Pre-History: Britain in Crisis (–1977)

A Catastrophic Equilibrium

I analyse Thatcherism as an ensemble of strategies directly targeting class relations, which form part of a broader neoliberal regime of condensation. To show the value-added of this approach, I will first of all describe the historical context of Thatcherism, and show how a deep economic, political, and ideological crisis prepared the ground for a profound ideological shift in the Conservative Party, which consisted in various elements of neoliberal ideology beginning to dominate the party discourse.

Following Hall et al., I use a Gramscian expression to capture the conjuncture of the 1970s: ‘catastrophic equilibrium’.1 The term refers to a situation in which class actors engage in their ‘reciprocal destruction’ because both sides are strong enough to launch attacks, but neither side is capable of defeating the other.2 In other words, a catastrophic equilibrium is a conjuncture marked by several consecutive, aborted attacks by both capital and labour. In my view, the fierce class struggles in 1970s Britain followed this pattern. They were the product of all post-war governments failing to create a coherent institutional framework for capitalism in Britain or, in my words, to institute a durable regime of condensation.

All British governments between 1945 and 1970 tried in various ways to instigate a settlement between capital and labour, and to implement strategies conducive to stabilising capitalist class domination. At various points, there were compacts between capital and labour based on trading wage restraint and compliance in the sphere of production with full employment and the provisions of a comprehensive welfare state. However, the resulting class political regimes did not last very long. Corporatist institutions remained ineffective and failed to deliver substantial and consistent improvements to the standard of living of workers, who in turn frequently resorted to strike action.3 The weakness of British corporatism reflected the traditional weakness of the British state, whose century-long evolutionary development had produced institutional het-

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1 Hall et al. 1978, p. 262.
erogeneity and had resulted in the emergence of economic apparatuses with only limited interventionist capacities.\footnote{Compare Badie and Birnbaum 1983, pp. 122–3.}

In the field of economic order politics, political leaders grappled with corresponding problems. Initially, the early post-war governments appeared successful insofar as they managed to establish an economic-political order that combined a Keynesian accumulation strategy with an interventionist state strategy. However, they failed to instigate the restructuring of the British industrial base, whose ‘competitiveness’ had been eroding since the second wave of industrialisation in the late nineteenth century:\footnote{Hobsbawm 1968, p. 178.} on the whole, there were only sluggish increases in productivity and economic growth.

This was further aggravated by the incapacity of corporatist institutions to enforce wage restraint. Under the conditions of limited growth, substantial wage increases posed a threat to profits. In this situation, employers resorted to fending off this threat by increasing prices, which stoked inflation and restricted the growth of real wages.\footnote{Compare Panitch 1976, p. 242.} At the macro-level, this resulted in a cycle of stagnation, which usually followed a ‘boom and bust’ pattern: first, there was a brief phase of expansion; next, inflationary pressures emerged and the balance of payments started deteriorating; this then resulted in a currency crisis and, finally, in a contraction.

The application of inconsistent political techniques of economic crisis management complicated the macroeconomic issues. On the one hand, successive governments committed themselves to Keynesian demand management; on the other hand, they stuck to orthodox ways of stabilising the pound: they chose to react to the recurring currency crises with ad-hoc cutbacks in state expenditure, which stabilised the pound but undercut demand. Once stabilisation had been achieved, they reflated, which created new inflationary pressures. In other words, the application of Keynesian techniques had a pro-cyclical, not an anti-cyclical effect. Under these conditions, Britain never saw the emergence of a self-reinforcing productivist growth dynamic as witnessed in France and West Germany at the time. In light of this, Jessop speaks of ‘Britain’s flawed Fordism’.\footnote{Jessop 1991b, p. 137; compare Overbeek 1990, p. 191; Kerr 2001, p. 196.}

The shortcomings of post-war strategies in the field of economic order politics not only reflected the weakness of corporatist institutions. The fact that the dominant fraction of the power bloc, the City, did not have an interest in the resurgence of its industrial counterpart further compounded difficulties, as did