

# The conservative governments between 1979 and 1997



The 1980's were characterised by unemployment and cuts in social expenditure. Very different values and political objectives from those inspired the conservative social policies of the eighties and nineties in the days of welfare consensus. The explicit aim of the Thatcher government was to roll back the power and role of the state.

[Fraser, D. 2000] Margaret Thatcher replaced Edward Heath as Conservative leader in 1975. Under her leadership the party changed direction, Keith Joseph was the key ideologue, fiercely endorsing free market views and turning its back on the sort of paternalistic Toryism, which had characterised his earlier ministerial career. [Hill, M .

1993] During the election campaign there were one million people registered as unemployed. As part of their election campaign, the conservative sited posters all over the country. These posters showed workers outside an unemployment office carrying the slogan, 'labour is not working'. The conservatives came to power on May 3rd 1979; they won 44 per cent of the vote and 339 seats million. This paper will consider the effect of conservative government policies on unemployment. Previous governments, both labour and conservative accepted that governments should and would maintain low levels of unemployment.

Much of this thinking stemmed from the work of Keynes. [1936] Keynes argued that if too few goods were purchased, then production would be cut back and jobs lost. If the demand for goods were increased then the process would be reversed. It was therefore the duty of the government to manage demand in the economy; an increase in public spending could cut

unemployment. [Haralambos, M ; Holborn, M. 2000] Under Margaret Thatcher, the government turned to market liberal economic theories, which challenged Keynes views.

The government cut public spending in order to control inflation, laws were brought in to reduce the power of the trade unions, and unemployment benefit was made less generous. The aims of these measures were to reduce the role of the state in economic affairs and leave market forces to determine the way the economy developed. Nationalised industries were privatised and public subsidies to inefficient industries cut. The effect of these policies actually caused mass unemployment. Unemployment in manufacturing increased by 21% costing 1.5 million jobs between 1979 and 1982.

In 1986, official unemployment figures reached 3,289,000, despite the fact that between 1979 and 1987 the methods of calculating the numbers unemployed changed 19 times. The TUC estimated that in October 1985 there were actually 4,500,000 unemployed. Frank Field argued that the government had abandoned any attempt to pursue full employment. Norman Lamont, the chancellor in John Major's government, described unemployment as 'a price worth paying' to control inflation. [Haralambos, H ; Holborn, M.

2000] Legislation in 1986, cut benefits for those aged 16 to 18 and their housing benefit was considerably reduced. Supplementary benefit became Income Support, and Family Income Supplement became Family Credit. The government reduced the value of contributory benefits by altering the procedure for inflation-related increases, and by extending the taxation of

benefits. It shifted responsibility for the provision of sickness absence for the first 28 weeks from the National Insurance scheme to a statutory sick pay scheme to be run by employers. Discretionary benefits were replaced by loans under the Social Fund and death and maternity grants were abolished.

[Hill, M. 1993] Thatcher's government became well known for its privatisation policies. Part of the conservative manifesto was the right to buy policy, which began as soon as they were elected. In 1979, 30 per cent of the population were living in council owned accommodation.

Thatcher said, ' thousands of people came out to support us because they wanted to buy their own homes'. This policy was certainly a vote winner. Council tenants were offered considerable discounts of the value of their home under the right to buy scheme. In 10 years from 1979-1989 1.

5 million homes were sold a fifth of all council housing. Revenue generated from the sale of council houses reached 17. 5 billion and owner occupation rose from 54. 7% to 65. 4%.

Approximately three quarters of the growth in owner occupation was due to the sale of council houses. During this period, council house tenancy fell from 31. % to 24. 9%. Although town hall coffers swelled with the money raised from the sale of homes, none of this was used to replace sold off housing stock. In the late 1970's local authorities built approximately 100, 000 dwellings per year, by the early 1980's this was down to 30, 000 and in 1998 built just 300 new homes.

The right to buy scheme was not the only housing policy introduced by the conservatives. Tax relief on mortgage interest changed, instead of claiming it directly from the Inland Revenue MIRAS was introduced. MIRAS is mortgage interest relief at source; mortgages were now payable net of tax. However, during the 1990's the amount of tax relief was reduced gradually until 2000 when tax relief on mortgage interest was abolished. In the 1990's house prices fell steeply and, at the same time interest rates soared from 9.5% to 15%.

This was a crippling increase especially for first time buyers; many had taken out large mortgages on houses at inflated prices. This resulted in the spread of negative equity, in 1992 over one-fifth of British households were affected by negative equity. Home repossessions were at their highest during the mid nineties as homeowners struggled to meet rising mortgage costs. Other privatisation programmes saw the sell of nationalised industries and major public utilities. Shares in gas, the telephone system, electric and water were sold to the general public, although most of these new shareholders sold their shares quickly for a profit.

Local government was financed through the rates system; the level for each household depended on a valuation procedure. By the mid 1980's revaluation became necessary, this was carried out in Scotland with results that indicated that there would be a substantial redistribution of the burden of taxation. This was considered as a vote loser and in 1987 in Scotland and 1988 in England and Wales domestic rates were replaced by the poll tax or community charge, as it was officially named. The government saw the community charge as a fairer tax, as all adults who could use the services

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provided would contribute. The poll tax was hugely unpopular; demonstrations and marches to Downing Street were taking place on a regular basis. It was the poll tax that contributed widely to the end of Margaret Thatcher's career as Prime Minister.

John Major, her predecessor, increased the central government grant to soften the impact of the poll tax; however, this was financed through a 2.5% increase in VAT. Education legislation saw the 1988 Education Act, which introduced the national curriculum. The National curriculum consists of three-core subjects maths, English and science and foundation subjects history, geography, technology, art, music and physical education.

SAT's were introduced where children were tested at the ages of 7, 11 and 14 from these tables league tables are published. These tables are produced to enable parents to make an informed choice of which school to send their children. As a result of this, good schools receive more resources enabling them to expand. The introduction of market forces through competition between institutions force them to become more efficient.

As with most education policies, this puts the middle class families at an advantage, to secure a place at the school of their choice these families have been known to move home, often paying a premium to live in a good schools catchment area. In addition, travel expenses are not a problem for better off families. Schools were also given the opportunity to opt out of local authority control. Schools could apply to central government for a grant enabling them to control their own finances. During the first year of Thatchers government, education expenditure was cut by 3.

5%. Further and higher education became more widely accessible. The 1993 education act took further education colleges out of local authority control; they are now funded by the further education funding council. A rapid expansion of higher education saw polytechnics become universities. Student grants for most students were abolished and replaced with low cost loans, to be repaid when a graduate starts earning. The NHS, the jewel in the crown of the welfare state, was simultaneously investigated for prospects for explicit privatisation and decremental cutbacks.

The idea of both strategies was to substitute private health insurance for public provision. Advocates of decrementalism hoped that slow erosion of the quality of the NHS would gradually enhance the private sector appeal. [Pierson, P. 1996] Charges were introduced for dental checks and eye tests, and prescription charges were increased several times.

Major changes in the working of the health service were implemented in April 1991, as a result of the NHS and Community Care Act. The key aspects of the Act were the creation of independent trusts - hospitals and other units that opted out of the control of the District Health Authority - and the possibility for doctors to hold their own budgets for spending on hospital and other services. Doctors and health authorities became purchasers from hospitals and other units, the providers. This is known as the internal market, where the purchaser has a choice over which provider to use.

Purchasers can purchase health care from private or voluntary organisations if they wish. After eight years, in which the internal market operated in the NHS, all hospitals became trusts and 57 per cent of the population had a

fund holding GP. [Young, P. 2000] In considering the internal markets in the NHS, it can be argued that decisions about health care are too important to consider costs. GPs would be reluctant to take on elderly or chronically ill patients, as they would be a drain on resources.

Standards in hospitals would fall, as they would make cuts in order to become more competitive.