David Owen, New Labour and the Social Market Economy: The Renewal of Social Democratic Politics

Matthew Lakin (4053018)

Friday 1st May 2009

The University of Nottingham

School of Politics and International Relations

Professor Steven Fielding and Dr. Andrew Denham

Social Market Foundation

11 Tufton Street
Westminster
London SW1P 3QB

T: 020 7222 7060
info@smf.co.uk
www.smf.co.uk

Chair: David Lipsey
Director: Ian Mulheirn
Registered charity, no. 1000971 and a company limited by a guarantee registered in England with no. 2537035

CONTENTS

Abstract 3

Acknowledgments 3

Abbreviations 4

Literature Review 6

Introduction 7

Chapter One: Origins and Evolution of the Social Market Economy 9

- Origins of the social market economy 9
- Ludwig Erhard and the social market economy 11
- The SPD and the social market economy 13
- The Heath Government and the background to the social market in Britain 15
- Keith Joseph, the CPS and the social market 16

Chapter Two: David Owen and the Social Market: Breaking Left and Right 19

- Reorienting Social Democracy: The Birth of the Social Democratic Party 19
- David Owen and the development of the Social Market Economy 22

Chapter Three: After Owen: New Labour and Social Democratic Politics 1987-200930 30

- Antecedents to New Labour: Social Democracy and the 'Progressive Dilemma' 30
- New Labour and Neo-revisionism 1994-97 32
- The Blair Governments: 1997 – 2007: Social Democracy in practice? 37

Conclusion 40

Bibliography 42

Social Market Foundation
11 Tufton Street
Westminster
London SW1P 3QB
T: 020 7222 7060
info@smf.co.uk
www.smf.co.uk
Chair: David Lipsey
Director: Ian Mulheirn
Registered charity, no. 1000971 and a company limited by a guarantee registered in England with no. 2537035

ABSTRACT

The social market is an important concept within the social democratic tradition in modern British political thought. The social market was transplanted into Britain in the 1970s through the free-market ideas of Sir Keith Joseph at the CPS. David Owen's use of the concept (1981) was the first serious attempt to discuss the social market's virtue and applicability to the social democratic model. This study examines the role and the evolution of the social market concept, critically examining the role of the social market economy (role of ideas and policies) in reshaping social democratic thought in contemporary Britain through the politics of David Owen, the SDP and New Labour. In doing this, the dissertation will also examine its origins in Germany. In conclusion, the aim is to assess the impact of the social market economy on social democratic theory and politics.

ACKNOWLEDGMENTS

I would like to thank all of those people who helped me conduct the research and writing for this dissertation. Principally, Andrew Denham has helped me enormously with my research and writing. Steven Fielding has offered much help and support with research and writing also. Furthermore, the writing of this dissertation would have been greatly reduced without the help and contributions of the following people:

- Sir Samuel Brittan
- Rt. Hon Kenneth Clarke QC MP
- Matthew Cropper
- Alex de Mont
- Richard Heffernan
- Helen Lakin
- Mark Lakin

- David Lipsey (Lord of Tooting Bec)
- David Marquand
- Michael Meadowcroft
- David Owen (Lord of the City of Plymouth)
- Robert Skidelsky (Lord)
- Norman Tebbit (Lord)
- Polly Toynbee
- Rt. Hon. David Willetts MP
- Shirley Williams (Baroness of Crosby)
- Caryl Woolley

ABBREVIATIONS

BBC – British Broadcast Corporation

CDU – Christian Democratic Union of Germany (Christlich Demokratische Union Deutschlands)

CPS – Centre for Policy Studies

CSU – Christian Social Union (in Bavaria) (Christlich-Soziale Union in Bayern)

EC – European Community

EEC – European Economic Community

EMU – European Monetary Union

GDP – Gross Domestic Product

IEA – Institute for Economic Affairs

NATO – North Atlantic Treaty Organisation

NEC – National Executive Committee

NHS – National Health Service

PFI – Private Finance Initiative

SDP – Social Democratic Party (UK)

SMF – Social Market Foundation

SPD – Social Democratic Party of Germany (Sozialdemokratische Partei Deutschlands)

UN – United Nations

LITERATURE REVIEW

On the German social market economy Hallett (1973), Peacock and Willgerodt (1989), Nicholls (1994) and Smith (1994) all proved to be highly valuable reference points.

The role of the Keith Joseph and the CPS was covered by Letwin (1992), Cockett (1996), Harris (1996) and Denham and Garnett (2002). Joseph's pamphlet on the social market, *Why Britain needs a social market economy* (1975) was an indispensable reference point to assess the CPS's conception of the social market. However, the CPS's contribution to social market thought is relatively thin.

The main body of the work revolves around Owen's conception of the social market. Owen's *Face the Future* (1981), *A Future that Will Work* (1984) and *A United Kingdom* (1986) all touch upon social market themes. These books formed the foundation of the discussion of Owen's social market thought. Owen's autobiography *Time to Declare* (1992) was particularly useful in terms of assessing the social market's impact after the demise of the SDP. Private interviews with Owen revealed his current thoughts on the social market economy and the degree to which his ideas have impacted on New Labour. Jenkins (1991) and Rodgers (2000) offer some valuable personal insights on the SDP and Owen. De Mont (1984) produced a useful pamphlet outlining the theoretical framework underpinning the SDP's social market vision. Brack (1988) and Marquand (1999) offer compelling critiques of Owen's social market thought. The most comprehensive reference point was Crewe and King (1995). Crewe and King are largely critical of Owen and the social market, and conclude that his ideas within the pantheon of British politics are negligible. There is a noticeable gap in the literature however. There has been little attention given to the social market's influence, if any, on British politics after the SDP. Dutton (2004) offers analysis of the social market under Owen's leadership of the

SDP and its reception from the Liberals. Heffernan (2001), Fielding (2003), Beech (2006) and Beech and Hickson (2007) touch upon Owen's influence on New Labour thinking, but a comprehensive analysis is yet to be produced.

The literature on New Labour's impact on social democratic politics is capacious. The revisionist tradition is covered in the work of Crosland (2006), Hattersley (1987) and Marquand (1999). Accounts of New Labour vary depending on the emphasis attributed to the influence of Thatcherism, social democracy and post-Thatcherism. The most useful accounts of New Labour and neo-revisionism were Mandelson and Liddle (1996), Gould (1998), Hay (1999), Driver and Martell (1999), Heffernan (2001), Ludlam and Smith (2001), Fielding (2003), Seldon et al (2007), Beech and Lee (2008) and Thorpe (2008). Much of the literature discussed the SDP's influence tacitly, but few discussed the role and influence of Owen's social market on New Labour thought explicitly.

INTRODUCTION

The social market economy *prima facie* seems less coherent than political appellations such as Thatcherism, 'one-nation' conservatism, 'compassionate conservatism', modern liberalism, social democracy or socialism. However, once the concept is unpacked, which this study aims to achieve, the social market goes a great deal to help reveal the ideological attitudes of all of the major political parties in contemporary Britain. Will Hutton outlined the tendency for all of the major political parties to fully endorse the 'androgynous, all-purpose, elastic idea' known as the social market (Hutton 1987). Hutton's assessment is somewhat prophetic. In current British politics, the next general election will be won based on the most 'authentic voice of liberalism' (Lee 2008: 192). Each of the three leaders will be fighting on the legacy of Tony Blair and New Labour. David Cameron, leader of the Conservative Party, has resurrected the idea of 'compassionate conservatism' (O' Hara 2007), Gordon Brown, Labour Prime Minister, embodies 'sympathetic liberalism' and Nick Clegg, leader of the Liberal Democrats, combines market

prudence with social compassion (Marshall, Laws 2004). All of these ideological messages are redolent of Owen's social market.

Owen was the first politician to seriously and forcefully introduce the social market into British politics. The social market's origins reside in post-war Germany and were used subsequently in New Right thought associated with the Conservative Party of the 1970s. However, within the framework of British political thought, the social market's honorary godfather is attributable to Owen. The social market charts the story of the reconstruction of post-war Germany, the revision of moderate social democracy in Britain in the 1980s, the renewal of social democracy and acceptance of market economics in the 1990s and the contemporary acceptance, though not in name, of social market orthodoxies by the 'New' Conservatives, New Labour and the Liberal Democrats. The concept's ambiguity and obscured parentage has meant that the concept has received equal amounts of praise as much as it has criticism, but its prevalence and impact on social democracy and contemporary British politics cannot be underestimated.

Chapter one examines the intellectual origins and evolution of the social market economy in Germany and its transplantation into right-wing politics in Britain during the 1970s. Chapter two assesses Owen and the SDP's relationship with the social market, and aims to assess the degree to which the social market permitted the centre-left to accept mooted dimensions of Thatcherism. Chapter three outlines Owen's legacy and the impact of social market thought on the renewal of social democracy under the era of the modernisers and New Labour The conclusion ties the ideas opened up in the introduction and speculates about the future and survival of the social market and its fraught relationship with social democracy

CHAPTER ONE – ORIGINS AND EVOLUTION OF THE SOCIAL MARKET ECONOMY

The social market is like an old pop song, which is constantly being re-released by modern performers anxious to do cover versions of it.

Marxism Today (July 1991)

1. Origins of the social market economy

The pretext to the social market economy resides in the school of classical and social liberalism. The Scottish school of moral philosophy, the classical liberal political economists from Adam Smith to John Stuart Mill, as well as the French and German thinkers of the late eighteenth and nineteenth century (Immanuel Kant, Friedrich Schiller and Wilhelm von Humboldt) laid the foundations of a free society in Western Europe. These liberal thinkers established a precedent for the scholars in the twentieth century to abandon dogmatism, absolutism and unbridled *laissez-faire* capitalism. Walter Eucken, Hans Großmann-Doerth, Franz Böhm, Alexander Rüstow and Wilhelm Röpke were among the liberal thinkers that contributed to Ordoliberalism (synonymous with the Freiburg School in the 1930s).

The Ordoliberal group of German thinkers began their activities as opponents of the Nazi regime. Eucken, who was a professor of economics at the University of Freiburg, aimed to circulate ideas that advocated the establishment of a market-orientated economy in post-Hitler Germany. His most influential work *Grundsatz der Wirtschaftspolitik* was published posthumously in 1952, and drew upon the neo-liberal ideas of F. A. Hayek and Ludwig von Mises. Ordoliberals were still influenced by their experiences of the Great Depression. Therefore, German economists wanted a system balanced with a social ethos and moral incentive to prevent a repetition of history. As a result of their staunch opposition to the Nazis, they were bestowed with the enormous challenge of restructuring post-war German economic policy (Peacock, Willgerodt 1989: xxi). In the aftermath of the collapse of Nazi rule, the

Ordoliberals started to discuss the appropriate sub-systems of a free society and the necessary relations between political, economic and social systems under the rule of law.

The term 'social market economy' (soziale marktwirtschaft) was first coined in 1946 by Alfred Müller-Armack. The social market meaning was very simple: 'market freedom combined with social balance' (Armack 1989: 82). Social market theory rejected collectivism and disputed the claims of laissez-faire capitalism in favour of an economic 'third way' (Watrin 1999: 93). Competition was the linchpin of a new liberal economic order and would enable the 'weakest members of society to lead a life befitting a human being' (Ibid: 99). The social market's high prioritisation of market functionality meant that social and redistributive measures had to be conducive with a 'global free market' model. A large instalment of the Freiburg thesis included the removal of protective barriers, state controls of industry and the reduction of monopolistic privileges granted by the state.

Smith (1994) identifies four principles of the social market. The first is a refined definition of competition. Armack's 'principle of individuality' justifies the competitive market economy to secure the liberal ideal of individual freedom. The freedom to compete and to create wealth achieves prosperity for a society; anything that restricts freedom is detrimental. However, an 'appropriate role for state intervention', Smith's second principle, harnesses the excesses of the first.

Government intervention is viewed as a necessity in the social market in order to extirpate the excesses of big business and the effects of market monopolisation. Armack's 'principle of solidarity' refers to the idea that the individual is more than an isolated consumer but part of a gestalt**.** The second principle reasserts Armack's commitment to a system of social security, which legitimises income redistribution. This principle can be seen as the 'social' component. It entailed a panoply of social policies: assistance for the old and the ill, the handicapped, disabled and the unemployed (Hallett 1973: 22). The 'social' component was strongly influenced by Catholic teachings and the German tradition of autonomous government.

The third principle details the commitment of the social market to a strict control of the money supply. The theory is that a stable monetary order would help inform investors of an efficient price mechanism. Smith's final principle outlines the ethical and political aspects of neo-classical liberalism (Smith 1994: 17). This principle states the necessity of social security. The social security system was to be shaped according to the 'principle of subsidiarity', 'which meant that the state would only assist those citizens who could not help themselves' (Braun 1990: 177). This enshrines a commitment to free market values but remains committed to balancing this with a moral and ethical compass. Unlike free markets, the social market ethos rejects the restoration of laissez-faire capitalism, but argues instead for a 'new kind of synthesis' (Peacock, Willgerodt 1989: 83). Armack protested that the social market should not be seen as a *weltanschaunng* like classical liberalism or Marxism, but produce 'greater personal responsibility and individual freedom' under the rule of law (Smith 1994: 18).

2. Ludwig Erhard and the social market economy

Ludwig Erhard (the Bavarian Minister for economics and then Chancellor), along with Armack, were the fathers of the social market and remained in control of the West Germany economy from 1945 until the mid-1960s. Erhard provided the basis for the practical politics of the social market programme. Significantly, on 29 August 1949, Erhard told the delegates of the *Recklinghausen* conference that he stood for a 'socially committed market party' (Nicholls 1994: 11). The commitment to the programme in the 'Dusseldorf Principles' (1949), sharply rejected state planning and bureaucratic controls, but also opposed the free market economy' (Ibid.). Konrad Adenauer, Chancellor from 1949 to 1963, had boldly placed the social market economy at the head of the CDU's election programme. In 1948, Erhard set about to abolish the system of central planning in the Bizone by eliminating price controls. Hitherto all aspects of the economy – prices, wages, rents, allocation of foodstuffs and materials – had been controlled, but Erhard's mission to reconstruct the economy along ordoliberal principles would undermine such 'undemocratic' control.

Social Market Foundation
11 Tufton Street T: 020 7222 7060 Chair: David Lipsey
Westminster info@smf.co.uk Director: Ian Mulheirn
London SW1P 3QB www.smf.co.uk
Registered charity, no. 1000971 and a company limited by a guarantee registered in England with no. 2537035

Erhard was also suspicious of mixed economies and the creation of state enterprises that followed. Erhard equated mixed economies with the suppression of competition and enlargement of social and redistributive programmes. Erhard's derision of mixed economies is detailed in *Prosperity through Competition* (1958) where he advocates the generation of wealth and prosperity through competition, not redistribution (Xingyuan 2008: 156). According to Brack (1988), 'Erhard and the Christian Democrats had no notion of the mixed economy', which perhaps suggests that Erhard's denunciation of the mixed economy was crafted out of ignorance (Brack 1988: 9). Brack is erroneous to attribute Erhard as a simple champion of laissez-faire capitalism.

Like Armack, Erhard condemned the exploitation that was endemic of purest capitalism. For Erhard it preyed on the vulnerable, augmented the power of the rich and deeply divided nations along lines of economic classes. Erhard, in order to persuade socialists that social justice and the truly free market were compatible components of political theory, distanced himself from laissez-faire capitalism. For Erhard state interference was a fundamental requirement in helping protect free competition (Nicholls 1994: 154). Erhard believed that the state would set the stage for competition and then subsequently supervise the functioning of the market. Erhard's key point was that the 'market is social' (Interview with Sir Samuel Brittan). The free market economist Hayek asked Erhard about the social market. Erhard replied, "I hope you don't misunderstand me when I speak of a social market economy. I mean that the market as such is social not that it needs to be made social" (Mierzejenski 2004: 31). Therefore, Erhard believed that the 'freer the economy, the more social it is', which meant that the market economy was social because it was driven and coordinated in the interests of the consumer.

The left of German politics contended that the use of the word 'social' in relation to the 'market' was a 'cynical manipulation of the workers for the benefit of big business' (Ibid.). Dr. Kurt Schumacher (leader of the SPD from 1945 to 1962) dismissed the social market as 'the fat propaganda balloon of private enterprise filled with putrid gasses of decaying liberalism' (Weymar 1957: 250). Erhard was not only criticised for his coquetting of the market, but also for his endorsement of a role for the state. Many liberal economists perceived the social market as an 'ill-conceived

attempt to revive the economy theory of State absolutism' (Ibid.). In context, reflecting on the horrors of Nazi totalitarianism, Erhard's scepticism of the state and his enthusiasm for market mechanisms is understandable. The German *wirtschaftswunder* was undeniably a by-product of Erhard's stewardship of the economy.

3. The SPD and the social market economy

Under the Adenauer and Erhard governments the *Soziale Markwirtschaft* was recognised as the central component in the engine of the German economic miracle. Therefore, it is no surprise that the SPD, who had objected to the social market economy, adopted the idea in 1959 at Bad Godesberg. Previously, many in the SPD saw the social market as a device to ensnare and hoax people into a full acceptance of unregulated market capitalism. Brack (1988) supposes this move was influenced out of pure necessity, 'there seemed little future in opposing a continuous economic boom', which was partly a product of the social market.

At Bad Godesberg the SDP abandoned the last of its quasi-Marxist inheritance. It became a party of the social market, but as Lipsey indicates, it was not 'exactly the same social market as that of the right' (Lipsey 2007: 2). The SPD had a greater interest in tripartism and trade union rights than the CDU did. The Social Democrats illustrious slogan they opted for, accredited to Karl Schiller (Federal Minister of Economic Affairs (1966-72)), was, "the market wherever possible, planning wherever necessary." (Pierson 1995: 80). Was everyone now eligible to join the social market club?

The first economic crisis brought the economic miracle to a *dénouement*, which resulted in the resignation of Chancellor Erhard in 1966. Subsequently, a 'great coalition' was formed between the CDU/CSU and the SPD. Within the coalition, the SPD had a suitable and large enough mandate to alter and calibrate the economic structures founded by Erhard. Schiller believed in rule setting, which emasculated the powers of monopoly interests through opening up greater opportunities for foreign competition. In theory, this enabled the expansion of small companies, whether privately owned or cooperatively owned. Moreover, Schiller believed that the Freiburg School

was 'weak on macro-economics' in areas of controlling aggregates such as unemployment (Hallett 1973: 20). Schiller's social market became synonymous with *Globalsteurung* (overall steering/global guidance), which influenced the controlling of aggregates (consumption and investment) and changes in the money supply in order to arrest the economic downturn and the exchange rate adjustments. However, Schiller's adjustments to Erhard's social market model were either an enlargement of the social market's remit (in the light of the Ordoliberal interpretation) or complete abandonment of substantive policies and a commitment only in name. Undeniably Schiller followed a different concept to Erhard. Schiller was a Keynesian by conviction. Government had both an obligation and the capacity to shape economic trends and to assuage the ebbs-and-flows of the business cycle. Barry (1987) was sceptical about the 'second stage' of the social market. The 'Social Market Economy was gradually eroded…by the subtle intrusion of Keynesian methods of economic management, by a rise in welfare spending, and by open involvement of organised groups in the decision-making process' (Barry 1987: 185). Following Barry's analysis the death of the social market coincided with the resignation of Erhard. Schiller believed that the 'combination of global steering and market economics' however was the only precondition that would preserve the social market. This innovative combination would, theoretically, contribute towards the "magic triangle": price stability, growth and full employment (Zweig 1980: 40).

The SPD cited very little social market theory (the mixed economy of Keynesianism was far more influential). Dr Susanne Miller, widow of the author of Bad Godesberg programme Willi Eichler, wrote in 1984, "neither the term nor the notion of the 'social market economy' is to be found in the SPD programme" (Brack 1988: 10). The social market however was instrumental in conveying a message of renewal for social democracy. The social market succinctly expressed a message of change and modernisation where there was a role for both the market and social policy within German social democratic thought. There were clear differences between Erhard and the SPD in 1949, as there are between Schiller and the SPD in 1972, but the 'views of Erhard and Schiller…can be usefully indicated by the term 'social market economy' (Hallett 1973: 17-18).

Social Market Foundation
11 Tufton Street Westminster London SW1P 3QB
T: 020 7222 7060 info@smf.co.uk www.smf.co.uk
Chair: David Lipsey
Director: Ian Mulheirn
Registered charity, no. 1000971 and a company limited by a guarantee registered in England with no. 2537035

4. The Heath Government and the background to the social market in Britain

The Conservative Government elected in 1970 promised radicalism, 'a freer market, less government control…minor privatisations, trade union reform and no prices and incomes policy' (Barry 2005: 37). According to Gamble (1994), it appeared as both a 'first attempt to introduce a 'Thatcherite' programme and as the last phase of the interventionist modernisation programme of the 1960s' (Gamble 1994: 81). Heath's Government was in many respects the first government to openly challenge some of the key fundamental pillars of the post-war consensus (Campbell 1993).

The twin gurus of the post-war consensus were John Maynard Keynes and William Beveridge. Keynes' lasting legacy is the economic model that much of Western Europe adopted up until its dissolution in the 1970s. Keynesian economics is a macroeconomic theory, which emphasises the use of demand-side factors in the determination of aggregate outputs. This required a greater role for government to curb the inefficiencies of the private sector. The state would intervene in the tax system to influence consumption and to achieve 'full' employment. Beveridge compiled the report *Social Insurance and Allied Services* (1942), which served as the primary basis for the welfare state established by the Attlee Government (1945 – 51), especially the National Health Service (NHS). Beveridge recommended that governments should find ways to combat the five 'Giant Evils' of 'Want, Disease, Ignorance, Squalor, Idleness'. Keynes and Beveridge were the twin architects of the mixed economy and the creation of the modern welfare state, which both Labour and the Conservative Party assented to

Leading politicians of the Heath Government challenged this settlement. Many Conservatives signalled their discontent towards the post-war consensus. Nicholas Ridley noted that he 'had entered politics to reverse the Attlee governments' reforms' and Cecil Parkinson, former party Chairman, argued that "the failure of the Conservative governments of 1951-64 to reverse the Attlee experiment was deplorable" (Green 2004: 217). Sir Keith Joseph thought the post-war consensus was synonymous with 'six poisons':

> 'excessive government spending; high direct taxation; egalitarianism; excessive nationalisation; a politicised trade union movement associated with Luddism; and an anti-enterprise culture' (Heffernan 2001: 23).

Initially, the Heath Government appeared radical and daring. Agencies of interventionism were abolished such as the Prices and Incomes Board, the Industrial Reorganisation Corporation and the Ministry of Technology. This air of competitiveness and modernisation was exemplified with Heath's drive to gain British entry into the EEC. However, to the dismay of rightist members of the Conservative Party, Heath abandoned the pledge of radical economic reform in a famous 'U-turn' due to poor industrial relations. Geoffrey Howe admitted that 'Thatcherite' 'solutions were not seriously on the agenda from 1970-74' (Seldon: 1996: 15). The attempt to impose a comprehensive legal framework upon the unions went horribly wrong. The national *impasse* between the government and the unions resulted in the destruction and fall of the Heath Government. For the right of the Party the re-introduction of compulsory incomes policy marked a betrayal. Joseph, in the autumn 1974, delivered a speech at Preston condemning the role of incomes policy and the increasing reliance on demand to offset unemployment problems – it was an assault on the policies of the Heath Government and post-war consensus politics.

After two successive general election defeats for the Conservatives in 1974, Heath was challenged for the leadership of the party by Thatcher. Joseph had ruled himself out following a controversial 'clumsy, eugenics-sounding speech' concerning the over-populating tendencies of the working classes (Green 2004: 215). Thatcher defeated Heath on the first ballot (119 to 130) and then defeated Tory grandee William Whitelaw on the second (146 to 79) to become the leader of the Conservatives in February 1975.

5. Keith Joseph, the CPS and the social market

Joseph remarked in 1975, "It was only in April 1974 that I was converted to Conservatism. I had thought that I was a Conservative but I now see that I was not one at all" (Green 2004: 4). The establishment of the CPS (20 June 1974) signalled the importation of the social market economy into British politics. With Thatcher, and other free marketeers (Alfred Sherman, Alan Walters and Peter Bauer), Joseph was given 'grudging acquiescence' by Heath, to 'compare our own experiences and those of our European neighbours…and to survey the scope for replacing increasingly

interventionist government by social market policies' (Joseph 1975: 3). Not only did the CPS, notably Sherman, aim to re-examine the failures of 'Heath's corporatism' and the post-war period, but also add to a more rounded characterisation of the liberal-conservatism synonymous with Thatcherism. For the CPS, the social market can be defined as a 'free market economy operating within a humane system of laws and institutions' (Harris 1996: 53). Joseph's social market aimed to champion the role of markets and to attract the voters to the 'common ground' not the 'middle ground' which had been on a constant journey leftwards since 1945 through the 'ratchet' effect (Joseph 1976). Ultimately, the social market was somewhat softer sounding than the 'sharper cadences' of the 'free market' and could even be thought of as 'caring capitalism' or 'compassionate capitalism' in order to distinguish the model from laissez-faire models of Dickensian England (Cockett 1994: 252).

Why Britain needs a social market economy (1975) is the most explicit CPS publication on the social market. The pamphlet was not written by Joseph, except for the foreword, but by two members of the CPS, Martin Wassall and Nigel Vinson. Broadly, the pamphlet defined the social market economy 'as a socially responsible market economy' (Ibid: 253). Norman Lamont, in the Keith Joseph Lecture (2007), claimed that Joseph's conception of the social market included the 'social' component because the 'economy' affects the 'social': 'it was the best means of delivering higher living standards for all, including the poor' (Lamont 2007: 17). The pamphlet specifies the type of interventionism the CPS advocates. The 'social' element instead should support 'the old, the ill, the handicapped, the disabled and the unemployed' and aid industries that undergo rapid structural changes (Ibid.). Therefore, there is a legitimate mandate for state intervention, but the state has a duty to minimise the distortions of the economy. The 'social' aspect derives almost entirely from the efficiencies and dynamism of the 'market' – the freer the market the more generous the social can afford to be. The pamphlet's conclusion presses this market message further:

> 'we must nourish a free enterprise society in which, over all but a limited area of their lives, adult individuals are left free to make their own decisions and enjoy the dignity and self-respect which come through so doing' (Ibid: 16).

Social Market Foundation
11 Tufton Street T: 020 7222 7060 Chair: David Lipsey
Westminster info@smf.co.uk Director: Ian Mulheirn
London SW1P 3QB www.smf.co.uk
Registered charity, no. 1000971 and a company limited by a guarantee registered in England with no. 2537035

The pamphlet and the CPS's enthusiasm for markets and latent passion for society was axiomatic in the social market's subsequent disappearance from Joseph's speeches. Joseph was persuaded by two academic friends, William and Shirley Letwin, that the 'social' component' "diluted" the message 'for a return to the primacy of the role of the market in economic affairs' (Denham, Garnett 2002: 241; Cockett 1994: 253). Despite an early suggestion for the CPS to be called the 'Institute for a Social Market Economy', the short-lived ephemeral life of the social market economy among the political-right in Britain had ended, in name at least (Denham, Garnett 2002: 241). Denham and Garnett highlight that the removal of the 'social' from the market economy simplified 'Joseph's message, but only at the expense of making his rhetoric seem harsher' (Ibid.). Senior Conservatives, in this tradition, were deeply suspicious of this alien German import. Thatcher denounced the West German model as:

> 'a kind of corporatist, highly-collectivised, 'consensus'-based economic system, which pushed up costs, suffering from market rigidities and relied on qualities of Teutonic self-discipline to work' (Thatcher 1993: 751).

Ridley stated that the German social market would make 'public services so good that no one will want to go to private provision' (Ridley 1991: 102). Ridley went on to be a staunch Thatcherite and a passionate convert to the cause of privatisation and deregulation. Ridley recognised that Joseph's objective in adopting the social market was to outline the compatibility of social obligations and market economics. However, Ridley starkly believed 'the 'market' would have to be bled white to pay for the 'social'' (Ibid.).

Joseph's support for the social market seemed pragmatic. It was a way in which Britain could face the realities of a greater role for the market without horrifying and stirring the British public into frenzy. The social market slogan never featured in the key slogans of Thatcherism. The concept was largely unused and unknown by the electorate and much of the establishment, until David Owen, in 1981 resurrected the idea to revise the politics of the centre-left and social democracy.

CHAPTER TWO – DAVID OWEN AND THE SOCIAL MARKET: BREAKING LEFT AND RIGHT

'What is needed is a new synthesis, a combination of what are too often wrongly assumed to be incompatible objectives. It is not any easy balance to achieve'

David Owen, *A Future That Will Work* (1984)

1. Receiving Social Democracy: The Birth of the Social Democratic Party

The SDP was launched on 26 March 1981, after three prominent members of the Labour Party; David Owen, Shirley Williams and William Rodgers, accompanied by Roy Jenkins from the European Commission, decided to 'break the mould' of British politics. They became known collectively as the 'Gang of Four'.

The SDP's origins reside in the conflict between the left and the right in the Labour Party, which were apparent over a myriad of issues. The tension between the two factions (the moderates and the socialists) was fought over European Union membership, the extent and value of nationalisation, the role of the market and unilateral disarmament. The increasing influence of the left in the Party was bolstered by the growing power of trade unionism, which concerned many on the right within the Party and resulted in questioning their erstwhile commitment to the Labour Party. The damage to the right by 1980 was impacted further by three critical factors. Firstly, the death of two prominent revisionists of social democracy, Anthony Crosland in 1977 and John Mackintosh in 1978, was a heavy blow to the social democrats within the party who believed in the ability of economic growth to maintain full employment and as a corollary this would deliver the conditions for a fairer and more equal society. Secondly, the revisionist canon was being criticised by the New Left and the neo-liberals. The ideological opposites were attacking the settlement which Crosland tried to revise in order to save its life. Thirdly, Labour right-wingers and supporters of Crosland were concerned with the general leftward ideological trajectory of the Party (Beech 2006: 66). For Williams, the Labour Party's commitment to leaving the EC and the 'growth of Leninism' within the Party were influential catalysts in her decision-making to form a new party (Interview with Baroness Williams).

A notable stage post towards the creation of the SDP, and an indicator of the growing division within the Labour Party, was Jenkins' delivery of the Dimbleby Lecture entitled *Home Thoughts from Abroad* in November 1979. Jenkins' desire to strengthen the political centre would feature heavily within the debates over whether the SDP's ideological orientation should be centrist or social democratic. For Jenkins, the Keynesian social-democratic consensus exuded signs of fragmentation but the extremism of both socialism and neo-liberalism did not offer the panacea needed to quell British decline. Owen, still inside the Labour Party, had his mind made up for him in regards to leaving the Party at the conference at Wembley in July 1980. The central issue for Owen was defence policy and the proposition of unilateral disarmament. Labour's position on a nuclear deterrence ultimately pushed Owen to form a new political party (Harris, Owen 1987: 163).

The Limehouse Declaration (the joint statement of the Council for Social Democracy) was the definitive moment in the creation of the new Party on 25 January 1981. Even though the Limehouse Declaration was not the birth of the SDP, it was a decisive and clear step towards renewing social democracy outside of the Labour Party. The aim of the movement 'would be to construct an open, classless, prejudice-free society through realignment free of the dictates of the Labour movement' and in Jenkins' words not only to form a new party "but a new approach to politics" (Behrens 1989: 79). Additionally, the Limehouse Declaration was a commitment to a sensible relationship between the public and private sectors, the elimination of poverty, a practicable degree of decentralisation, a commitment to high unemployment and restrained inflation and a positive relationship with the EC, NATO, the UN and the Commonwealth (Bradley 1981: 121). The Limehouse Declaration's approach was reminiscent of the social democratic doctrine of the SPD in West Germany. Owen's social market model was heavily influenced by the SPD and acknowledges Bad Godesberg as being an inspiring force for change for the centre-left in British politics (Owen: 1981a). Between the Limehouse Declaration and the formation of the new party (26 March 1981) a name for the new party had to be decided on. The Gang of Three and the Jenkinsites toyed with numerous possible names; Social Democratic, 'New Labour, Democratic Labour, Progressive Labour, Radical…Democratic…Progressive' (Crewe, King

1995: 100). Some Jenkinsites, following the Dimbleby Lecture's political current, preferred 'Centre' as the name for the new Party.

Even though the selection of a Party name seems trivial, the substance behind the eventual name of the Party conveys the ideological struggles within the SDP. There was a dichotomy between those members of the SDP who believed in an innovative 'radical centre' (Jenkinsites) and those who wanted a 'Mark II Labour Party' in the guise of Gaitskellite social democracy. Williams seemed to be in favour of the idea that the SDP would embody principles and ideas which had belonged to Labour. This was axiomatic in her castigation of centrism: "We do not believe in the politics of the inert centre purely representing the lowest common denominator between two extremes" (Crewe, King 1995: 93). Owen advocated not a Mark II Labour Party, but a new party that would be 'the natural outgrowth of the centre left' (Owen, Harris 1987: 205). Owen insists that the Limehouse Declaration was "not a rallying for the new centre party with which Roy had been associated since the Dimbleby Lecture" (Radice 2003: 297).

The formation of the SDP was confirmed in the statement *Twelve Tasks for Social Democrats*. The commitments consisted of breaking the mould; fair elections; consistent economic strategy; employment policies; a mixed economy; fair distribution; decentralisation; welfare; a better environment; equality for women; all-inclusive society; and international cooperation (Bradley 1981: 121-122). These statements are broadly social democratic in their ideological content, but there was an element of compromise to centrism (breaking the mould) that the Liberal Party could consent to. By 1982 the SDP had managed to attract 29 Labour MPs and 1 Conservative defector. With the relatively small number of MPs (even though the SDP formed a partnership with the Liberals to form the Alliance which initiated electoral cooperation) the SDP, during Jenkins' leadership (1981-83), was trying to find a brand of social democracy amidst the radicalism from both the left (Bennite Socialism) and the right (Monetarist Thatcherism). Under the SDP's collective leadership and then Jenkins' leadership the party shared with the right unease and scepticism of bureaucratic collectivism and the central state. But, they were just as hostile to

Thatcherism. There was also a commitment to constitutional reform and decentralised forms of decision-making. Ultimately, the SDP under Jenkins was a nostalgic project for the Bustkellism of the 1950s and the 1960s, trying to manage the mixed economy through concession and compromise. In Ralf Dahrendorf's words, the SDP at the 1983 General Election was offering a vision of 'a better yesterday' (Kavanagh 1987: 60). Owen's social market, which was first used in 1981, was a clear and decisive departure from this platform

2. David Owen and the development of the Social Market Economy

Following the disappointing outcome of the 1983 General Election (the SDP only secured six seats sharing 25% of the popular vote) Jenkins' leadership had come to a close. Thatcherism was electorally victorious and Labour had committed long-term political suicide. Owen succeeded Jenkins as leader unopposed in June 1983. For Owen, the 1983 results revealed the 'limited attractions of an appeal to moderation and the comfortable middle ground', and Owen subsequently, in a pithy ideological instruction, wanted to 'simultaneously break right on the market and left on social policy', which would distance his leadership from the centrist rhetoric of Jenkins (Dutton 2004: 254). Between the 1983 and 1987 General Elections, 'Owen was the SDP and the SDP *was* Owen' (Crewe, King 1995: 303). The principal problem for the social market, at the beginning of Owen's relationship with the idea, was the ambiguity and historical parentage of the concept; was it 'Thatcherism with a human face, a return to corporatism [or] the renewal of the old Croslandite tradition' (Leadbeater 1991). There is simply 'too much in the concept to unpack' (Interview with David Willetts MP).

Owen's balance between the 'social' and the 'market' changed. Owen, in 2008, defined the social market as 'the operation of a free market in a democratic country, which accepts the needs to alleviate, regulate and compensate for the inputs of the free market in the context of social responsibility' (Interview with Lord Owen). However, it is vital, *vis-à-vis* Owen's publications and SDP literature, to investigate the development of the concept.

Face the Future was seen by Owen as the genesis of the social market. Brack (1988), rightly, points out that Owen fails to mention the social market in name; however, the themes that flow through the book are vicarious social market themes. Williams published a book in 1981 also called *Politics Is for People*, but the work unlike Owen's, failed to confront and challenge the decisions an SDP government might face. The objectives of Owen's book were to articulate his brand and understanding of social democracy and track its development. Consequently, a proportion of the book is a critique of revisionism and its unwillingness to delineate the differences between the two sectors in the mixed economy. According to Jenkins, Owen regarded Crosland and his legacy as "morally and mentally dead" (Jenkins 1991: 456). Owen believed that this ambivalent defence of the mixed economy (without the definition of its boundaries and limitations) was the central reason for Jenkins, Williams and Rodgers opposition to his social market – the 'market was a dirty word in Labour Party circles' (Interview with Lord Owen).

Owen believed Labour's refusal to fundamentally reassess its attitudes was a mistake. Owen's enthusiasm for the social market came directly from social democratic thinking in West Germany. Owen attended the *Koningswinter* Conferences and quickly made friends with members of the SPD, notably Helmut Schmidt and Willy Brandt (Interview with Lord Owen). This deeply influenced the central tenets of Owen's idea of a healthy and respectable form of social democracy, which included the decentralisation of power, partnerships, and a greater degree of equality and freedom. Owen's emphasis on decentralisation and the devolution of power in industry, markets and society is perhaps the most prevalent theme throughout. Figures in the canon of socialistic political thought such as William Morris and G. D. H. Cole are clear influences. Owen was also influenced by the American liberal academic John Rawls (1971), who argued for a type of equality that establishes the moral and theoretical framework for a theory of social and welfare rights that aims to make the worst-off groups in society richer through redistributive measures. Rawls argues for something more generous and benevolent than a welfare safety net, but circumvents paternalist or statist solutions. Owen therefore differentiated between an equality of a citizen's rights and liberties and the economic equality espoused by the political left. Owen's social market is therefore the next stage in the

march of renewing social democratic goals in a new and market-orientated environment; from Marx to Bernstein to Crosland and then to Owen's social market.

The social market was first used, in name, in Owen's 'Hoover Lecture' in 1981 at Strathclyde University. Owen thought the mixed economy had 'become a portmanteau description to which virtually anyone on the Left and the Right can subscribe', where Clause IV socialists utilise it with contempt for the private sector and Tory Thatcherites can use it while seeing government not as part of a greater solution but as the problem (Owen 1981b: 3). Interestingly, Owen acknowledges Joseph's contribution to social market thought while wanting to shift away from that interpretation. According to Owen, 'his was the free market; it was very different to mine' (Interview with Lord Owen). The lecture criticises Croslandite social democracy insofar as it emasculated the private sector of which the public sector was dependent upon for its survival. Owen ultimately argues for a decentralised social market, not only to revive the fortunes of Britain, but also to resurrect the social democratic phoenix from the ashes. This was to be achieved under the auspices of the social market economy – combining 'social concern and market realism' (Owen 1981b: 3). 'Thatcherism had made the market a dirty word' and Owen showed those on the centre-left of British politics that they could capture the successes of the market away from the New Right (Interview with Sir Samuel Brittan).

The SDP conferences at Salford (1983) and Buxton (1984) were occasions when the social market was openly discussed by Owen. The Salford Conference marked a high point for Owen's 'tough and tender' agenda. The social market was taken to mean an inextricable link between the 'creation of wealth' and the 'distribution of wealth' (Owen 1983a: 3). The conventional emphasis on the mixed economy disappeared and in came a greater emphasis on the role of market mechanisms. By 1983, Jenkins had dubbed Owen's pro-market spirit as 'sub-Thatcherite'. The SDP formally adopted the social market as policy at Buxton in 1984 (Dutton 2004: 255). In his speech to the party conference, Owen insists that the 'social' component demarcates the public service from the commercial sector, and strongly opposes the market's entry into 'health, education and welfare'. However, Owen insists that the 'social' must

not 'water down' the emphasis of the 'market' because the social market is the best way of promoting progress and prosperity through a wider dispersal of ownership (Owen 1984b: 16).

In1984, Owen published a collection of articles and speeches in *A Future That Will Work*, which is further endorsement of the social market. Owen argues for a similar set of dichotomies that were advocated in earlier pieces:

'tough and tender'

'competitiveness and compassion'

'social concern and market realism'

'profit and service'

'the social market and social justice'

The book, like the IEA article (*Agenda for Competition and Compassion Vol. 4, No. 1, 1983)*, is an endorsement of the market mechanism, which is a 'continuous referendum' by the people, that will be achieved through extensive decentralisation. Roy Hattersley, a neorevisionist of the Labour Party, thought Owen's social market as a description of the appropriate mix within the mixed economy was 'metaphysical claptrap' (Hattersley 1987: 152). According to Owen, the motivation of the private sector is driven by profit and the motivation of the public sector is driven by service. Owen goes as far as endorsing the Thatcherite project of denationalisation of publicly-owned industries. However, privatisation has merely permitted a publicly-owned monopoly turning into a privately-owned monopoly. Therefore, Owen advocates franchising in telephones, the postal service, gas, electricity, rail and water. This system bolsters competitiveness within a framework that protects the public interest. Hitherto, Owen's message emphasises a micro-economic approach (restrained government), which is redolent of the social market messages of Joseph. However, Owen insists that the prefix 'social' is 'not accidental, nor should it be dismissed as irrelevant' (Owen 1984a: 20). Owen accepts that some economic outcomes are socially unacceptable and these outcomes must be

cushioned and moderated by government intervention. *A Future That Will Work* is Owen's most concise and unequivocal manifesto for his programme for government and his penchant for the social market economy. It is a book heavily laden with political symbolism that marked an attempt to bridge the void between the Butskellite centrism associated with the Jenkins era of the SDP and the free-market fundamentalism of Thatcherism.

Alex de Mont, an academic and economic adviser to Owen (1983-87), was instrumental in informing Owen's social market ideas. De Mont's paper, *A Theory of the Social Market*, published in April 1984 by the Tawney Society, argued that the social market was the best model to reconstruct social democracy. According to de Mont, '[f]or the left, the social democrats' unabashed acceptance of the free market is an anathema; for the right…is the social democrats' relatively favourable assessment of…market interventionism' (De Mont 1984: 5). De Mont's paper synthesises social justice commitments with market-based solutions; it calls for breaking up monopolies (both public and private sectors through franchising), greater decentralisation and the enhancement of social equality. Therefore, the social market can be defined as a 'community, which is capable of harmonising, transforming and redefining particular economic interests in a manner which can claim the social allegiance of members of the community' (De Mont 1984: 6). The social market was a way of 'putting the market at the centre of social democracy and making market outcomes socially acceptable' (Interview with Alex de Mont).

The Torquay Conference of 1985 was hailed by Owen as a high point of the SDP's popularity with the electorate. There was no mention of the 'social market', in name, in Owen's speech to the conference. This vindicates Alex de Mont's point by describing Owen an 'intellectual gadfly' (Interview with Alex de Mont). Despite this, there was some opposition to the ideological underpinnings of Owenism.

After the Buxton Conference, according to Brack (1988), Owen's interest in the social market was latent. His attention was shifted somewhat to opposing the miners' strike and the need for Britain to be a 'nuclear state'. However, Brack's comment is unfair. According to Owen, the height of the SDP's popularity was the Torquay Conference, which enshrined the SDP commitment to 'the twin issues of the social market and a British minimum

deterrent' (Owen 1987a: 1). Owen's publication, *A United Kingdom* (1986) emboldened these twin issues further. The book deplores the ideology of both Kinnock's Labour Party (muted commitment to renationalising British Telecom and British Gas) and Thatcher's Conservatives (monopoly privatisations and the subversion of civic society). Owen felt he further needed to 'carve out a distinctive position on economic policy before Neil Kinnock was given the opportunity', which reveals signs that Owen had identified Labour's modernisation project under Kinnock's leadership (Owen 1992: 598). *A United Kingdom* draws upon the SDP's plans to integrate the tax and benefit system and the replacement of universal benefits in favour of selectivity. Brack (1988) claims that the phrase, 'social market economy' does not appear in the book, but the phrase 'social market' does feature and the themes that run throughout are 'social market themes' (Owen 1986/Interview with Alex de Mont). Also, *A United Kingdom* draws upon Alan Enthoven's idea of the 'internal market' (encourage districts that have specialised services to sell their services to other districts and *vice-versa*) within the NHS. Owen's *Our NHS* (1988b) mentions the internal market further. Mrs Thatcher, in 1986 and 1987, had attacked the merits of the SDP's proposal for an internal market. Immediately after the 1987 General Election, the Thatcher Government introduced internal market reforms (Interview with Lord Owen).

Earlier in 1987, Owen delivered the fifth anniversary lecture to the Tawney Society entitled *Social Market and Social Justice*, which outlined the abandonment of Croslandite revisionism in favour of the social market. Interestingly, the 'tough and tender' balance had become tilted in favour of the 'tough' with Owen's rhetoric peppered with free-market messages (Rodgers had warned of this in *My Party – Wet or Dry* (1985) where he warned Owen that 'tough' was the dominant mood elbowing 'tender' out of the way). This sentiment was clear during the 1987 election campaign. The Alliance manifesto (*Britain United: The Time Has Come*) carried many social market themes within it. There is a strong competition policy (proposed privatisation of British Steel), commitments to reform the tax and benefit system, further trade union reform, social security reform and the introduction of the internal market into the NHS. However, the social market, as a phrase, was never explicitly mentioned in the

manifesto (Brack 1988: 40). The social market was not in the 1987 manifesto because the Liberals felt an open endorsement of the social market positioned the Alliance 'too close to the Conservatives' (Owen 1992: 682). Throughout the 1987 campaign it became apparent that Owen would support the Conservatives in the eventuality of there being a hung parliament and David Steel, the Liberal leader, would side with Labour. Owen described his closer proximity to the Tories over Labour as being 'positional' and being politically different from figures such as Jenkins and Healey (Interview with Lord Owen). Michael Meadowcroft, Liberal MP for Leeds West (1983-87), believed Owen's noticeable closeness to Thatcher marked the end of the Alliance (Interview with Michael Meadowcroft). Owen was however, during 1983-87 'attempting to reconcile voter opinion and the…need to increase economic competitiveness with the…established social democratic stress on equality' (Fielding 2003: 72). This was Owen's social market.

The social market was the 'nearest the Alliance came to adopting a distinctive idiom' but it failed to capture the imagination of many in the Alliance (Behrens 1989: 90). However, the social market has a particular disadvantage of being 'incomprehensive to the voter' (Goyder 1987: 65). The Liberals seemed happy to empty the idea into the dustbin of history (Liberals such as Leighton Andrews *(Liberalism Versus the Social Market Economy* (1985)) is distrusting of Owen and the social market). After the merger in 1988 the social market idea, in name, was dead. The SDP split between the Liberal-inclined Jenkinsites and the go-it-alone Owenites (Maclennan, Barnes and Cartwright). Owen, in September 1987 published *Sticking With It*. This publication is very different from Owen's previous articles and speeches about the social market. Owen tracks the SDP's zenith of popularity at the point at which the SDP championed the social market and a British minimum deterrent (Owen 1987: 1). Owen's customary balanced criticism is absent in this pamphlet. Owen derides Labour and the Liberals far more than Thatcher and the Conservatives. Owen dismisses any party that does not support the market economy, of which 'only the Conservatives have been perceived to speak on these issues', and claims that socialism is 'burnt out intellectually' (Ibid: 2, 5). Owen's attitudes towards the market and its relationship to health, education and welfare expenditure

could unequivocally be labelled as 'Thatcherism with a human face'. Owen continued however to talk of social justice, but increasingly his rhetoric alluded to a market economy unhindered by government interventionism. This expression of close political sympathy with the market continued on after 1987 in an article by Owen entitled *In praise of the social market* (1988a). Owen, speaking at the Radical Society in 1991, traces the social market back to Erhard and ***Müller***-Armack (something he had not done in *Face the Future* or in *A Future That Will Work*). Owen had, by 1991, declared that the market is 'an accepted foundation of political dialogue, which it had not been before the formation of the SDP' (Owen 1991).

Owen's version of the social market should be perceived as both a genuine slogan signifying a coherent political ideology and a political tool in which to attract voters from the Conservatives and Labour. The social market helped define a distinctive social democratic mood, which was radically different to the Conservatives, Labour and the Liberals (Baston 1996: 62). According to Crewe and King (1995), the 'SDP project had failed' and had a 'negligible' impact on the idea of centre-left thinking beyond the 1980s (Crewe, King 1995: 383). This assessment is somewhat unfair. Owen believed their account of the SDP 'was nonsense when published and manifestly absurd as judged in 1999 against the first two years of Tony Blair's premiership' (Owen 2000: 166). Owen's assessment is fair. Contrast Owen's assessment of the influence of the social market and the SDP to that of his detractors, Healey and Marquand. Healey believed that the creation of the SDP delayed 'the Labour Party's recovery by nearly ten years' and guaranteed 'Mrs Thatcher two more terms in office' (Healey 1989: 480). Marquand is less critical about the SDP, but he was deeply suspicious of Owen's social market, describing it as 'virtually useless as an explanatory concept' (Correspondence with David Marquand). The Owenite phase of the SDP ultimately distanced a strand of British social democracy away from corporatism, Keynesianism and state welfarism in exchange for accepting a greater role of the market, which would help with the transition toward a globalised economy. Rodgers claims that '[t]he SDP did not break the mould, but changed its shape beyond all recognition' (Rodgers 2004: 235). According to Marquand, it was 'never clear what the Social Market really meant', but even if this is true it positioned social

democracy beyond Croslandite revisionism in preparation for New Labour (Marquand 1999: 200). Ultimately, as Riddell stated, 'the SDP in its Owenite phase was a forerunner to new Labour' (Driver, Martell 1999: 11). The Owenite social market economy is therefore the missing ideological link between Thatcherism and New Labour.

CHAPTER THREE: AFTER OWEN: NEW LABOUR AND SOCIAL DEMOCRATIC POLITICS (1987 – 2009)

We will be a radical government. But the definition of radicalism will not be that of doctrine, whether of Left or Right, but of achievement. New Labour is a party of ideas and ideals but not of outdated ideology. What counts is what works. The objectives are radical. The means will be modern.

Tony Blair, *New Labour: because Britain deserves better*. 1997.

1. Antecedents to New Labour: Social Democracy and the 'Progressive Dilemma'

In July 1987 Kinnock announced the Policy Review, which established seven policy review groups to report to the 1989 conference. The purpose of the Policy Review was to formulate new manifesto commitments in order 'to improve the party's image and appeal to the lost voters the party had to reclaim' (Ludlam 2001: 26). The electoral success of Thatcherism did not necessarily encourage the Policy Review but it was expedited by it. The Policy Review endorsed the market mechanism, abandoned public ownership, dropped Keynesianism including full employment in favour of anti-inflationary methods, abandoned unilateral disarmament and became pro-EC (Hay 1999). Therefore, Kinnock's Policy Review was carried through to 'reassure voters that Labour was economically capable by making its acceptance of the market more over than hitherto' (Fielding 2003: 96). The document was entitled *Meet the Challenge, Make the Change* and it had ditched old-fashioned socialism, however, the 'programme became indistinguishable from the SDP's programme in 1987' (Crewe, King 1995: 468). According to Letwin 'socialists learnt to chant in praise of a "social market economy"', and the centrist rhetoric replaced the rhetoric of class (Letwin 1992:

350-51). Kinnock and the Labour Party not only looked like the SDP, but also started to use the political lexicon of Owen and the SDP. Tony Benn derisorily described the Policy Review as the 'Thatcherism of the Labour Party' (Benn 1996: 612).

Even though by 1987 the SDP effectively ceased to exist, Owen's influence on the revisionism of social democratic thought remained far-reaching. Owen had moved the SDP and British politics 'on to a new post-Thatcher basis…a high level of social concern would be allied to an emphasis on competition, the free-market and free enterprise', and this would set the precedent for the politics of the centre for the future (Crewe, King 1995: 364). Despite Kinnock's internal reforms of the Labour Party, this period in British politics was called the period of 'progressive dilemma' (Marquand 1999). It was a 'product of a particular moment', which was defined by 'the collapse of the Social Democratic Party in the late 1980s but before Blair assumed the Labour leadership in 1994' (Fielding, McHugh 2003: 135). Even though the ascendancy of Thatcherism showed no signs of slowing and social democracy was on hiatus, Owen's social market survived. The Social Market Foundation, a think-tank established by Owen and Lord Sainsbury, helped the SDP '"research, publish and gain acceptance for policies based on the concept of the Social Market"' (Denham, Garnett 1998: 178). However, after 1990 and the ignominious collapse of the Owenite SDP, the SMF was a 'diminutive phoenix that arose from the ashes' out of the rubble of the SDP (Baston 1996: 62)

Owen hoped the SMF would shift the SDP to more free market thinking, in order to 'convert the left to the virtues of the market' (Ibid.). Robert (now Lord) Skidelsky was the SMF's first chairman. His paper for the SMF, *The Social Market Economy* (1989), is now considered 'the most coherent statement of its philosophy' (Lipsey 2007: 3). Skidelsky's account of the social market, even though just as thorough as Owen's explanation, is different to Owen's. 'Adding the word 'social'', Skidelsky qualifies, 'to [the] 'market economy' is not just a political flourish' (Skidelsky 1989: 3). The social is the framework and the design from which the market freely operates. Skidelsky has a slightly more restrained attitude towards the 'social' component than Owen, which subsequently led to an 'infatuation with

Social Market Foundation
11 Tufton Street Westminster London SW1P 3QB
T: 020 7222 7060 info@smf.co.uk www.smf.co.uk
Chair: David Lipsey
Director: Ian Mulheirn
Registered charity, no. 1000971 and a company limited by a guarantee registered in England with no. 2537035

markets' (Interview with Alex de Mont). Polly Toynbee, a former Owenite, claimed the SMF had been 'hijacked' by Skidelsky because of his overbearing fondness of the market (Toynbee: 1995). Its unfashionable pro-market posturing is partly a by-product of the events of history however (the fall of the Soviet Union). Skidelsky writes, 'The use of the phrase "social market economy" signifies a choice in favour of the market economy', which illustrates Skidelsky's proclivity for markets (Skidelsky 1989: 3). The acceptance of the market order must be 'embedded in a wider, non-market system of values, laws, institutions and policies', in which the outcomes are 'efficient, and politically and morally acceptable' (Correspondence with Lord Skidelsky).

Skidelsky's affinity for markets coincided with the SMF's internal review, which concluded that they should align their ideas with the Conservatives; the 1992 General Election victory for the Conservatives provided the SMF with a *raison d'être*. Leading figures of the SMF such as Daniel Finkelstein, Rick Nye and Skidelsky himself converted to Conservatism, eventually working at the Conservative Central Office. The SMF during the 1990s, up until the ascendancy of New Labour, dispensed with the idea of converting the centre-left to the merits of the market in exchange for helping the Major Government's programme of public sector reform and PFIs (Baston 1996). Owen had talks before the 1992 General Election with Major on joining the Cabinet. Owen entertained the talks because he felt a political affiliation with the 'counter-revolution' spearheaded by Thatcher, and the promotion of the 'social market philosophy' (Owen 1992: 791-792). The talks broke down and Owen, after the 1992 election, became a life peer on the Crossbenches in the House of Lords.

2. New Labour and Neo-revisionism 1994 - 1997

Blair was elected Labour leader in July 1994 winning a comfortable 57% of the electoral college vote. Blair succeeded John Smith, whose leadership was truncated by a fatal heart attack. Smith, like Kinnock, contributed significantly to modernising and reforming the Labour Party. For Blair and the 'magic circle' of modernisers (Brown, Peter Mandelson, Philip Gould and Alistair Campbell), to exit the fifteen years of wilderness, the Labour Party

required a further instalment of modernisation to prepare for government. Gould thought that Kinnock had unexpectedly lost the 1992 election because it was 'still the party of the winter of discontent, union influence, strikes and inflations, disarmament, Benn and Scargill' (Gould 1998: 158). In short, the Policy Review was a fundamentally missed opportunity, for which Blair and the modernisers were concerted to rectify. Blair launched a campaign of rhetoric at the October 1994 conference – the slogan 'New Labour, New Britain' was revealed.

All members of the 'Gang of Four' approved of Blair's leadership and the ideas he propounded. According to Rodgers, Blair 'was the right man to lead Britain in the second half of the 1990s' (Crewe, King 1995: 472). Jenkins was close to Blair and was acknowledged to hold a 'favourite uncle status' (Rawnsley 2001: 7). Williams believed that the SDP moulded a template 'presenting an alternative to move to' for New Labour under Blair (Interview with Baroness Williams). Owen's relationship is much less straightforward. Blair, in order to resist political *hara-kiri*, 'resolutely denied that he wanted Labour to become an 'SDP Mark II'', however, he used rhetoric reminiscent of Owen (Jenkins 2007: 224). The parallels between Owen and Blair are striking. Blair and Owen were in unison on 'how to reconstruct social democracy to tackle the problems of post-Thatcherite Britain', not by rejecting Thatcherism but by drawing upon its 'radical impulse' (De Mont 1995: 17). Therefore, personally and ideologically, Owen should be perceived as the precursor to Blair.

Blair's modernisation and revision of social democracy was promoted under the aegis of the 'Third Way'. The SMF had wrestled with third way issues before Anthony Giddens coined the phrase. The third way was an 'attempt to transcend both old-style social democracy and neo-liberalism' (Giddens 1998: 26). The first way was guided by traditional social democracy (Keynesian demand management) and the second way was instructed by Thatcherism (free markets) (Giddens 2007: 16). The third way transcends these parochial ideological divisions. The third way, despite its lack of intellectual gravity, resolved the 'progressive dilemma' in the sense that it reconciled the two great streams of centre-left thinking- democratic socialism and liberalism – which had weakened progressive politics in Britain in the latter half of the twentieth century. The third way doctrine was most commonly articulated by New

Labour between 1998 and 2000. The third way can be summarised by accepting 'traditional social democratic objectives but seeks to think afresh about the policies used to realise them' (Beech, Hickson 2007: 244). According to Fielding (2003) however, the third way was a 'pragmatic shift' to 'take account of change' in a long line of developmental social democratic revisionism (Fielding 2003: 84). The project of revisionism was ostensibly problematic for the New Labour modernisers. Blair's attitude was that 'Crosland's revisionism itself needed revising', and to base social democratic thought on the writings of bygone sages of the Party was not actual renewal but ideological stagnation (Bogdanor 2007: 168). This is what David (now Lord) Lipsey calls 'revisionists revise'. Therefore, revisionism represents a historically dependent process of modernisation and recalibration, as opposed to seismic, jolted changes in ideology. The third way therefore conceives that socialism, like capitalism, is subject to change. Owen's ridiculed the third way as an ideological concept, describing the concept as 'stuff and nonsense' and being 'intellectually impoverished' (Interview with Lord Owen). Sir Samuel Brittan, the illustrious British economist, characterised the third way as the 'quickest way to the Third World' (Interview with Sir Samuel Brittan)! However, the third way is much the same as the social market in the determination to renew and update social democratic thought in an age of markets and globalisation. Both concepts should be seen as tool concepts, to allow centre-left parties and politicians to accept and update elements of neo-liberalism without necessarily succumbing to it.

Blair, in reality, looked to establish a 'hybrid version' of the social market through a 'mixture of rights and responsibilities for trade unions and employees underpinned by a commitment to employment opportunities for all' (Bogdanor 2007: 224). Therefore, Blair's vision of a social market was conceptually synonymous with third way thinking and the sociological concept of methodological 'triangulation'. The politics of the centre-left in Western Europe (Blair, Jospin, Schroeder) subscribed to the methodology of triangulation to synthesize seemingly incompatible objectives; something which Owen had started in 1981. The politics of triangulation, strongly associated with former US President Bill Clinton, was reviled by Brown, who described it as 'presentational' (Peston 2006: 322). Instead, Brown believed in the promotion of the harmonisation of market solutions to deliver world class

public services. Blair's revisionism completely airbrushed Owen out of history, partly for convenience (Fielding 2000: 383). All references to the SDP and 'breaking the mould' had been conveniently forgotten. Mandelson and Liddle (1996) commented on Owen's social market:

> In their commercial lives they were to be aggressive entrepreneurs fighting to squeeze the last ounce of profit out of their business, but in their home lives they were to be concerned citizens prepared to back a stronger NHS and, if they were better off, pay higher taxes' (Mandelson, Liddle 1996: 29).

Mandelson, while accepting the central merits of social market thought, believed traditional values of community and responsibility complemented Owen's social market (Ibid.). In short, New Labour was completely 'unencumbered by history', lumping Bevan, Gaitskell, Crosland, and Owen into 'uncomprehending obsolescence' (Marquand 1999: 226).

Blair's accession to the leadership of the Labour Party triggered various debates on the centre-left of politics from Will Hutton (1996), Ralf Dahrendorf (1997), John Gray (1996), and Harold Perkin (1996). Hutton (1996) lambasted British capitalism and argued for the state to reassert its role in managing the economy. The chief concept to arise from Hutton's work was 'stakeholding' ('stakeholder capitalism' extended rights beyond the shareholder), which involved the reconstruction of both the state and the economy based upon expansionist economic policy under the tabernacle of quasi-Keynesianism. Hutton's analysis equated to a critique of Conservative Party hegemony and the inequality that the Thatcher-Major Governments presided over. Hutton's notion of stakeholding and his vision of a social democratic state are highly reminiscent of Owen's social market. Derek Scott, an economic adviser to Blair, strongly encouraged Blair to adopt the idea for his own. However, Hutton's neo-Keynesian beliefs, assumptions and aspirations were incongruous with Blair and Brown's messages of economic rectitude and embrace of dynamic,

flexible markets. Blair, by 1996, dropped all allusions to stakeholding once it became clear that it was potentially a signal that Labour had failed to change quickly and radically enough (Anderson, Mann 1997: 39).

The ideas that evolved during Blair's period as leader of the Opposition were noticeably similar to Owen's during 1983-7: 'New Labour has been the continuation of Owenism by other means' (Williams 2003). New Labour's influence extended beyond the abstract, conceptual and metaphysical – they brought about genuine, practical and long-lasting change.

As Thatcherism was a reaction to the post-1945 Attlee settlement, New Labour was a reaction to the crisis of social democracy and Thatcherism. Based on this assessment, the 'new' in New Labour, was the modernisers' sobriquet to indicate a new radical approach to public service reform (Bogdanor 2007: 179). New Labour was chiefly, bar their commitment to reform and change, defined by what they were not – 'New Labour was not Toryism and not Liberalism, not old Labour, not the rampant free market and not old-style socialism' (Jenkins 2007: 227). In 1995 Blair took the bold move to reform Clause IV of the 1918 constitution. Clause IV committed Labour to nationalisation and public ownership. The revised Clause IV was approved in March 1995 by the NEC and at the end of the following month a special conference approved it. Instead of working towards the public ownership of the 'means of production, distribution and exchange', the revised Clause IV claimed that the Party would support "a dynamic market economy…enterprise of the market [and]…the rigour of competition" (Kavanagh 1997: 218). The triumphant jettisoning of Clause IV committed New Labour to the open market economy.

The debate surrounding the importance of the revision of Clause IV within the history of the Labour Party has been fierce. Heffernan (2001) and Hay (1999) saw the whole project of modernisation (Clause IV reform was perceived as the zenith of modernisation) as a metaphor for the 'politics of catch-up', which articulated New Labour's accommodation to and adaption of Thatcherism's neo-liberal agenda (Heffernan 2001: 178). Fielding (2003), however, postulates that Clause IV reform was 'not a break with the past but the conclusion of some unfinished business' (Gaitskell's attempts to reform Clause IV in 1959 ultimately failed) (Fielding 2003: 57). Lipsey

thought the reform of Clause IV and the New Labour project 'accommodated the Thatcherite inheritance in the process producing a new reformed social democratic brand' (Correspondence with Lord Lipsey). Blair's rhetoric became increasingly bold and radical after the 'Clause IV moment'. Blair's speech (May 1995) at the British Chamber of Commerce, declared that:

> "old Labour thought the role of government was to interfere with the market. New Labour believes the task of government is to make the market more dynamic, to provide people and business with the means of success" (Blair 1995).

Blair had finalised the Labour Party's transition from being a Party of 'cradle-to-grave' to being the Party of 'enabling government'. According to Fielding (2003), 'it is obvious how far Owen anticipated many key 'New' Labour themes', especially Owen's endorsement of the market economy (Fielding 2003: 72). Williams thought that the SDP had no influence on Clause IV reform. Instead the 'rapidly declining sympathy with left-wing politics and the fall of the Soviet Union' were the key determinants for change (Interview with Baroness Williams). Undoubtedly, the 'phrasing of the new Clause IV is reminiscent of social market language', and Blair's revisionism in the 1990s was very similar to that of Owen's in the 1980s (Baston 1996: 70).

Senior Conservatives of the Thatcher-Major Governments, such as Kenneth Clarke, saw the project of modernisation under Blair as taking the 'Conservative argument that free market economics could be combined with a social conscience' (Correspondence with Ken Clarke MP). Blair was dubbed as presenting 'Thatcherism with a human face'; Owen had been accused of this posturing ten years before. According to Owen, "You can't point to a significant area of policy between '83 and '87 when I was leader of the SDP that isn't now the same as New Labour – that's the reality of the facts" (BBC 1999). Curiously, prior to the 1997 General Election, Owen failed to endorse New Labour. According to Rawnsley (2001), Owen came close to endorsing New Labour, 'drawing

back only because Owen felt a personal obligation to Major' (Rawnsley 2001: 7). This is not the case according to Owen. By 1996, Owen was asked to join New Labour and Owen refused because of Blair's 'gung-ho' attitude towards European Monetary Union (EMU); this was the formative reason for Owen's unwillingness to join the force he had indirectly helped to create (Interview with Lord Owen).

3. The Blair Governments 1997 – 2007: Social Democracy in practice?

Mandelson, the arch-moderniser, in 1984 observed that, "The SDP is having its moment in the sun, but it will be Labour that wins in the end" (Gould 1998: 39). On 1 May 1997, Labour won handsomely consigning eighteen years of Conservative Government into the history books. With 43.2% of the vote and a majority of 179 seats Labour had won with a landslide. Mandelson's foresight was vindicated. The extent to which Blair's victory in 1997 represented change or continuity with the outgoing government continues to fuel academic debate. However, particularly symbolic, Thatcher commented that the country would be 'safe in his [Blair's] hands' (Heffernan 2001: 24). Thatcher's apparent approval of Blair highlighted the problems facing the Conservative Party and its response to this new electoral titan. New Labour's victory signified the failure of both socialism and neo-liberalism as economic systems in favour of the social market economy. Their policies while in government were closer to those of Owen than they were to those of Crosland or Thatcher.

Despite the strong mood of change in 1997, Labour's economic policies showed few signs of radical change. Blair's Governments were firmly committed to guaranteeing monetary and fiscal stability and embracing business interests whilst advocating flexible labour markets. Like Thatcherism, New Labour's model of economic prosperity hinged upon the success of the City of London, the liberalisation of property markets and financial services. As Chancellor, Brown's central economic objective was to sustain 'high and stable levels of growth and employment', which was achieved by Brown and Ed Balls' concept of 'constrained discretion', which defined Labour's commitment to short term flexibility to meet long- term stable goals. Brown's fiscal policy was sculpted

around the two economic policies to protect and maintain the 'constrained discretion' principle. Firstly, Brown's 'golden rule' meant the government would borrow over the economic cycle only to finance public investment, not to influence and fund public consumption. Secondly, Brown was committed to keeping the UK's net debt as proportion of GDP (over the economic cycle) at 'prudent and sensible levels' (Beech 2008: 25). During 1997-99 very little economic change had occurred, bar the independence of the Bank of England in 1997. Britain was still consumer-driven and borrowing-driven. Brown's 1998 budget announced a reduction in corporation tax from 31% to 30%. Marquand, one time New Labour enthusiast, had by 1998 conceded, "New Labour espouses a version of the entrepreneurial ideal of the 19th century" (Heffernan 2001: 128). Marquand, like other social democrats, was incredulous to the degree to which New Labour courted the interests of the City.

The 2000 comprehensive review committed Labour to large increases in public spending over three years in areas such as education/science (£19 billion), health (£20 billion, transport (£1.7 billion), housing (£4.4 billion) and targeted support for lower-income families. Brown in 1997 introduced the New Deal (this was to offer support funding employment by other means of cash benefits), which was paid for by increases in National Insurance contributions on higher income earners and a windfall tax on energy companies. Furthermore, Brown's budget of 1999 saw the introduction of the National Minimum Wage (set at £3.60); increased financial support for pensioners, children, and a new 10% income band was introduced for lower-paid earners. These legislative measures were certainly a diversion from the Thatcherite inheritance. Labour's fiscal policies since 1997 'have been egalitarian in outcome, certainly by comparison with Conservative fiscal policy' (Driver 2008:55, 56).

Blair in the second (2001-05) and particularly in the third (2005-07) term, went beyond Thatcherism in pursuing radical public service reform. Blair's focused attention was on the introduction of foundation hospitals (a facet of the internal market that was advocated by Owen (1986)), a greater emphasis on 'welfare-to-work' programmes and greater choice and flexibility in schooling. According to Fielding (2003), New Labour under Blair remained loyal to the Croslandite tradition in regards to high public spending. New Labour's spending on law and

order, health, education and social security 'rose faster than under Attlee, Wilson and Callaghan governments' (Mullard, Swallow 2008: 37). This is all true and Labour's social agenda was ultimately a diversion from Thatcherism, however, Labour's funding priorities, particularly hospitals, have been financed by PFI. This interbreeding between markets and a progressive social agenda is the ultimate manifestation of Owen's social market thought.

Blair resigned as Prime Minister on 27 June 2007, after a period of internal feuding with Brown and the spectre of the Iraq War. Brown's succession brought about very little change for the New Labour project. Brown's first year saw the onward completion of Blair's public sector reforms in schools and the NHS, accompanied by welfare reform (introduced a requirement for the unemployed to go through a skills assessment and all incapacity claimants to go through a medical assessment), and reforms to crime and policing. Brown has stayed true to New Labour's social market message, of using the market's influence to create social democratic ends. According to Norman (now Lord) Tebbit, a doyen of Thatcherism, Brown 'does not understand Thatcherism' (Correspondence with Lord Tebbit). Perhaps this is true because of New Labour's record on investment and expansion of the public sector. Since the 'global credit crunch' (August 2008), Brown has had to increase the top rate of tax to 50%, increase borrowing on an unprecedented level to fund public services and recapitalise the banks. Owen commented that he hoped to see 'a rediscovery of the social market economy, but New Labour forgot it' (Interview with Lord Owen). New Labour's commitment to public spending increases and progressive social agenda fit perfectly within the social democratic canon of Crosland, Owen and Marquand however, their infatuation of the market and business-interests have undermined that credo.

Conclusion

The extent to which the social market has renewed social democracy has been considerable. It is very much dependent on the emphasis of the meaning and on the individual using it. The social market, from one perspective, 'meant nothing more than an efficient and competitive mixed economy, with a vigorous and profitable private

sector, as opposed to an inefficient and uncompetitive one' (Marquand 1999: 201). Following this interpretation, the social market was simply the consensus that existed since the 1950s. However, the social market has more of a distinctive identity than a mixed economy with a competitive edge.

Owen and Joseph, even though using different source of influence, imported social market thinking into British politics from West Germany. The social market enabled West Germany to escape the horrors of Nazi totalitarianism by combining 'market freedom' with 'social balance' (Armack 1989: 82). This formula was transplanted, even though intermittently, by Joseph and his colleagues at the CPS. Joseph's social market was crafted out of Erhard's Ordo-liberal interpretation that privileged the dynamism and efficaciousness of the market over the social component. This imbalance was proved when Joseph was persuaded to dispense with the 'social' element because Thatcherism needed to appear not to 'dilute' market economics (Denham, Garnett 2002: 241). Owen was much more consistent with the social market concept and it became a distinctive theme during his leadership of the SDP (Crewe, King 1995: 466). Owen's social market principally was to place the market at the centre of social democracy and make the market outcomes that followed more socially acceptable by combining seemingly irreconcilable objectives: 'tough and tender', 'competitiveness and compassion', and 'the social market and social justice' (Owen 1984a). Owen was the first prominent politician on the centre-left to concede that elements of Thatcher's 'counter-revolution' are not only irreversible, but should be embraced for the betterment of society (Owen 1992: 800-801). After the demise of the SDP, the social market was and still is promulgated by the SMF, which seeks to influence parties, politicians, academics and journalists to the merits of the social market. The SMF's influence has spread to the upper echelons of the Conservative Party (reportedly John Major's favourite think-tank) and the social market was highly synonymous and compatible with the social democratic modernising agenda of New Labour (Baston 1996: 70).

Jenkins (2007) argues that Major, Blair and Brown are all 'prisoners of a revolution' started by Thatcher (Jenkins 2007: 1). In some senses this is partly true, however, all three were influenced by Owen's posturing of

'Thatcherism with a human face'. The tough Thatcherite market could be wedded to a benevolent social democratic agenda. Whether New Labour has simply accommodated with neo-liberalism (Hay 1999, Heffernan 2001), resumed the social democratic tradition of Durbin and Crosland (Fielding (2003), or post-Thatcherite rejecting both social democratic and traditional conservatism (Driver, Martell 1998), New Labour has whole-heartedly embraced the key themes of Owen's social market thought.

Owen, in 2000, wrote, 'I wrote that it would only be historians in the 21st century who would be able to determine how successfully the SDP contributed to a change in political attitudes' (Owen 2000: 166). Even though Owen thinks it is premature to make a 'final judgement', New Labour's twelve years in government espoused the third way mix of combining fierce market competition to a social democratic social agenda.

Moreover, the 'New' Conservatives, under Cameron, emphasise the necessity to mix free markets with social compassion. Cameron, in 2005, repudiated the 'possessive individualism' associated with Thatcherism when he admitted, "there is such a thing as society, it's just not the same thing as the state" (O'Hara 2007: 213). Leading Liberal Democrats collaborated on a book, *The Orange Book: Reclaiming Liberalism* (2004), which was nuanced with Owen's pro-market message, whilst remaining loyal to a fairer and less-divided society. Ultimately, the next general election will be fought on the basis of the party offering the best social market model. Owen's legacy has resulted in all of the three main parties 'standing on almost the same spot' (Correspondence with Polly Toynbee).

Owen's influence on contemporary British politics had been grossly underestimated. All parties agree with the policies espoused by the SDP under the leadership of Owen: the independence of the Bank of England; self-managing schools; separation between providers and suppliers in the NHS and welfare reform programmes. Crewe and King (1995) concluded that '[t]here is no point today [1995] in looking around for David Owen's monument' (Crewe, King 1995: 451). This was clearly specious then and is arrantly untrue now. Owen's influence has permeated to all regions of mainstream political ideology in contemporary post-Thatcher politics and has helped social democracy claim legitimacy well on into the twenty first century.

Bibliography

Primary Sources:

Interviews and correspondence with:

Sir Samuel Brittan (15 August 2008)

Kenneth Clarke QC MP (24 September 2008)

Alex de Mont (17 October 2008)

Dr. Richard Heffernan (15 August 2008)

Lord Lipsey (30 March 2009)

Professor David Marquand (26 January 2009)

Michael Meadowcroft (22 October 2008)

Lord Owen (17 October 2008)

Lord Skidelsky (3 February 2009)

Lord Tebbit (14 July 2008)

Polly Toynbee (24 June 2008)

David Willetts MP (22 October 2008)

Baroness Williams (3 August 2008)

Secondary Sources

Anderson, P. and Mann, N. (1997). *Safety First: Making of New Labour*. Granta Books.

Andrews, L. (1985). *Liberalism Versus the Social Market Economy*. Hebden Royd, Hebsen Bridge.

Armack, A. M. (1989). 'The Meaning of the Social Market Economy', in Peacock, A. and Willgerodt, H. *Germany's Social Market Economy: Origins and Evolution*. Macmillan Press Ltd.

Barry, N. (1987). *The New Right*. Croom Helm Ltd.

Barry, N. (2005). 'New Right', in Hickson, K. *The Political Thought of he Conservative Party Since 1945*. Palgrave Macmillan.

Baston, L. (1996). 'The Social Market Foundation', in Kandiah, M. D. and Seldon, A. *Ideas and Think Tanks in Contemporary Britain* (Vol. 1). Routledge Ltd.

BBC (1999). 'Owen's praise for Labour'. BBC News, 13 May. Available online: http://news.bbc.co.uk/1/hi/uk_politics/342629.stm

Beech, M (2006). *The Philosophy of New Labour* (International Library of Political Studies). I. B. Tauris & Co Ltd.

Beech, M. and Hickson, K. (2007). *Labour's Thinkers: The Intellectuals Roots of Labour from Tawney to Gordon Brown* (International Library of Political Studies).
I.B. Tauris & Co Ltd.

Beech, M (2008). 'New Labour and the Politics of Dominance', in Beech, M. and Lee, S. *Ten Years of New Labour*. Palgrave Macmillan.

Behrens, R. (1989). 'The Centre: Social Democracy and Liberalism', in Tivey, L. and Wright, A. *Party Ideology in Britain*. Routledge Ltd.

Bogdanor, V. (2007). 'Social democracy', in Seldon, A. *Blair's Britain*. Cambridge University Press.

Brack, D. (1988). *David Owen and the Social Market Economy*. Unpublished

Bradley, I. (1981). *Breaking the Mould? The Birth and Prospects of the Social Democratic Party*. Martin Robertson & Company Ltd.

Braun, H. J. (1990). *The German Economy in the Twentieth Century*. Routledge Ltd.

Campbell, J. (1994). *Edward Heath: A Biography*. Pimlico Publishers.

Cockett, R. (1994). *Thinking the Unthinkable: Think-tanks and the Economic Counter-revolution, 1931-83*. Fontana Press.
Crewe, I. and King, A. (1995). *SDP: The Birth, Life and Death of the Social Democratic Party*. Oxford University Press.

Crosland, A. (2006). *The Future of Socialism*. Constable & Robinson Ltd.

De Mont, A. (1984). *A Theory of the Social Market*. The Tawney Society. London.

De Mont, A. (1995). 'The SDP and Owen: Lessons for Blair' in *Renewal: A Journal of New Labour Politics*. Vol. 4, No. 4. Cromwell Press.

Denham, A. and Garnett, M. (1998). *British Think-Tanks and the Climate of Opinion*. UCL Press.

Denham, A. and Garnett, M. (2002). *Keith Joseph*. Acumen Publishing Ltd.

Driver, S. and Martell, L. (1999). *New Labour: Politics After Thatcherism*. Polity Press Ltd.

Driver, S. (2008). 'New Labour and Social Policy' in Beech, M. and Lee, S. *Ten Years of New Labour*. Palgrave Macmillan.

Dutton, D. (2004). *A History of the Liberal Party in the Twentieth Century*. Palgrave Macmillan.

Fielding, S. (2000). 'New Labour and the past' in Tanner, D., Thane, P. and Tiratsoo, N. *Labour's First Century*. Cambridge University Press.

Fielding, S. (2003). *The Labour Party: Continuity and Change in the Making of 'New' Labour*. Palgrave Macmillan.

Fielding, S. and McHugh, D. (2003). 'The Progressive Dilemma and the social democratic perspective' in Callaghan, J., Fielding, S. and Ludlam, S. *Interpreting the Labour Party: Approaches to Labour politics and history*. Manchester University Press.

Gamble, A. (1994). *The Free Economy and the Strong State: The Politics of Thatcherism* (2nd edn). Palgrave Macmillan.

Gamble, A. and Kelly, G. (2001). 'Labour's New Economies' in Ludlam, S. and Smith, M. J. *New Labour in Government*. (Palgrave Macmillan).

Giddens, A. (1998). *The Third Way: The Renewal of Social Democracy*. Polity Press.

Giddens, A. (2007). *Over to You, Mr Brown*. Polity Press.

Gould, P. (1998). *The Unfinished Revolution: How the Modernisers Saved the Labour Party*. Abacus Ltd.

Goyder, M (1987). 'John Ruskin's Victorian Values' in Kilmarnock, A. *A Radical Challenge*. Deutsch Press.

Green, E. H. H. (2004). *Ideologies of Conservatism: Conservative Political Ideas in the Twentieth Century*. Oxford University Press.

Hallett, G. (1973). *Social Economy of West Germany*. Macmillan.

Harris, K. and Owen, D. (1987). *David Owen Personally Speaking*. Pan Books.

Harris, M. (1996). 'The Centre for Policy Studies: The Paradoxes of Power' in Kandiah, M. D. and Seldon, A. *Ideas and Think Tanks in Contemporary Britain* (Vol. 2). Routledge Ltd.

Hattersley, R. (1987). *Choose Freedom: Future of Democratic Socialism*. Penguin Books Ltd.

Hay, C. (1999). *The Political Economy of New Labour: Labouring Under False Pretences*. Manchester University Press.

Healey, D. (1989). *The Time of My Life*. Michael Joseph Ltd.

Heffernan, R. (2001). *New Labour and Thatcherism: Political Change in Britain*. Palgrave Macmillan.

Hutton, W. (1987). *Stalking the social market*. The Listener.

Hutton, W. (1996). *The State We're in*. Vintage Ltd.

Jenkins, R. (1991). *A Life at the Centre*. Macmillan Ltd.

Jenkins, S. (2007). *Thatcher and Sons: A Revolution in Three Acts*. Penguin Publications.

Joseph, K. (1975). *Why Britain needs a social market economy*. (CPS, London).

Joseph, K. (1976). *Stranded on the Middle Ground: Reflections on Circumstances and Policies*. (CPS: London).

Kavanagh, D. (1987). *Thatcherism and British Politics: The End of Consensus?* Oxford Paperbacks.

Kavanagh, D. (1997). *The Reordering of British Politics: Politics After Thatcher*. Oxford University Press.

Lamont, Norman (2007). *Keith Joseph – a real compassionate Conservative, though how he would have hated the label!* (The 2007 Keith Joseph Memorial Lecture) (CPS, London).

Leadbeater, C. (1991). *Whose line is it anyway?* Marxism Today (April 1991)

Lee, S. (2008). 'Conclusion' in Beech, M. and Lee, S. *Ten Years of New Labour*. Palgrave Macmillan.

Letwin, S. (1992). *The Anatomy of Thatcherism*. Flamingo Press.

Lipsey, D. (2007). *The Social Market and its Enemies: A Philosophy for Brown?* (SMF: London).

Ludlam, S. (2001). 'The Making of New Labour' in Ludlam, S. and Smith, M. J. *New Labour in Government*. Palgrave Macmillan.

Mandelson, P. and Liddle, R. (1996). *The Blair Revolution: Can New Labour Deliver?* Faber and Faber Ltd.

Marquand, D. (1999). *The Progressive Dilemma: From Lloyd George to Blair*. Weidenfeld and Nicolson Ltd.

Marquand, D. (2003). *The Guardian* (6 January)

Marr, A. (2008). *A History of Modern Britain*. Pan Books.

Marshal, P. and Laws, D. (2004). *The Orange Book: Reclaiming Liberalism*. Profile Books Ltd.

Mierzejewski, A. (2004). *Ludwig Erhard: A Biography*. University of North Carolina Press Ltd.

Mullard, M. and Swaray, R. (2008). 'New Labour and Public Expenditure' in Beech, M. and Lee, S. *Ten Years of New Labour*. Palgrave Macmillan.

Nicholls, A. (1994). *Freedom with Responsibility: Social Market Economy in Germany, 1918-1963*. Clarendon Press Ltd.

O' Hara, K. (2007). *After Blair: David Cameron and the Conservative Tradition*. Icon Books Ltd.

Owen, D. (1981a). *Face the Future*. Jonathan Cape Ltd.

Owen, D. (1981b). *The Social Market*. Fourth Hoover Lecture, Strathclyde University.

Owen, D. (1983a). *Salford Conference Speech*.

Owen, D. (1983b). *Agenda for Competition with Compassion* Economic Affairs (Vol. 4, No. 1).

Owen, D. (1984a). *A Future that Will Work*. Penguin Books Ltd.

Owen, D. (1984b). *Buxton Conference Speech*.

Owen, D. (1986). *A United Kingdom*. Penguin Books Ltd.

Owen, D. (1987a). *Social Market and Social Justice*. Tawney Society. London.

Owen, D. (1987b). *Sticking With It*. Social Democratic Publications. London.

Owen, D. (1988a). *In praise of the social market, The Independent* (29 August 1988).

Owen, D. (1988b). *Our NHS*. Pan Macmillan.

Owen, D. (1991). *The Politics of the Social Market*. Radical Society.

Owen, D. (1992). *Time to Declare*. Penguin Books Ltd.

Owen, D. (2000). 'The Legacy of the SDP' in Brivati, B. and Heffernan, R. *The Labour Party: A Centenary History*. Palgrave Macmillan.

Peacock, A. and Willgerodt, H. (1989). *Germany's Social Market Economy: Origins and Evolution*. Palgrave Macmillan.

Peston, R. (2006). *Brown's Britain*. Short Books. London.

Pierson, Christopher. (1995). *Socialism after Communism*. Pennsylvania State University Press.

Radice, G. (2003). *Friends and Rivals: Crosland, Jenkins and Healey*. Abacus Ltd.

Rawls, J. (1971). *A Theory of Justice*. Harvard University Press.

Rawnsley, A. (2001). *Servants of the People: The Inside Story of New Labour*. Penguin Books Ltd.

Ridley, N. (1991). *My Style of Government: The Thatcher Years*. Flamingo.

Rodgers, W. (2004). 'SDP' in Adonis, A. and Thomas, K. *Roy Jenkins: A Retrospective*. Oxford University Press.

Rodgers, W. (2000). *Fourth Among Equals: The Autobiography of Bill Rodgers*. Politicos Publishing Ltd.

Seldon, A. (1996). 'The Heath Government in history' in Ball, S. and Seldon, A. *The Heath Government, 1970-74: A Reappraisal*. Longman.

Skidelsky, R. (1989). *The Social Market Economy*. Paper No. 1. SMF. London.

Smith, Eric Owen. (1994). *The German Economy*. Routledge Ltd.

Thatcher, M. (1993). *The Downing Street Years*. HarperCollins Publishers Ltd.

Thatcher, M. (1994). *The Path to Power*. HarperCollins Publishers Ltd.

Thorpe, A. (2008). *A History of the British Labour Party* (3rd edn). Palgrave Macmillan.

Toynbee, P. (1995). *The Independent*. (June 21)

Watrin, C. (1999). 'The German Social Market Economy' in Kilmarnock, A. *The Social Market and the State*. SMF. London.

Weymar, P. (1957). *Adenauer: His Authorized Biography*. E. P. Dutton Ltd.

Williams, H. (2003) *The Guardian*. (11 September).

Williams, S. (1981). *Politics is for People*. Penguin Books Ltd.

Xingyuan, F. (2008). *Social and Ecological Market Economy – The Future for China?* European Commission Project.

Zweig, K. (1980). *Origins of the German Social Market Economy: Leading Ideas and Their Intellectual Roots*. ASI. London.

Social Market Foundation
11 Tufton Street T: 020 7222 7060 Chair: David Lipsey
Westminster info@smf.co.uk Director: Ian Mulheirn
London SW1P 3QB www.smf.co.uk Registered charity, no. 1000971 and a company limited by a guarantee registered in England with no. 2537035