

COMMANDING HEIGHTS

Keith Joseph

1

(1918-1994)

Keith Joseph, a member of the British Conservative Party under Prime Minister Margaret Thatcher, was one of the so-called architects of Thatcherism, the movement from Keynesian demand management to Friedmanite free-market monetarism.

Excerpt from *The Commanding Heights* by Daniel Yergin and Joseph Stanislaw, 1998 ed., pp. 92-105.

Arguably, Keith Joseph did as much as any other single person around the world to reshape the debate about government and marketplace, to take a variety of ideas and bind them together into a powerful critique of the mixed economy and, in the course of things, help shape them into a political program. That agenda, in turn, was articulated and put into effect by his most important student, Margaret Thatcher. She made the ideas "happen." But it was Joseph who created the package over half a decade, in the second half of the 1970s, at a time when the premises of the mixed economy were hardly questioned and yet the system itself was running into such severe difficulties as to become dysfunctional.

Just as the Attlee consensus of the 1940s had become the "text" for governments and politicians for more than three decades following, so what began around the seminar tables in research institutes in the 1970s and took shape in the Thatcher program of the 1980s would do much to set the global agenda for the 1990s. Keith Joseph's name is hardly as well known as Margaret Thatcher's. But she would give him full credit. "I could not have become leader of the opposition, or achieved what I did as prime minister, without Keith," she said. And, she would add, Joseph was "my closest political friend."

Later, others would call Joseph the "Mad Monk"; Joseph would describe himself not much differently—as "a convenient madman." He talked about such things as enterprise, initiative, and the need for entrepreneurship. There was nothing wrong with starting a business, said Joseph; in fact, it was entrepreneurs who created the wealth for society. Joseph's words, were completely at odds with the dominant opinion of the day when he began to proclaim them.

Joseph was the instigator perhaps because he was part politician, part intellectual, part entrepreneur of ideas. Indeed, he had the enthusiast's belief in ideas.

COMMANDING HEIGHTS

Keith Joseph

2

He had grown up in considerable comfort. His father, Sir Samuel Joseph, a baronet, headed the family firm, Bovis, one of the biggest construction companies in the country, and also served a term as lord mayor of London. Keith Joseph graduated from Oxford on the eve of World War II. Unlike that of many of his contemporaries, his undergraduate preoccupation was neither studies nor politics but cricket. He came back from the war intent on catching up on the six years he had spent as a soldier. He also came back Sir Keith, owing to the death of his father.

Joseph's academic record, despite his interest in cricket, had been good, and he was offered a job teaching law at Oxford, but turned it down. Yet, still attracted to intellectual life, he succeeded in becoming a fellow of All Souls College at Oxford, one of the paragons of British scholarship. But practical life also attracted him. Even while laboring away many nights on his thesis for All Souls—on the subject of tolerance—he was busy laboring during the day, digging holes at building sites for the family firm.

He gave up both for politics, beginning with his father's old seat as an alderman in the City of London. Like Clement Attlee, he was deeply moved by the poverty and distress of the East End and powerfully motivated by compassion and a drive for betterment and social reform, and he threw himself into a wide variety of charities. He was especially devoted to one that assisted middle-aged single women whom the world had passed by because they had stayed home to care for infirm parents. In this particular course, he became a fervent advocate of marriage bureaus.

Elected to Parliament as a Conservative in 1956 at age thirty-eight, Joseph delivered a maiden speech that contained the germ of the ideas that he would be promoting two decades later. The cure for inflation, he argued, was to be found not in controlling demand but rather "by increasing supply." Corporate management, he added, must have its "proper rewards." The 1930s were not necessarily the guide to the future. The "nightmare" of unemployment was a "totally unjustified fear," for "we live in an expanding age." He became a junior minister in Harold Macmillan's government, although he never quite got used to the body blows of parliamentary debate. After his first front-bench speech, Macmillan complimented him on the performance, but added, "If it's any consolation, it will get worse."

Joseph was given to what sometimes seemed to be endless agonizing as well as self-criticism. He was also slightly unworldly. He refused to have a television in his house. Once, dissatisfied with a live television interview that he had just done, he asked to do it over. "I thought you realized, Sir Keith," said the producer, "that this was to be a live interview." "Yes, I know that," said Joseph. "That's why I want to do it again." His odd obsession with ideas was soon evident to his colleagues. Some would eventually conclude that there could be no better post for him than as "Minister of Thought."

Alas, no such job existed in reality; and as it turned out, when Edward Heath became prime minister in 1970, he made Joseph the minister in charge of social services.

The Tories had won by a big majority, in response to how poorly the economy had performed under Labor. The mixed economy was severely malfunctioning.... Inflation was high—7 percent—as were interest rates. Unemployment was also high, and rising; the welfare state and the loss-making nationalized industries were demonstrating a voracious appetite for taxpayer funds; and the costs of the national health system were increasing rapidly, reflecting what appeared to be the "infinity of demand" and the lack of any mechanism for discipline. Labor relations had turned into constant warfare, chronically disrupting society and the economy. The balance of payments was in perpetual crisis; the pound, under constant pressure, and British industry simply could not compete internationally. The entire country chafed under the onerous tax burden that was destroying the incentive to work and driving entrepreneurial people into tax exile. The high tax rates also hit hard those with modest incomes...Even trade unionists—a group traditionally supportive of tax-and-spend policies—were complaining about having so much of the wages go to taxes.

Edward Heath had promised to turn all this around. But it didn't happen that way. The Heath government was, in many ways, parallel to the contemporaneous Nixon administration. Both came in as conservative governments intent on reducing state intervention; both ended up expanding it. In Heath's case, it came to be known as his famous "U-turn." Like Nixon, Heath embraced Keynesianism, along with planning and social engineering. Just as Nixon had imposed wage and price controls, so Heath sought to impose the most rigid and comprehensive wage and dividend control system that Britain had ever seen.

The public sector swelled under Heath, and his government embarked on a loose monetary policy in a "dash for growth." Unfortunately, that dash ended up doing much more for inflation than for growth. Government's share of ownership of the economy actually increased....

Things fell even further apart in 1973 and 1974. The 1973 oil crisis hit Britain very hard and was immediately made worse by a coal miners' strike that turned into a pitched battle. Coal and power supplies were so disrupted that British industry could work only three days a week. Travelers returning from abroad found a nation living in darkness, owing to the power cuts. Families had to dine and find their way to bed by candlelight. One Cabinet minister went on television to advise people on how to shave in the dark. Heath declared a state of emergency. Inflation hit 15 percent.

In a desperate effort to win a mandate, Heath called a snap election. He lost. The blunt fact was that the coal miners had brought down a government. No party won an absolute majority, and so minority Labor government took power, led by former prime minister Harold Wilson.

In this dismal period, confronted by the crisis, angry at his party and himself, and convinced that Britain was locked into a destructive downward spiral, Keith Joseph experienced what he called his "conversion" to conservatism. "I had thought I was a Conservative," he remarked, "but I now see that I was not one at all." The problem, he concluded, was not that government was not doing well; it was that it was trying to do too much. And the source of the problem was the postwar consensus, with its promotion of the interventionist state. The enemy was "statism." What had to be changed was the political culture of the country, and the way to do it was through intellectual guerrilla warfare.

To begin with, Joseph turned up on the doorstep of a right-of-center think tank, the Institute of Economic Affairs (IEA), which had become the island of liberal economic thinking in the midst of Britain's Keynesian consensus. Indeed, the Institute—once described as a "confounded nuisance" and originally funded by a farmer who had made a fortune from mass-producing chickens—revived traditional liberalism in Britain...

The IEA provided a platform for two economists, both initially seen as fringe figures... but who would go on to have enormous influence. One was Friedrich von Hayek, the most prominent

exponent of the free-market "Austrian School" of economics in Britain. An early critic of Keynes, Hayek now renewed his assault, calling for a shift back from Keynesian macroeconomics and the world of the multiplier to microeconomics and the world of the firm, where wealth was actually generated. The other was Milton Friedman of the University of Chicago, whose monetarist theories the IEA propagated in Britain.... "Without the IEA," Milton Friedman later said, "I doubt very much whether there would have been a Thatcherite revolution."

Keith Joseph had sporadically worked with the Institute since the 1960s. Now, in 1974, anxious to begin anew, he asked Ralph Harris, the Institute's director, for instruction and help. He wanted books, reading lists, critiques, and articles to educate himself. He absorbed it all.

Next, he established his own institute, the Centre for Policy Studies.... Although Joseph saw the Fabian socialists as the originators of Britain's ills, he modeled his strategy on that of the Fabians—to change culture and politics by influencing opinion makers. To differentiate it from the IEA, which was academic in its orientation, Joseph set up the Centre to achieve a very specific political objective. As he later explained, "My aim was to convert the Tory Party." He recruited another MP to be his vice-chairman—the member for Finchley, Margaret Thatcher.

The Centre's aim was, in Joseph's words, to expose the "inherent contradictions" of the mixed economy. The enemy was "thirty years of socialistic fashions" and "statism"—three decades of looking to government to solve problems and run the economy. As Joseph and his partners saw it, this consensus was already turning Britain into the poor man of Europe. Equality for equality's sake meant poverty.

What had to be stimulated was risk taking, with its attendant rewards for success and penalties for failure. "Wealth creation" became one of Joseph's favorite phrases, but the goal was wealth creation for society, not for individuals. Permitting individuals to make money and build up assets was, however, the necessary precondition. In Joseph's view, politics had remained too long in thrall to the 1930s and mass unemployment.... The objective should be the generation of wealth, not the subsidizing of employment.

All that was the intellectual agenda. But reading lists were not enough. There was also a political agenda. Edward Heath [still the leader of the Conservative Party] would have to go. But he was stubborn, and showed no sign of giving up the party leadership. Keith Joseph was seen as one of the leading challengers. It was not at all clear, however, that he had the burning ambition to be, as he put it, "out front."

Then Joseph unexpectedly created a storm of protest with a controversial speech asking whether poor, unmarried single girls really should become mothers in such record numbers.... He advocated birth control. Ironically, he had based his argument on the work of left-wing sociologists. But he was accused of being a racist and an advocate of eugenics. The press camped on his doorstep, bombarding him and his family with rude and hostile questions. The attacks shook him deeply.

One afternoon he appeared in the parliamentary office of his unofficial campaign manager for the leadership, Margaret Thatcher. "I am sorry," he said. "I just can't run. Ever since I made that speech, the press has been outside the house. They have been merciless. My wife can't take it," he continued, "and I have decided I just can't stand."

Thatcher was in despair. They couldn't surrender to Heath's "brand of politics." She was ambitious; of that there was no question. But the highest dream she had ever allowed herself was that of being chancellor of the exchequer. Yet she heard herself replying, "Look, Keith, if you're not going to stand, I will."

She had no doubt that she must.... In an upset, she did, defeating a stunned Heath and becoming leader of the opposition.

Thatcher was more steeled than Joseph to critics and the press. She found herself constantly under assault. The attacks came not only from the left, from outside, but also from within her own party, from Heath's men and the High Tory paternalists.... But Thatcher was not going to give way. "I saw how they destroyed Keith," she told a friend. "Well, they're not going to destroy me."

For his part, Joseph ... had no regrets. He was number three in the opposition hierarchy, in charge of policy and research. He had indeed become the de facto shadow minister of thought, engaged full-time in "the battle of ideas."

What both Margaret Thatcher and Keith Joseph sought was conviction politics, not consensus politics... and [Joseph] was the one who would speak up the loudest. Over the next few years, he talked his way from one end of the country to the other, delivering a set of speeches that, in Thatcher's view, "fundamentally affected a political generation's way of thinking." Indeed, much of what later would be called Thatcherism was to be found in those speeches.

"We are over-governed, over-spent, over-taxed, over-borrowed and over-manned," he declared. If the trend was not reversed, he warned, "we shall experience accelerated worsening of job prospects, the growing flight of those with professional skills, talent and ability to other countries, and an increase in the shabbiness and squalor of everyday lives."

The critical intellectual revision was the rejection of the Keynesian commitment to full employment.... If that was indeed wrong—and Joseph and his allies thought it was—then there was no longer a salutary "macroeconomic function" to public spending.... Government spending could and should be reduced, permitting taxes to be cut, and thus providing the real salutary contribution by enhancing the "supply side" of the economy....

Joseph's campaign included more than 150 speeches at universities and colleges. He spoke to big audiences and small. He was often heckled, sometimes physically attacked, often boycotted.... He spoke the unspeakable. He said that people who take responsibility and risk and make money are doing society a favor.

"What Britain needs is more millionaires and more bankrupts, " [said Joseph]. Greater risks and greater rewards were necessary to achieve a higher standard of living and greater prosperity. He was not, however, he emphasized, saying that the state had no role. "I am not defending a free-for-all. The state must act to make and enforce rules to ensure the security of human life, protection against force and fraud and protection of those values and standards—social, economic, ecological—which represent the accumulated and current aspirations of our community."

Joseph, as the "shadow minister of thought," constantly questioning others and himself, filling his notebooks and then pumping out ideas, became something of a figure of fun. He appeared to be a political Don Quixote, crisscrossing the country to tilt against this windmill and then that.

"As he speaks, the veins are prominent on the forehead, the brows are coiled, the eyes are half-closed with concentration. The whole head comes to resemble an over-wound-up alarm clock about to go off or burst its springs, " wrote one journalist.

[But] Joseph's message was finding more and more resonance. Britain had continued its downward spiral. The entire country was on the dole, forced to borrow money from the International Monetary Fund in 1976 in order to protect the pound and stay afloat.... By the end of 1978, the country was again in crisis, yet another "winter of discontent," as public-sector employees struck. Hospital workers went out, and medical care had to be severely rationed. Garbage was piling up in the streets. Striking grave diggers refused to bury the dead. The truck drivers were on strike, too.... In 1974, the coal miners had brought down the government; now striking unions seemed about to bring the whole nation to a halt. Something was very badly wrong.

On March 28, 1979, a day when even the catering staff at the House of Commons was on strike, the Labor government fell on a vote of no confidence—losing by just one vote. [The Labor Party's prime minister, James] Callaghan had no choice but to call a general election.

The Conservatives won the general election of 1979, and Margaret Thatcher became prime minister. "We are over the first hurdle," she wrote to one of her confidants. "Now for the real battle." Joseph may well have been the leading promulgator of the ideas, but it was up to Thatcher to implement them....

As Thatcher's secretary of state for industry, Joseph was at the center of the struggles over labor which culminated in the fierce miners' strike of 1984-5. The ultimate capitulation of the mine workers' union signaled the end of union domination of government economic policy. Joseph also bolstered Thatcher's commitment to make drastic cuts in public spending and thus reduce the ever-yawning requirement for more public borrowing.

COMMANDING HEIGHTS

Keith Joseph

9

Copyright © 1998 by Daniel A. Yergin and Joseph Stanislaw. Reprinted by permission of Simon & Schuster, Inc., N.Y. All rights reserved.