in anything like their original form. What finally emerged was a minor set of piecemeal reforms bearing only superficial resemblance to the ambitious industrial strategy contained in the Labour Party's 1973 manifesto and advocated by Left wingers such as Tony Benn. Having abandoned this part of its programme, the Labour government lost all sense of direction and its economic policy became even less coherent than that of its predecessors. Buffeted by inflation and balance of payments crises, it lurched from one emergency to another, pursuing a highly restrictive combination of deflation and wage restraint, and the result was almost complete industrial stagnation.

Table 1 Percentage change in industrial production
(excluding oil and gas)

	1951 to 1966	1966 to 1974	1974 to 1979	1979 mid 1981*	to
Belgium	61	46	5	-1	
France	127	56	10	-8	
Italy	227	53	10	6	
Spain	238	123	7	0	
Sweden	103	44	-2	-1	
West Germany	185	43	10	-1	
UK	57	18	-1	-14	

Source: NIESR, B Mitchell, European Historical Statistics

* 2nd quarter 1981 compared to average for 1979

Table 2 Changes in employment in the UK 1966-81
(thousands)

	June 66 to June 74	June 74 to June 79	June 79 to March 81
Manufacturing	-713	-695	-1000
Non-manufacturing	+250	+825	-596
Total	-463	+130	-1596



THATCHERISM

Looking back at postwar history up to 1979, Britain's economic decline is evident. Up to 1966 industrial production grew reasonably fast — more slowly than in other countries, but quite fast by historical standards (see Table 1). Over this period manufacturing employment rose somewhat and, apart from a few regional blackspots, there was little unemployment by current standards. From 1966 onwards however, the situation changes. Economic growth slows down and the first signs of 'deindustrialisation' appear as manufacturing employment begins to fall (see Table 2). Even so, there is some growth — by 1974 industrial production is 18% higher than in 1966 — and economic decline is relative rather than absolute. After 1974, however, even this modest expansion comes to a standstill. Unlike other capitalist countries, Britain fails to recover from the world slump in 1974, and over the next five years output and productivity stagnate. The contrast with other countries is most striking in the case of productivity. Over the period 1974-79 output per person hour in manufacturing rose by 5% in Britain, as compared to anything between 14 and 29% elsewhere (see Table 3).

By the later 1970s the British economy was clearly in a bad way and things could not go on as they were. Something had to give. The Labour government tried to save the situation by turning on the working class. Under the guise of the social contract it administered a real wage reduction of around 8% in 1976-77. This was bitterly resented by workers and was followed by a wages explosion as they sought to recoup their losses, and finally in 1979 the Labour Government fell amongst a welter of recrimination. There was a large swing to the right, particularly amongst skilled manual workers, and a new Tory government was elected on a platform of extreme economic liberalism. Under such slogans as 'roll back the frontiers of the state' and 'set the people free', the Tories preached a virulent free market ideology and began a frontal assault on the institutions

and practices which had grown up in postwar Britain. The approach of the Thatcher government to economic affairs marks a radical break with what has gone before and, contrary to what many people believe, is by no means stupid or ill-considered. Politically, its driving force is the widespread hostility amongst the petty bourgeoisie and the middle class towards trade unions and the welfare state, and for this reason its rhetoric is often highly demagogic in character. But beneath this demagoguery the Thatcherites have a fairly coherent idea of what is wrong with British capitalism and how it can be put right. This theory has extremely unpleasant consequences for the working class and it may be completely wrong, but it is the coherent outcome of many years of intense effort by right wing thinkers. Its implementation by the Tories represents a determined attempt to come to grips with a problem which governments have evaded for decades.

The Thatcherite strategy

Let us consider its theory for a moment. The Thatcherites share with the Left the view that something is deeply wrong with the British economy and that fundamental changes are needed. However, they have diametrically opposite views about what should be done. Most of the Left call for a radical programme of economic and social reforms, including both a new and strongly interventionist role for the state and new forms of democratic control over society and the economy. This, they argue, would strengthen the working class at all levels of society, weaken the power of international capital over the economy, and unleash the creative energies of the British people, so allowing them to tackle Britain's problems in a constructive fashion.

The Thatcherites reject all aspects of this programme. They are opposed to any extension of working class power and to any new limits on the rights of capital, and they reject the usual Left demand for import controls and a strongly interventionist industrial strategy. Although it is often expressed in economic terms, their primary motive for opposing such measures is really political, for these are seen as one more step on the road to socialism or, as their mentor Hayek would put it, on the road to 'serfdom'. Having rejected measures of this kind and yet still believing that something radical is required, the Thatcherites are driven to their present position. They really have nowhere else to go. If a major shake-up is needed and if, for political reasons, a major state programme of industrial modernisation is ruled out, the only possible course left is to use competition and market forces to break up the existing structure in the hope that something new and more dynamic will eventually take its place. This course of action involves a number of specific measures.

For a start, an intense economic crisis is required so as to promote competition between both firms and workers. This, it is claimed, will drive some inefficient firms out of business altogether and compel others to change their methods of work. At the same time unemployment and the threat of redundancy is supposed to discipline workers, forcing them to accept lower wages and co-operate more fully with their employers. To make these economic pressures more effective, firms in trouble because of the crisis must be denied financial support, and allowed to go under if they cannot adapt and survive on their own. Propping them up it is claimed will only prolong the agony and delay the profound changes which are required. On the workers' side, competition must be made more effective by legal measures to reduce the ability of trade unions to defend their members, and by cutting back the social welfare services so individual workers are forced to make private provision for themselves and their dependents. The aim of such measures is to atomise the working class and to strip workers of their collective protection, thereby making them more vulnerable to economic pres-

Table 3: Output per person-hour in manufacturing
(percentage change)

	1974 to	1979 mid	1979 to 1981
USA	+ 15		+4
Canada	+ 14		+1
Japan	+ 29		+7
France	+ 25		+2
W Germany	+ 23		+2
Italy	+ 15		0
UK	+ 5		+3

sure and less able to resist their employers.

This is clearly an ambitious programme. Its aim is to transform the character of both capital and labour and to lay the basis for a particular form of capitalist recovery in Britain. With a docile labour force and low wages, Britain would supposedly become an attractive

there is little sign that the Tory strategy has yet achieved its long term aim of dynamising British capitalism and atomising the working class

location for multinational firms, and those national firms still in existence after the holocaust would be better able to withstand foreign competition.

Thatcherism in practice

So much for the theory behind Thatcherism. How far have its hopes been fulfilled in practice? This is not an easy question to answer because most of the long term effects of the Thatcherite strategy are as yet difficult to observe and will only become visible if and when there is an economic recovery at some time in the future. However, the omens are not good for the strategy's supporters and the promised results seem very slow to materialise. There have been certain spectacular gains in productivity in, for example, steel and cars, and there is some anecdotal evidence to suggest that work practices are being modified throughout the economy as employers take the present opportunity to reassert managerial prerogatives and to shed labour. But the long term potential for such changes is limited and the increases in productivity which are now occurring may simply be a once and for all gain as existing production is rationalised. There is, so far, no sign that industry has been infused with the dynamism which the Thatcherite strategy is supposed to generate. Moreover, although militancy is at a low ebb at the moment, the Tories have still not crushed the unions decisively and, as the 'tea break' strike at BL Longbridge shows, workers are by no means defeated. Thus, there is little sign that the Tory strategy has yet achieved its long term aim of dynamising British capitalism and atomising the working class.

If the long term consequences of Thatcherism are uncertain, its immediate impact is only too obvious. There has been a slump unprecedented in the whole of British history. In just one year, between December 1979 and December 1980 manufacturing output fell by 15%. This compares with a fall of 5.5% in the worst year of the Great Depression between 1878 and 1879 and a fall of 6.9% in the interwar depression between 1930 and 1931. No other advanced capitalist country has experienced a fall in recent years remotely comparable to that in Britain (see Table 1). The nearest is France, where the Prime Minister Raymond Barre pursued a somewhat milder version of Thatcherism until he was thrown out after the recent elections. And even in France the fall in output was only half that in Britain.

The slump has led to a spectacular fall in employment. Almost as many manufacturing jobs have been lost in the past two years as in the entire 13 years of de-industrialisation between 1966 and 1979 put together. Moreover, in the past, losses in manufacturing have been offset by the new jobs created in the service sector, especially in the public services. Indeed, under Labour, the total number of people employed in Britain actually rose between 1974 and 1979, despite a loss of 700,000 manufacturing jobs. Under the Tories, however, the service sector has been shedding labour under the impact of the slump and the cuts in public expenditure. As a result, total employment has fallen dramatically. This is reflected in the

unemployment statistics which, even when doctored by the government, indicate that nearly three million people are now without jobs. In just two years unemployment in Britain has doubled to reach nearly 12% of the labour force. No other advanced capitalist country has experienced anything like this, and although unemployment has increased almost everywhere, Thatcherism has made things much worse in Britain (see Fig 1).

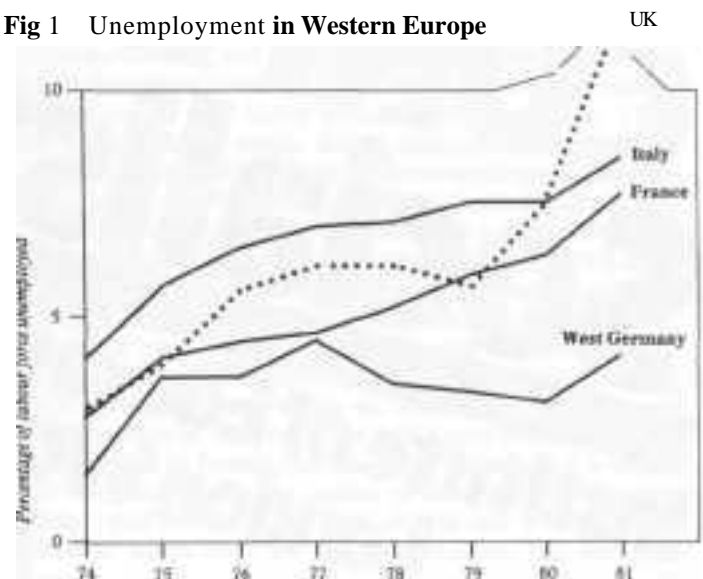
A slump of the magnitude we are now witnessing is bound to hurt all but the most fortunate of capitalist firms and it is therefore no surprise to see that profits have fallen dramatically. Excluding North Sea oil operations, the real after-tax profit rate of industrial and commercial companies has fallen from around 6% under the last Labour government to around 2% today. Since this is an average figure, it means that even many large firms are now in trouble and must rationalise if they are to survive. This is, of course, exactly the logic of Thatcherism, which seeks to force change upon industrial firms by threatening them with bankruptcy.

SDP/LIBERAL ALLIANCE

With its harsh free market doctrines, Thatcherism explicitly rejects the consensus approach followed by all preceding postwar governments, both Tory and Labour alike. This consensus approach expressed in political form an 'historic compromise' between capital and the organised working class. Under the terms of this compromise, capital accepted the basic reforms embodied in the welfare state and agreed to provide both rising living standards and full employment, whilst the organised working class confined its demands within narrow economic and political limits, neither seeking too great a share of the national income nor challenging the basic rights of capital.

However, by its very nature, such a compromise assumes that capital is willing and able to keep its side of the bargain, and when this is no longer the case the result is bound to be social conflict and the eventual breakdown of consensus politics. And this is just what occurred in Britain during the 1960s and 70s. For reasons described above, capital prevented the kind of planning and state intervention required to modernise the British economy in a rational and humane way. Government policy towards industry was therefore weak and vacillating, economic difficulties multiplied, and it became increasingly difficult to provide the rising living standards and full employment upon which the compromise between capital and the working class was based. As a result, this compromise broke down and ever

Fig 1 Unemployment in Western Europe



since there has been endemic industrial conflict over the past fifteen years as workers have sought to increase, or even maintain, their standard of living in the face of hostile employers. And, at a political level, the forms and practices expressing the compromise between capital and the working class have now almost disintegrated.

Disintegration of the consensus

The process of disintegration is rather complex and cannot be described in detail, but its main outlines are as follows. Within the two main political parties — Tory and Labour — there have emerged powerful radical currents which reject the consensus approach as a failure and seek a fundamental shift in the balance of power in society. Amongst the Tories this can be seen in the virulent right wing backlash which ousted Edward Heath from leadership of the Tory Party in 1974. And in the Labour Party, it can be seen in the growth of a strong left wing around Tony Benn, whose increasing influence was instrumental in causing certain elements of the Party to break away and form a new centre grouping, the SDP.

However, this radicalisation within the Tory and Labour Parties has not been matched by a corresponding degree of radicalisation in society at large. Some sections of the population have certainly moved to the right and, to a lesser extent, the left, but many others have simply become confused and have no idea where to place their allegiance, and as a result their voting behaviour has become increasingly volatile. In 1974 there was a big swing from the Tories to the Liberals which, because of the peculiarities of the voting system, put Labour into office. In 1979 there was a big swing away from both the Liberals and Labour towards the Tories. And now, after just two years of the present Thatcher government, there is a big swing away from both Labour and the Tories towards the new SDP/Liberal Alliance.

Thus, as economic problems have multiplied and the compromise between capital and the organised working class has broken down, there has been a radicalisation within the Tory and Labour Parties. But this has not been matched by a corresponding radicalisation in the society at large, and there has emerged a vast and unstable mass of confused voters who are not really committed to any party. It is to these people that the new SDP/Liberal Party appeals. The aim of this alliance is to re-establish consensus politics, not in the old alternating form of moderate Tory and Labour governments — which is no longer possible — but in the form of a national government based on the SDP/Liberal Alliance and supported by sympathetic MPs from all parties. Such a government, it is claimed, would unite all people of goodwill, eliminate the extremism which is supposedly the cause of all our present ills, and allow the British people to work together in a spirit of cooperation. This message is undoubtedly very popular, and it is quite possible that a national government will be formed after the next election.

Would it succeed?

What would be the fate of such a national government? Would it re-establish a stable consensus in Britain, as its supporters claim, or would it fail, just as previous Tory and Labour governments have done, and collapse amidst the usual recriminations? There are obviously many opposing views and sources of potential conflict within the Alliance, on such matters as nuclear disarmament for example, but the fate of a future national government would hinge mainly on its economic performance. If such a government could achieve anything like full employment, and provide security and prosperity for the British people, it would have a secure future and could survive indefinitely. But if it failed to achieve these objectives, a national government would probably collapse and the SDP/Liberal Alliance would go down with it.

To assess the likely economic performance of such a government requires information: both about its economic programme and about the conditions under which this programme would be implemented. On neither point can we be very sure. The programme of the Alliance is still not very clear, and so far it seems to comprise little more than a limited package of measures, consisting of a mild reflation, a certain amount of public investment, some minor social and economic reforms, together with an incomes policy and a small devaluation of the pound. This modest programme is merely a half-speed version of the Barber 'dash for growth', of 1972-73, and its chances of success are slim under the conditions likely to face a future national government.

If such a government comes to power, the economy will almost certainly be in a very weak condition for, although Thatcher's policies have been successful in some areas, they have merely wrecked others and they are most unlikely to revitalise British industry within the next couple of years. And on the international

Such a combination of economic failure and social conflict would destroy the credibility and electoral support for a national government, and the SDP/Liberal Alliance would almost certainly disintegrate under the strain

front, conditions would be equally gloomy, for the world economy is now facing a prolonged period of stagnation, and export markets will remain depressed for some years to come. Given the combination of a weak economy at home and depressed export markets abroad, the reflationary package proposed by the Alliance would have only a marginal impact on the economy. Indeed, even its academic advocates admit that it would create only 1/2 million jobs which, given the rate at which jobs are disappearing under the Tories, would mean that unemployment would remain above its present level of 3 million.

The unstable consequences

Thus, unless there is an unforeseen recovery in the world economy, any government based on the policies of the SDP/Liberal Alliance would soon find itself in difficulties and would inevitably be drawn into conflict with the trade unions, just as preceding governments have been. Such a combination of economic failure and social conflict would destroy the credibility and electoral support for a national government, and the SDP/Liberal Alliance would almost certainly disintegrate under the strain. The result of such a collapse would, of course, be a highly unstable political situation. There would be millions of people deeply disillusioned not just with individual political parties, but also with the whole system of parliamentary democracy. This would pose a real challenge for the Left. For unless these people could be drawn into a new and effective reforming alliance to replace the old and discredited SDP/Liberal Alliance, many of them could shift radically to the right and provide the mass base for an authoritarian government.

This is, of course, all very speculative. No one can know for certain whether the SDP/Liberal Alliance will be able to form a national government or, if it does so, whether such a government will fail. But even so, there does seem to be a good chance that such a government will be formed, and that it will fail because it is unwilling to take the radical steps needed to solve Britain's economic problems. And if it does fail, the Left will face a very difficult situation in which there are new opportunities, but also great dangers.