The Brief and Turbulent Life of Modernising Conservatism
The Brief and Turbulent Life of Modernising Conservatism

By

Stuart Mitchell

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To my wife
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Stuart Mitchell
March 2006
CHAPTER ONE

INTRODUCTION: THE DEVELOPMENT OF MODERNISING CONSERVATISM

What is ‘Modernising Conservatism’?

Political labels are often thorny. Conservatism is difficult to conceptualise, ‘modernising’ Conservatism potentially more so. To start with, the phrase sounds like an oxymoron. To assume that the Conservative in the trade of active politics has no business promoting modernisation is, though, to abstract him or her from reality. The Tory outlook, as Stuart Ball and Ian Holliday have pointed out, always “reflects its times and circumstances”—indeed this may help to explain the Conservative Party’s enduring electoral appeal in the United Kingdom. In one sense, the Party has continuously, since Peel, housed adherents of some form of ‘modernisation’, though that modernisation has been constantly reflective of prevailing political and economic conventions. Under Disraeli’s tutelage in the mid-nineteenth century, the Party first accepted free trade and industrialisation as necessary for national economic well being, then sought to temper their wilder injustices through moderate social reform. In this, the Party adopted a form of modernisation—recognising imminent change and legislating for it before the deluge came. Similarly, the Thatcher Governments’ rediscovery of Manchester Liberalism’s panaceas in the 1970s can be seen as an attempt to modernise the economy by revitalising private enterprise and demolishing those primitive trade union practices which hampered the proper working of the labour market. And since its 1997 election defeat the Party has again become divided between ‘modernising’ and ‘traditionalist’ factions: a cleavage that is by no means unquestionably healed, even with the election of the ‘moderniser’ David Cameron as leader. The Tory programme introduced in the early 1960s differs considerably from these three examples, however, largely because it accepted a more étatiste system within which economic decision-making could take place. In other words, though modernisation has stalked through Conservative Party history as an intermittent and recurring theme, the
means to achieve it have varied considerably, according to what was politically acceptable at the time. Visions of how ‘end state’ rejuvenated Britain might appear have also, inevitably, changed with successive Conservative Governments, but the common thread of an economically dynamic, socially stable nation unites them all.

Here we concentrate, though, upon a single distinct manifestation of Tory modernisation: that pursued by the administrations of Harold Macmillan and Sir Alec Douglas-Home. Although acknowledgement of Britain’s deep-rooted industrial inefficiencies provided one catalyst to its emergence, the programme fostered under Macmillan’s stewardship was not purely economic; instead, it encompassed far-reaching commitments in several policy areas. It might be said to extend to cover three major but overlapping realms of government activity: economic regeneration, foreign policy, and social improvement. Projects as diverse as the first cost/benefit analysis of Empire and the expansion of UK higher education can be legitimately gathered within its compass. Except tangentially, social legislation is not examined extensively in this book–partly because a recent survey by Mark Jarvis has covered the topic admirably–whilst those interested in foreign policy matters such as decolonisation and the Cold War are well catered for by a reliable stream of scholarly offerings. Here the narrative’s focus is upon the first category: domestic economic revival through industrial policy. Two skeins in particular thread through the narrative, stitching together its disparate parts: the Government’s approaches to the European Economic Community (EEC) that were cruelly arrested by General de Gaulle in 1963 and the elimination of resale price maintenance (rpm). However, since it is neither possible to describe modernisation in a synoptic fashion nor the rationale of its often feisty opponents by examining economic policy alone, from time to time we dip into other areas to demonstrate its magnitude and impact.

The Tory programme pursued in this period could be described easily as merely a cluster of policies that were linked only by the rhetorical device of modernisation. And there is truth in this, but it is only partial. Certainly, many policies that came later to be gathered within the rubric of modernisation had their origins in discrete areas. Undoubtedly, plans surfaced more quickly in some areas than in others, giving the whole a sense of being inchoate and patchy. But one would hardly expect Tories to arrive in power like Socialists, brandishing a defined action programme to cover all areas of national life. As chapters four and six in particular demonstrate, the difficulty in selling modernisation to an often reluctant, at times overtly hostile, Conservative Party necessitated revealing its aspects in a gradual and cautious manner. Similarly, the Government discovered that it was not viable to execute policy transformations without, at minimum, the support of major institutional players, such as the Federation of British Industries (FBI) or the Trade Unions Congress
(TUC). Political Scientists, most recently and persuasively Hugh Pemberton, have labelled this problem of British post-war politics ‘governance’. The older ‘Westminster model’ of government, in which all power rests in the central state—especially with cabinet—as a description of the real political system has been reckoned increasingly inaccurate the further distant from the war years one travels. Even in the 1950s, Britain’s polity had become fragmented and government action was hemmed in by a host of vested interests, not least trade unions, business, and competing civil service departments. Rather than being centrally imposed, policy change and legislation not infrequently materialised from a process of bartering and persuasion that sometimes trundled on for years: a scenario observed distinctly in the case of rpm’s abolition. Once these limitations are acknowledged, modernising Conservatism emerges as something more than a cortège of vaguely linked measures. In the discussion that follows, it figures not only as a rhetorical theme, but also, and more significantly, as both an attempt to maintain state legitimacy and social harmony during a period in which such blessings were being assailed by considerable cultural and social change, and as a domestic statecraft strategy designed, foremost, to secure the perpetuation of the Conservative Party in power.

The White Paper on Employment Policy of May 1944 is of importance here. Not because its publication induced universal welcome, nor because it provided a clear-sighted plan to secure a “high and stable level of employment”: it did neither. Rather because, through its steady accretion of the trappings of national myth, it became the core of the post-war settlement; to which, for the first twenty-five years after the Second World War at least, both Labour and Conservative administrations showed obeisance. Within each major party, the belief was deep-seated that any serious divergence from the White Paper’s essentials would furnish not only electoral disaster, but also social discord. Thus, grudgingly or willingly, upon re-election in 1951 the Conservatives were bound to work within its strictures. These implied that the delivery of key ‘goods’ (principally full employment, trade liberalisation, welfare, stable prices, and a balance of payments surplus) would be guaranteed by the state, or at least that state policy would be consistently directed towards securing these objectives. In fact, the White Paper neither promised full employment, nor placed entire responsibility for its achievement upon the state, but the public mind easily elided such bothersome caveats amongst all the New Jerusalem hubbub of the mid-1940s. Littering much ministerial discussion throughout the thirteen years of Tory rule were suggestions that to maintain power the 1944 agreement needed constant nurturing. A letter from David Eccles to Selwyn Lloyd in 1962 provides a typical example. In it, Eccles argued that: “if inflation is not to be kept at bay except on Paish lines… then the Tory Party is out for a long time… To my mind Paish and an incomes policy are incompatible.” Whether a
deflationary approach like Paish’s would have resulted in electoral disintegration remains conjecture, but what is undeniable is that attempts to press policies notionally detrimental to the maintenance of full employment was sternly resisted by Conservative top brass. As we shall see in the third chapter, this was dramatically demonstrated in January 1958 with enforced resignations of the Chancellor and his two junior Treasury ministers. Until roughly 1959, in any case, it seemed to most in the Government that the post-war settlement’s central objectives were being achieved without resort to severe measures. What, then, altered the Government’s approach from one of gentle demand management of the economy and moderate reform elsewhere to one that explicitly espoused radical modernisation? Two developments—one positive, the other negative—provide the answer.

From January 1957 through to the Conservatives’ election victory in the autumn of 1959, the political atmosphere was clouded with fallout from Eden’s failed Suez campaign. In that aftermath, it was not at all clear that the Party would win the next election. To give itself a chance, it was essential that the Government concentrated for a time on ‘home front’ subsistence level objectives, or a ‘minimalist’ statecraft strategy that aimed to restore an image of governing competence. Realistically, this meant the avoidance of foreign policy adventurism, the re-establishment of good transatlantic relations, the avoidance of crisis and conflict at home, and continued adherence to the post-war compact. Despite that Suez had battered the country’s self-esteem, it certainly did not mean ditching the language of national greatness, nor assaulting vested interests in an attempt to ‘update’ Britain. Even had the Macmillan administration desired to launch itself onto the tide of modernity, this was not electorally viable. Though Butler dipped a toe or two tentatively into the waters of social reform, little was done to address industrial defects. But the 1959 election victory freed the Government from such shackles and enabled the abandonment of subsistence statecraft. Of course, this alone need not have initiated a modernisation strategy. What nudged the executive in that direction was the recognition that although 1944 covenant had been sustainable for the first few years of Conservative rule, its objectives were becoming increasingly difficult to deliver. Behind this was the failure of the three corporate interests—Labour, Industry, and Finance—to deliver on their side of the political ‘contract’ that had been implied by the White Paper, but which was often conveniently overlooked by these actors. This had assumed that the unions would voluntarily rein in their memberships and not press for absurd wage increases outside the bounds of productivity increases, manufacturers would modernise plant and working practices, and the financial sector would provide adequate investment capital. All three had steadily reneged on this commitment. Not only had these functional interests proved truculent, their control over key economic resources, when combined with the weakness of
the central state, had handed them remarkable power to thwart government initiatives. As examined in chapter two, the creation of the 1956 Restrictive Trade Practices Act (RTPA), the first legislative attempt to tackle the rpm problem, provided potent illustration of this. In turn, this meant that the habitual reliance on neo-Keynesian demand management to deliver the core elements of the settlement was insufficient by 1960.

Mingling with this central governing problem and providing its oxygen was the cognisance of relative British decline that had been so painfully illuminated, but, it should be noted, not created by the failure of the Suez operation.

Economically, this was pointed up by the British economy’s underperformance in contrast to economic growth in the Common Market and frequent balance of payments’ crises. Regardless of whether Britain was truly in economic or international decline in the post-war period, and there seems little end to that dispute, the sensation of it saturated the polity. The longevity of this truth, and the manner in which it influenced the reflexes of even the most sanguine politicians, has lately been scrupulously and, for the most part, accurately delineated by Jim Tomlinson. But the years either side of the general election saw this sense of degeneration percolate—through press, media, and popular culture—downwards to the public, engendering a scepticism about the state’s ability to sustain British economic potency and global ‘greatness’. This cynicism fused with the increasing sophistication and regularity of opinion polls in the late 1950s to exacerbate the problem that had been inaugurated by the 1918 wave of enfranchisement (earlier, arguably): the enlightenment of an uncomprehending and volatile electorate as to the difficulties of government.

The archetypes of censure were a number of fault-finding books by authors such as Anthony Sampson and Michael Shanks. Each posed awkward questions about the UK’s straitened circumstances. In his 1961 work, The Stagnant Society, Shanks asked Britons: “What sort of island do we want to be? A lotus island of easy tolerant ways and ... genteel poverty? Or the tough, dynamic race we have been in the past ... ready to accept growing pains as the price of growth?” Of course, Macmillan’s Government hoped that their answer would be the latter.

The questions that Shanks and his kind asked in public had been broached privately by ministers and civil servants for some years. By 1960, the Treasury was conducting a substantial policy reappraisal predicated upon the realisation that higher economic growth could not be achieved without supply-side reforms. (Indeed, since faster and more sustained growth was the most important goal of industrial adjustment, it might be more accurate to refer to growth-though-modernisation instead of simply modernisation.) This is not to suggest that the Government adhered to a mono-causal explanation for relative decline: in fact, it had to hack its way through a thicket of competing arguments. These varied from imperial over-stretch to an idea of an ‘aristocratic’ political
culture which impeded the development of a modernised state and economy.\textsuperscript{25} The analysis developed under the Macmillan administration took into account a diversity of causes, though not always, due to the pressures of government, explicitly. To try to educate a largely obtuse party and nation (and especially those institutional actors that possessed the nascent power to disrupt policy goals) to the realities of decline and to seek to remedy that decay by a significant shift in the practice of government was a central feature of the modernising statecraft strategy. This was a colossal undertaking, considerably more comprehensive than that of Macmillan’s two immediate predecessors, so it is hardly surprising that, in its entirety, it was never realised.\textsuperscript{26} But for Conservative modernisers the strategy was imperative, if only to maintain the Party in power.\textsuperscript{27}

\textbf{Actors and Institutions}

It would be misleading to dignify (or damn) modernising Conservatism by labelling it a doctrine, still less an ideology or philosophy. But all strategies need principles and beliefs to underpin them, and early 1960s’ Conservatism is no exception. Its emergence rested upon the precondition of a certain cast of mind, possessed by Macmillan and shared by most of his progressive entourage. This mindset and its associated policy preferences have been given a variety of labels over time: ‘Tory socialism’ and ‘Stocktonian’ are well known, for instance.\textsuperscript{28} Despite that recent critics like David Seawright have endeavoured to show that term’s origin is itself a lot slipperier than current usage assumes, most typically Macmillan’s stewardship is tagged as a type of ‘One Nation Toryism’.\textsuperscript{29} What that amounted to in the period discussed here was a willingness to utilise the state to foster the major objectives of the 1944 political settlement. George Hutchinson, Macmillan’s press adviser, later distinguished his chief’s personal policy aspirations as:

\[\text{T}o \text{ update industry by encouraging capital investment while simultaneously expanding public services; a desire to liberate both the individual and the corporation from the enervating, dispiriting effects of excessive taxation while nevertheless extending the powers of the State; and a determination to raise the general standard of living not only appreciably but rapidly.}\textsuperscript{30}

If nothing else, this demonstrates the PM’s proclivity for grandly ambitious projects. Nonetheless, October 1959’s election success at least gifted Macmillan the opportunity to indulge some of those inclinations, including a reprise of his ideas on the state-sponsorship of industrial co-operation that had been advanced originally in \textit{The Middle Way}.\textsuperscript{31} Many historians have characterised this approach, accurately, as ‘statist’, but that single-word portrait fails to capture an
important qualification: that the state’s muscle should be employed judiciously and appropriately. This brand of modernising Conservatism was not the milky, dewy-eyed, spendthrift creed that some later commentators have been wont to portray. Instead, whilst the Government would endeavour to guarantee full employment and the main pillars of the post-war accord, in some areas it would intervene to correct market imbalances and to stimulate productivity. The chill wind of competition for some; for others, a warm zephyr. Macmillan christened this “creative *dirigisme*”, and there seem few better concise definitions. The state was to be a tool to effect a transformation of Britain, not a cash cow for the pitiable and hopeless. Hence, as chapter five argues, the abolition of resale price maintenance in 1964 was not an inexplicable proto-Thatcherite deviation from Macmillanite modernisation, instead it was fully in harmony with it.

If this was the outlook, it is worth asking who, other than Macmillan, partook of it? To begin with, in 1957, it was by no means mutual amongst the Cabinet: as demonstrated by the ministerial resignations of Lord Salisbury and Peter Thorneycroft in the administration’s first year. As chapters three and four illustrate, however, a goodly number of modernisers—notably Reggie Maudling, Edward Heath, and Iain Macleod—were inserted into positions of prominence, creating over time a modernising circle with the Premier at its hub. This is not to say that the development of a clique which inhabited the same mental universe as the Premier necessarily brought concord in detailed matters of policy, as, for instance, the Government’s negotiations with the European ‘Six’ revealed. Nevertheless, between 1959 and 1962, modernisers came to dominate the Cabinet. The corollary of these manoeuvres was the simultaneous advance of a reformist agenda that included the move towards tripartite indicative planning and the disengagement from imperial commitments.

All the same, despite their prominence politicians were only one set of players. Other figures and groups perform an important role in this story; without some of them, it is scarcely possible to imagine Tory modernisation ever taking wing. Private secretaries such as Tim Bligh were often the first sources of advice and encouragement, a burden carried also by their Cabinet Office brethren. Indeed, civil servants often provided crucial propulsion behind modernising measures. Particularly noteworthy was Sir Frank Lee, Permanent Secretary at the Exchequer from 1960, who convinced the normally ascetic folk at Great George Street to support (or, at least, not to impede) much of the modernisation package—including industrial planning and the abolition of rpm. Such achievements should not be taken lightly, since, according to Lord Roll, whose extensive civil service career included a substantial term within the Exchequer’s walls, “the Treasury was at that time very conscious of its own power and position… and if you look at the amount of legislation that was dependent on Treasury say-so… their power was enormous… If they wanted to
prevent...[a proposal going ahead], they often could.” Pro-modernisation voices from outside of the polity, too, were frequently influential. Amongst others, the Oxford economist and celebrated expansionist, Roy Harrod, and the leader of the European Movement, Lord Gladwyn, make cameo appearances here. From the Party itself, the indispensable engine of modernising ideas was the Conservative Research Department (CRD), the strategic influence of which is examined closely in chapters six and seven. Whilst a little further out in orbit, the faultlessly heterodox Bow Group did much intellectual spadework on ‘progressive’ issues such as decolonisation and the EEC. Thus, modernisation drew its sustenance from a wide and eclectic variety of actors. But it was also challenged and constrained by a crowd of interested parties no less diverse.

High politics may create a fascinating narrative, but its power to illuminate the workings of government is limited: other quarters must also be investigated. For instance, the importance of the institutional constellation within which all governments are compelled to operate is difficult to underestimate. The ability of the state’s supposed partners in the wartime covenant to frustrate policy objectives was substantial, if not complete. It was within this context of institutional friction that the economic strategy had to be implemented. The role of finance capital receives little attention in this book, for two reasons. Firstly, it stood pointedly aloof from government attempts to shape a tripartite convocation around the core institution of the National Economic Development Council (NEDC). Second, and more prosaically, its operations did not much disturb the realm of industrial and competition policy directly, except perhaps in that the City may have irresponsibly egged on the trend towards greater numbers of mergers. However, the peak organisations of labour and industry (particularly the TUC and the FBI) come frequently under the microscope. For its success, Tory modernisation relied heavily upon the willing acquiescence of the big ‘corporate’ interests. For example, their opposition to the Labour Party’s early attempts to legislate against price rings allowed them to go unmolested until 1956. Likewise, when these bodies made their slow turn towards an acceptance of economic growth through modernisation it enabled policy departures such as the Government’s 1961 Common Market discussions to go ahead more freely. Alongside the big beasts, however, sat other functional interests that were no less part of the institutional jungle. The representatives of small commercial interests such as the National Chamber of Trade (NCT) possessed insufficient economic power to wreck industrial policy, but they could still stir political trouble for the Government, as they proved emphatically during 1964’s rpm debates. Hence although some commentators have castigated the Tories’ modernisation policies as offering “too little, too late”, such modish headlines seem to obscure the real constraints operating upon government policy.
these, it could be as easily remarked that it was surprising how much of the modernising strategy was executed.

This was especially so because the Conservative Party was itself far from united beneath the banner of modernity. Historically, those in the Party who have advocated, at different times and in varying forms, a modernising agenda have been consistently opposed by those holding that such programmes were destructive of the web of tradition upon the defence of which some Conservatives considered was based the Party’s rationale. 41 Ewen Green has demonstrated admirably that, as early as 1955, these antagonists had begun candidly to denounce some of the leadership’s policies as retreats from the authentic Tory faith; from late 1961, with modernisation in full flood, their attacks became angrier and more sustained. 42 Others in the Party resisted policy change on the more calculated grounds that such designs were hostile to the organisation’s electoral prospects, possibly to the whole idea of unbroken electoral hegemony. 43 Classic distinctions between left and right are of limited use in determining the position of individuals on particular aspects of modernisation. For instance, figures such as Peter Walker and R.A. Butler (both clearly positioned on the Party’s centre-left), despite their support for most other modernising initiatives, initially opposed Britain’s Common Market application, which was considered almost an defining credo for modernisers like Macmillan and Heath. 44 Instead, the book differentiates between ‘traditionalists’ and ‘modernisers’, though this cleavage should not be assumed to correspond to more contemporary usages. Nor should each category be seen as hermetic. Often, though not inevitably, members of the former were of the Party’s right; similarly, the latter group was not concomitant with the Conservative left, although most of its prominent members were drawn from that tendency. But, whatever the problems of conceptualising the Party’s fault lines, what will become clear is that internal hostility to modernisation was uncompromising. Indeed it exhibited every sign of strengthening as the strategy unfolded. As Keith Middlemas has observed, the growth policy was difficult enough to realise against institutional resistance, without “divisions running right through the Conservative Party [that] retarded the implementation of any general project.” 45

In chapters six and seven this phenomenon is described more forensically.

Before outlining the chronological framework within which modernising Conservatism took shape, however, we should say a word about Douglas-Home’s administration. Whilst the sinews of modernisation stood out clearly under Macmillan’s leadership, even after the collapse of European negotiations in January 1963, the man who followed him into Downing Street was not immediately recognisable as a modernist. In general, he was more acceptable to traditionalist Conservatives—leading the Party more from the right of centre than any of his three immediate predecessors and more obviously preoccupied with
the maintenance of a traditional global role for Britain than had appeared Macmillan. Douglas-Home probably possessed a more fundamental understanding of the obstacles to modernisation than did his predecessor. In a statement of personal beliefs, prepared over Christmas 1963, he reaffirmed his rural roots in his remark that “people who live close to nature act by instinct reinforced by deduction. They are natural conservatives—slow thinkers but sound.” He also repudiated the idea that Conservatism could, or should, be based upon materialism: “In the truth about anything—economics to sport—there is an element of self-discipline and unselfishness and therefore sacrifice.” This implicit alignment with a sense of noblesse oblige and rejection of ‘affluence’ displayed something more in common with the label ‘traditionalist’ used in this study than with the ‘reformist’ incline to Macmillan’s version of modernisation.

Even had Sir Alec been instinctively in sympathy with the Cabinet modernisers, he posed a problem for Conservative strategists, since a true blue-blood was fantastically ill suited to be modernisation’s clarion. And yet, modernisation did not shrivel under his rule; in truth, quite the reverse, as chapter five explains. Largely this was due to the dominance of the Cabinet’s modernising faction, particularly Reginald Maudling at the Exchequer and Edward Heath at the Board of Trade, and Home’s somewhat nineteenth-century preference for genuinely collegiate decision-making. In consequence, he was generally unwilling to overrule his ministers on grounds of political calculation. Though this meant that the troupe of modernists was able to advance an agenda in which the Government remained wedded to economic growth and the elimination of restrictive practices, it meant also that those concerned with moral continence (a typically traditionalist concern) were able to squeeze some minor measures onto the statute book. Alec Home’s premiership thus developed some Janus-faced qualities that were to have deleterious consequences for the Conservatives’ election tactics.

The Context of Conservative Rule.

The Conservatives had been returned to government in the general election of 1951 on the broad promise of ‘Setting the People Free’. Although the campaign’s rhetoric had been largely ‘neo-liberal’—pledging the removal of the Attlee Government’s micro-economic controls and the return to a macro-economic strategy which would embody a modified form of the liberal economic values that had been in eclipse since the early years of the century—there was no ostensible departure from the ‘consensus’ laid down in the war’s closing years. As John Turner has remarked, the neo-liberal rhetoric was fashioned chiefly to mollify party activists, but the reality of policy was that it
worked in the grain of the welfare reforms introduced by the previous administration.\textsuperscript{52} Though the main areas which fell under the consensual system, including education, full employment, social services, the health service, were neither weakened nor, to any great extent, hived off into the private sector by the thirteen Conservative years following the 1951 victory, the methods of achieving long-standing goals altered somewhat.\textsuperscript{53} More emphasis was placed upon macro-economic management, less on planning (although Labour had itself been moving away from micro-economic controls as active policy instruments from late 1947), whilst Butler at the Treasury engaged in determined expansion in the pursuit of affluence—at least after the defeat of the ‘ROBOT’ project in 1952. Then again, the promised ‘bonfire of controls’ was a relatively small pyre, and some more innovative areas of policy, such as proposals for Development Councils which were initially suggested in the Party’s \textit{Industrial Charter} discussions, were vetoed by Churchill.\textsuperscript{54} Seemingly, the stimulus which had most effect on the twilight Churchill administration was the desire for a quiet life; hardly astonishing given the slim Tory majority in the Commons and Churchill’s natural desire to reprise his wartime successes with a government moulded explicitly to reflect a moderate, socially inclusive version of the national interest. As one recent author has put it: “Attlee’s patriotic socialists gave way to Churchill’s social patriots”.\textsuperscript{55} This goes far to explain the Government’s compliant stance towards trade unions and cartels, its sacrifice of capital investment programmes to the extensive house-building schedule, and the slow rate at which ministers proceeded with the denationalisation of steel and road haulage.\textsuperscript{56} Whether the first few years of Conservative government can legitimately be called ‘neo-liberal’ is extremely doubtful, except in the sense that planning was bypassed as an instrument of industrial policy, especially as the phrase has now become strongly associated with the ‘New Right’ of the last three decades. (In what follows, the term is employed primarily to describe the prescriptions of the Party’s free market faction; any deviations from that usage are signalled.) Indeed, although some elements of classical liberalism were reintroduced which modified the prevailing neo-Keynesian bent to policy, as early as 1952 several leading Tories were unhappy with Butler’s lack of progress towards a \textit{laissez-faire} economy.\textsuperscript{57}

There is a case to be made for the failure of Churchill’s and Eden’s Governments to tackle deep-seated structural impediments in the British economy—though, as Anthony Seldon has argued, given the contorted roots of these problems, efforts to do so would probably have had only a marginal effect.\textsuperscript{58} Nonetheless, as chapter two outlines, the Government did very little to cultivate industry connections and, aside from the passage of the 1953 Monopolies and Restrictive Practices Commission Act (a modest adjustment, at best), until 1955 displayed practically no interest in confronting the great jumble
of restrictive practices on both sides of industry.\footnote{59} Indolence contributed, arguably, to the difficulties which beset the Macmillan Government’s later years and impelled a shift towards indicative planning as a device to stimulate economic growth. In effect, the process of industrial policy generation was frozen for the first three years of Churchill’s Government. Little or nothing was done about the problems of wage claims (beyond Monckton’s exhortatory approach to the TUC), slackening of productivity, capital investment, and poor management. Equally, the Foreign Office was allowed to restrict debate on the merits of joining the European Coal & Steel Community and later the EEC.\footnote{60} In part, this was caused by the necessity of carving for the Conservatives a distinct political position which would distinguish them both from their Labour opponents and, perhaps more importantly, from the 1930s’ National Government; equally, it suggests an executive that was, at least until 1955, far from convinced that its period of rule would last long.\footnote{61} Unfortunately, though the Tories managed to recover something of their image as custodians of social harmony and economic prosperity, this was at the expense of a long-term strategy for Britain’s future. The result was the tangle of problems which, by the end of the 1950s, was considerably less remediable than in 1951—and which finally prompted the inauguration of the modernist strategy.

However, upon entering Downing Street, even if the ramifications of his two predecessors’ supposed lassitude had been clear (and they were not yet unambiguously so), it was not possible for Macmillan to initiate a modernising strategy. The period between the Suez debacle and the 1959 election has already been referred to as one of subsistence level statecraft in which the restoration of an image of governing competence and the continuing delivery of 1944’s consensual policy objectives were the regime’s two overriding priorities. Overt antagonism towards any interest group, including the Tory masses in the country, would have contravened electoral logic. Thus Macmillan preferred to accept, for example, the loss of his Treasury Ministers in January 1958, than to risk having the electorate choke down their deflationary medicine.\footnote{62} For similar reasons, it was of no practical use waving the realities of imperial over-stretch or industrial archaism under Tory noses. Nonetheless, some hint of the Government’s possible future direction was revealed in the creation between 1957 and 1961 of a large number of enquiries into an assortment of social and economic questions. These were designed to underpin a rolling programme of legislation. Surveys were commissioned to examine, amongst other things: railways, rural transport, ports, urban traffic, consumer protection, local government, secondary education, universities, the police, company law, the monetary system’s workings, broadcasting, the press, Sunday observance, and civil scientific research. In short: to explore many of the great strands in the web of civil society.
With the worrisome problems of electoral calculation magnificently demolished by October 1959’s ballot, the Government’s temperamental preferences began to be exposed. Within four months, for example, Macmillan was ringing down the curtain on the African colonies. A move that has been described by critics as either “making a shining virtue out of unwelcome necessity” or simply making explicit the British state’s long standing wish to junk the empire. This departure was swiftly followed by others.

For the reader tired of the innumerable ‘turning points’ in other accounts of the Tory Party’s term of office, he or she will find this study, for the most part, refreshingly free of them. The argument here is that the modernist strategy grew and was revealed by its authors incrementally. However, if there was a fulcrum in its development then the summer of 1961 marks it, at least publicly. This was when the Government made explicit its commitment to growth-through-modernisation by announcing its pursuit of negotiations on entry to the Common Market and pledging itself to tripartite indicative planning. Such undertakings did not go uncriticised at the time, particularly by some elements in the Party’s grassroots, although the volume of criticism tended to increase with accumulation of hindsight. A later Conservative Premier, for instance, was to denounce the adoption of tripartism as yielding to the “collectivist” diagnosis and solution, although she managed to exact her revenge by first religiously sidelining the NEDC and later eradicating it altogether. This attitude, although far from universal, was by no means uncommon within Tory ranks in the 1960s, as chapter six illustrates. Moreover, the initiation of talks on industrial planning and the EEC coincided with a downturn in the Tories’ fortunes in the opinion polls; although the immediate catalyst for this was rather the introduction of a public sector wage freeze by the then Chancellor, Selwyn Lloyd. Unfortunately, much of this decline was directly attributable to a revolt of habitual middle class Tory voters, who considered that the Government had neglected basic tenets of Conservatism and had surrendered too readily to a hotchpotch of social liberals, trade unions, and progressives. Thus, as later chapters try to show, modernisation had to be carried through in a climate that cramped further the Government’s freedom to manoeuvre and which heightened the electoral risks of the new statecraft.

A sequence of mishaps beset modernisation between 1961 and the end of Macmillan’s tenure in Downing Street. Some, like the wounding loss of the Orpington by-election in March 1962, were illustrative of the domestic froth whipped up by the strategy; whilst others, most importantly France’s veto of the EEC application, were externally caused. 1963 brought general misfortune down upon the modernisation scheme. The publication of the Beeching report on the British railway network’s rationalisation came hard behind de Gaulle’s veto in February. It gave rise to extensive Tory opposition based, in part, upon
objections to the ‘country’ party’s apparent disregard for the security of rural economies. Then, in the following month, the Profumo scandal broke around the heads of Ministers, stymieing the process of policy gestation and inhibiting public debate on modernisation, as more venal matters flooded the British press.

Yet the modernising policy did not wither entirely as the brickbats rattled down. Instead, as leadership passed from Harold Macmillan to Sir Alec Home, the issue of price maintenance in particular was to demonstrate that it was very much still in bloom.

**Thematic Strands**

Whilst not neglectful of other areas of industrial modernisation, this study’s narrative is given coherence by two case studies: the Government negotiations over Common Market membership and the abolition of the system by which some manufacturers fixed the prices of their goods in shops—usually known as rpm. These have not been chosen arbitrarily. Rather, each has been picked out because of its emblematic value for traditionalists and reformers alike. Whilst planning, industrial training, and most other accoutrements of modernisation attracted criticism, it was these two ventures that witnessed the most sustained and bitter internal party opposition of the 1959-64 parliament. Indeed, 1964’s Resale Prices Bill caused the largest Conservative backbench rebellion on a major issue since the Second World War. Another advantage in these choices is that discussion of modernising Conservatism is not halted at the point of Macmillan’s departure from the premiership. Though modernisation may have been his design initially, in time its standard was borne increasingly by ‘progressive’ Tories like Maudling and Heath. (And it is no accident that both the European enterprise and the demise of price maintenance were driven forward by the latter.) Thus the 1963-64 Douglas-Home period appears in this book not as some trivial postscript to the Tories’ thirteen years of power, but as continuing the solid contours of the modernising programme initiated by Sir Alec’s predecessor.

Andrew Gamble has characterised the movement towards EEC membership on the Government’s part as “the greatest ideological transformation in the party’s history.” Implicitly, it entailed the abandonment of Empire and Commonwealth as the economic sources of British power. For a party schooled in the veracity of such notions, the European departure could hardly fail to spawn considerable hostility from its rank-and-file. Disraeli had sculpted the membership into imperialists at precisely the time when the Party was refashioning itself to charm a mass electorate. Sixty years on, Tories could not escape the Empire: it was in their blood. Though Joseph Chamberlain’s 1903
call to erect a system of imperial preference and create a Council of Empire may have sounded less fiercely in the post-war age, still it had its adherents, as successive conferences throughout the early 1950s demonstrated. Though the leadership never desired to take that route (at least after 1945), nevertheless—and presumably with one eye on grassroots’ reaction—the public pronouncements of Conservative chieftains routinely stressed the importance of Commonwealth and Empire, although by 1959 the latter term was rarely used. For modernisers, however, the liquidation of defunct imperial commitments was essential and it was only the question of what economic arrangements should replace them that was difficult. By late 1961, albeit largely due to the lack of alternatives, entry to the EEC had become the chosen solution and was thereafter quickly transformed into the flagship of modernisation: the *deus ex machina* that would refresh Tory statecraft and propel the Party to a fourth successive election victory. Traditionalist and moderniser were (or should have been) at irreconcilable odds on the issue. It may have been that the sole reason internal party warfare did not erupt was that the Government was prudent enough to avoid any impression that it would enter the Community regardless of safeguards for Commonwealth interests. Nevertheless, the issue still bore vast potential to disrupt the Party, as later chapters endeavour to prove.

Rpm’s abolition might seem like relatively small beer by contrast. But, though the system was hardly an essential ideological building block in the manner of the Commonwealth, it was a powerful totem for traditionalists. For the ‘man of modest means’ it represented economic security and a guarantee of livelihood in the face of competition from big business. Like the Party’s ingrained attachment to Empire, it was understood as part of an implied settlement older than the 1944 one. This rested upon the Conservative-dominated National Government’s eschewal of ‘wasteful’ competition and its acceptance of an ordered and tempered capitalism that embraced the utility of cartels and oligopolistic practices in providing guaranteed markets and protecting jobs. Of course, these preferences had long been present in a certain type of Tory approach—that which had despised the supposed avarice of *laissez-faire* capitalism—but in the lean 1930s they reached their apotheosis. Within an electorate not so very far divorced from that period of privation, even with the buffer of the ‘good war’ in between, the fear of its return was almost ubiquitous. Hardly surprising, then, that when the Government embarked upon rpm’s abolition, its defenders conjured up all the many ghosts of devil-take-the-hindmost, jungle capitalism. In contrast, after October 1963, it was imperative for reformist ministers like Edward Heath to demonstrate that Alec Home’s accession to the premiership had not halted modernisation. As the newly revitalised Labour Party flaunted its technocratic credentials, the Conservatives, in Heath’s eyes, needed to show that the Opposition did not have a monopoly on
such ideas. Legislation to eliminate rpm offered testimony to the Government’s modernising sincerity, plus it appeared to give certain proof that the Tories were as concerned about the interests of that shrewd, modern, clamorous creature, the consumer, as they were about those of the producer. Furthermore, abolition had long been a cherished goal for many in the modernising clique, given its potential to ease the stickiness in the labour market and unleash price competition in the distributive industries.\textsuperscript{78} Such deep-seated opposing perspectives led in 1964 to perhaps the clearest, and certainly the most furious, internal division between traditionalist and moderniser in the period. Given the tumult that surrounded rpm, it is far from astonishing to find both former ministers’ memoirs and the contemplations of recent historians suggesting that the issue lost the Conservative Party the 1964 general election.\textsuperscript{79} The validity of these claims is assessed in chapter seven.

Nearly every aspect of modernising Conservatism damaged a potential or real Tory constituency (this was, certainly, one of the reasons why the strategy was so electorally hazardous), but whilst, for instance, Beeching’s railway axe might fall unevenly across the country, both the EEC application and the attack on rpm challenged deep-set Tory myths and generated enormous controversy throughout the nation. Nonetheless, when the Tories returned to office in October 1951, modernising Conservatism was some way off; indeed if the Party held a collective view of the state’s proper role, it was somewhat murky. How the attitudes of latter-day Churchillian Tories were transformed into those of the Macmillanite modernisers is the subject of the next two chapters.
CHAPTER TWO

PRELUDE TO MODERNISATION

Tories and the State.

Until at least the 1990s, the standard narrative that mapped the Tory Party’s approach to the state went approximately along the following lines. Conservatives apparently swung towards a limited state, \textit{laissez-faire} approach to social and economic issues in the 1920s, and this position led to the Party’s gratuitously uncaring attitude towards the problems of unemployment and the decline of manufacturing industry in the depression years. The effect of the Second World War and defeat by Labour in 1945 was a substantial revision in Tory policy. A Damascene conversion occurred: the Party embraced full employment, a welfare state, and some of the apparatus of collectivism that had been erected by the Attlee administration. Only then were Tories able to discard their inter-war image of ‘nastiness’ and adapt themselves to the consensus created by the war and the Labour Party. This new, state-friendly Conservatism was to last until the mid-1970s, when it was systematically razed by the arrival of Margaret Thatcher and her neo-liberal entourage. The sketch is crudely drawn, perhaps even verging on caricature, but it is not inaccurate as a representation of the broad outlines of a surprisingly resilient myth.

Smooth and straightforward as this narrative is, it remains astonishingly simplistic. One of the problems was that for a great many years after 1945 the volume of Tory historiography was exceedingly slender. The pattern of the narrative, and its tenacity, can be partially explained by the great advantage it gave to the competing attempts of economic liberals on one hand and ‘statist’ Tories on the other to provide a clear explanation of the party’s development that fitted their own doctrinal preferences. It permitted each camp to characterise the periods in which the opposing ideological strand of Conservatism was in the ascendant as episodes of relative failure or mismanagement.\textsuperscript{1} Similarly, the conventional description’s longevity was sustained by the left’s extensive use of
parts of it as a propaganda weapon—especially the potent image of the ‘hungry 1930s’. Thankfully, recent historians have attempted to bring some shade to the picture.3

The first hole in the mantle is that Tories were not nearly so obsessed with free markets and the minimal state in the 1930s as has sometimes been assumed. In the last ten years, a consensus of sorts has emerged amongst historians that the National Government employed state intervention quite extensively to try to alleviate the Slump’s most baleful effects.4 Not only did it endeavour to keep money cheap, but also it created a number of public corporations and marketing boards to stimulate industrial efficiency. More controversially, some have even gone so far as to say that the Government’s encouragement of protection, market concentration, and restrictive practices—mergers, cartels, resale price maintenance, tariffs, and monopoly—can be characterised as an attempt to create an orderly ‘managed’ economy that would be better able to compete internationally whilst protecting jobs at home.5 Arguably the British economy’s sluggish response to these measures was more to do with its long-term structural defects, rather than the plain neglect of which Conservatives were accused. In this case, it may be helpful to differentiate between Tory rhetoric on the dangers of an intrusive state and how the Party actually behaved in office. The former was motivated principally by anti-Socialism. To Conservatives, the Labour Party threatened on a number of plains: some of its members were avowedly internationalist; its fiscal policy seemed confiscatory; but, above all, it had replaced the Liberals as the main electoral threat to Tory hegemony.6 In the inter-war years, with a supposedly volatile and poorly educated mass electorate now in place, it was politically necessary for the Tories to portray Labour policy as endangering civil liberties and enterprise. In practice, the National Government behaved most unlike laissez-faire liberals. It is better to observe that Tory attitudes towards the state in the 1930s were by no means identical throughout the Party.

Similarly, in the 1940s, the Conservatives did not suddenly and uninhibitedly embrace economic dirigisme. Those who urged greater industrial intervention were dependably confronted by the Party’s free market faction during the war and throughout the next decade.7 Certainly, by 1945 most Conservatives had accepted the wartime initiatives that were to go to make up the post-war social compact: particularly the essentials of the Beveridge Report and the White Paper on Employment Policy. Though these were recognised generally as the bounty duly won by the working classes by their wartime efforts even here we must add a caveat that demonstrates the Party’s ambiguity towards the state. Over the Beveridge Report, the Conservatives were at first deeply split. Churchill only consented reluctantly to its publication, and then solely on the basis that although it could be accepted in principle, no legislation could be put through
whilst the war was being fought. This was a compromise. On one hand, the Chancellor, Kingsley Wood, spoke for the Party’s economic liberals by warning that the report’s implementation would involve severe tax rises and extension of state powers. On the other, in February 1943 forty-five MPs from the freshly established Tory Reform Committee requested the immediate creation of a Ministry for Social Security, to begin work on the legislation that Beveridge’s proposals would require. In the end, the sole initiative that entered the statute book before the war’s end was the Family Allowances Act, but Tory divisions presaged future conflict over the state’s role. The same might be said of the employment paper that emerged in May 1944. The document supposedly inaugurated the fabled cross-party acknowledgement that one of any government’s responsibilities was the maintenance of full employment. Had this been the reality, we might wonder why the Party’s laissez faire faction did not attack the paper more vigorously. But in truth, the piece pledged nothing that Conservatives, on the whole, could not live with. The document promised merely that government would endeavour to sustain a “high and stable level of employment” and would resort to deficit financing only to fend off recession. It emphatically did not specify the introduction of micro-planning machinery or physical controls to reach this goal. Indeed, the abstemious economists at the Treasury, such as Lionel Robbins, had been careful to insert plenty of caveats into the script to show that high and stable employment was dependent on many factors, not simply government’s willingness to intervene. Most tellingly, the compact recognised the state’s diminishing ability to secure macro-economic goals alone. Thus the institutions of industry, labour, and finance were to act with moderation and to help actively in the pursuit of sustainable employment—moderation that arguably they failed to exercise over the next thirty years. Most Tories did not recoil from the document; it was later, as its sentiments became progressively mangled in the public mind, that a commitment to what was a relatively modest aim became a vow to uphold full employment.

The Conservatives entered the 1945 election with no clear position on the role of the state in economic management; indeed against the mighty programme envisaged by Labour its policies seemed ill-developed all round. This was only partly due to internal party disagreements—more significant was the determination of Churchill to eschew policy work until the war had been won. Although the manifesto demonstrated that the principles of Beveridge and the Employment White Paper had been accepted by the leader at least, the last third of the manifesto sounded a potentially shriller note on the requirement to reintroduce free enterprise. On the bones of the Tory prospectus there was little meat, however; whilst Churchill’s heralding of the merits of “go and push” doubtless confirmed the electorate’s bad memories, so egregiously stoked by Labour, of supposed Conservative failures in the 1930s.
prehensive election victory cracked open the fissures that had been meticulously ignored during the election campaign. Propelled into opposition, the Conservatives had ample time to debate the level of interventionism they were prepared to accept.

From their defeat, leading Conservatives drew one conclusion above all. No matter how inaccurate it was, the image of the uncaring inter-war Tories must be erased in the public mind. If not with Churchill’s lead, then at least with his indulgence, progressive Conservatives like Butler began to refurbish the Party’s appearance—in the process creating what became known as the ‘New Conservatism’. Though free market Tories cavilled, from 1946 until 1950 a set of policies were developed that led the Party towards a limited accommodation with the social transformation that was being effected by Labour.

First and most notable of the statements produced was the *Industrial Charter* of 1947, which was seen by many commentators and indeed some in the Party itself as a leftward shift, especially on nationalised industry. The *Daily Express* cartoonist Leslie Illingworth satirised it with an image of Butler, Eden, and Churchill conducting a 1860s’ style raid on the bathing outfits of Liberal luminaries Clement Davies and Lady Violet Bonham-Carter. And certainly there was something of the Liberal Party about the document. For instance, it outlined a Workers’ Charter, suggested that government and industry could work jointly to create an “national budget”, and accepted that core functions of some industries, such as coal, should remain in the public sector. It is at least arguable that the Charter represented a turn towards the Christian Democrat ethos emerging at the time on the continent. R.A. Butler, the Charter’s co-architect, described its purpose as “first and foremost an assurance that, in the interests of efficiency, full employment and social security, modern Conservatism would maintain strong central guidance over the operation of the economy.” However, to see it as mere acquiescence to interventionism would be mistaken. David Willetts has contended that, with its espousal of the language of enterprise, the Charter represented “the Party’s final abandonment of protectionism and [a] shift to a greater stress on the free market than at any point in the previous fifty years.” Although Willetts’ periodisation is over-imaginative, there is a morsel of truth in his assertion. The Charter’s authors had to pay suitable respect to the neo-liberals in Conservative ranks: so the principle of reducing state expenditure to fund tax cuts was prominent, as was the pledge to free industry from unnecessary controls. There was even an ill-digested reference to the quantity theory of money. But despite its genuflection in parts to the language of free enterprise, the Charter did not fully abandon the nostrums of the 1930s. It maintained a solid commitment to Imperial tariff preferences, whilst its suggestions on monopolies and restrictive practices were considerably meeker than those that the Labour Government was simultaneously trying to