tives could remain in continuous contact. These arrangements promoted first recovery and later prosperity, despite occasional setbacks, well into the 1990s.

Just as Great Britain was the first state to embrace the industrial revolution wholesale, it too was the first to experience the profound decline of long-established industrial sectors from the 1960s onward. Steel, coal-mining, and other branches that had been the backbone of the British economy began feeling the pinch as a result of recession and cheaper foreign imports—distinct threats to the livelihood of workers in Labour Party–dominated trade unions. Labour sought to preserve these sectors from being undermined by broader international economic developments through determined maintenance of state control of the largest steel manufacturer, British Steel, whereas the Conservatives sought to deregulate the state-owned sector and force the affected industries to adapt to an open market or fold.

The absence of a spirit of social partnership in Britain created considerable mistrust between labor and management, and mounting tensions threatened to paralyze much of the British economy. Differences came to a head in the 1980s, during Margaret Thatcher's tenure as prime minister, when tensions between Labour and the Conservative government arguably reached their most acrimonious level since the General Strike of 1926. The dynamism exhibited by Thatcher—which placed her in the vanguard of a revitalized series of conservative successes throughout Europe—forced Labour to reconsider its long string of electoral failures. In the end, the Labour Party reevaluated its message and distanced itself from the stridency that had characterized its collective voice since the interwar years; in turn, Labour's subsequent electoral success in May 1997 under Tony Blair served as a compelling example for social democratic parties in France and even in Germany.

Ludwig Erhard
WEST GERMANY'S SOCIAL MARKET ECONOMY

West Germany's "economic miracle" is indelibly linked with the efforts of Ludwig Erhard (1897–1977), the Federal Republic's first economics minister (a post he held from 1949 to 1963) and second federal chancellor (1963–1966). Erhard sought to find a "Third Way" in the realm of social and economic policy, one that avoided the Social Darwinistic tendencies of unregulated market capitalism and the strict controls associated with state-directed socialism. The concept of the social market economy allowed for incentives and enough room for entrepreneurs to maneuver without permitting them to run roughshod over the working class. In short, Erhard and Adenauer's Christian Democratic government strived to create a socially responsible market economy capable of integrating the German population—rather than pursuing policies that would "atomize" it (a clear reference often employed by Christian Democrats and Liberals at the time to distinguish their policy from that of socialists of the democratic or Soviet variety).

Erhard's successful strategy served as the engine for West German recovery, making it a kind of model for many Western European states. The following selection is an excerpt from a speech Erhard delivered before the Federal Congress of the Christian Democratic Union on April 28, 1960, in which he outlined the features of his policy and emphasized the mutual responsibilities owed to one another by the individual and society. Erhard admonished those who looked to profit from the benefits of West German economic recovery without accepting the moral responsibility associated with the common task of reconstruction. (This may very well have been a reference to those who embraced what Erhard considered the "decadence" of 1920s material culture, i.e., those prosperous and self-indulgent people who scorned the preoccupation of others with pressing social and economic problems.) Erhard also emphasized the importance of developing a safety net that rewarded people for participating in the reconstruction of Germany for future generations and that provided assistance to those thrown out of work due to shifts in the market economy.

No truly sincere person can deny, after the experiences of the past twelve years, that anything we have not so far achieved is in process of achievement, and that any further progress we make in the economic field will, in the first instance, benefit the broad mass of the people. To take only one example, the total of private incomes available for consumption and saving rose by 122% between 1950 and 1958. The net incomes of self-employed have increased by 71%, while the earnings of the mass of the people have gone up by 142%. In making these comparisons, however, we must bear in mind that invisible profits are not included and that the numbers of employed persons increased between 1949 and 1959 from 13.6 millions to 20.1 millions. But this in itself seems to me to be not the least of the achievements of our German economic policy, and it is also worth pointing out that the obvious success of a free economic and social system in Germany has produced a more and more pronounced trend towards market economy methods in other parts of the free world. One can, indeed, say that . . . the basic pattern . . . has so far proved itself as to be generally accepted today as the prototype of a worldwide system of free trading.

What then is lacking? Why is it that, for all the achievements and the almost grandiose triumphs of the Social Market Economy, people are still not entirely content and society is not entirely satisfied? How is one to explain the fact that, despite security of employment and growing production in a steadily expanding economy, people are still not satisfied? The prevailing and all too obvious unrest in our democratic society is alarming. When times were bad it was barely noticeable, whereas today it is quite apparent and, as an endemic weakness of any free society, seems hard to counteract. . . .

On closer reflection we may come to the conclusion that, where a democratic society such as ours has undergone tremendous industrial expansion and has been shaken to its foundations, a special effort is needed to evolve a social policy which will encourage a new approach to life in keeping with the times. Probably all that is needed in many cases is a conscious reappraisal of the bonds that still exist between the individual and his environment, 'his' world. Let us not overlook the fact, however, that industrialization, the development of our transport system, the loosening of traditional bonds with the home or the job, and a loss of independence have all had a serious, adverse effect on our society. Our form of society has been described figuratively as a 'classless society'. This concept, which has undergone a considerable historical change, can be taken to indicate not merely that the rise of the working class led to a process of deproletarization which is still going on, but also that the property-owning and professional layers of society have become fluid and that, throughout the whole range of modern consumer goods right up to the motor-car, the television set and all gadgets designed to lighten the burden of housework, a highly desirable trend, the market for consumer goods is widening, with the result that class privileges are disappearing and will continue to disappear. In this 'classless society' the great problem is one not of class but of the individual, the average man, who feels that he is subordinate to the community and therefore has a sense of insecurity. The problem of how and where he finds his rightful place in professional and social life is undoubtedly much more difficult to solve than it was in *dirigiste* [state-directed] systems. There is also the fact that trade cycles, market fluctuations and changes in production appear to involve him in mechanical processes which are impersonal and leave him dissatisfied because he finds it hard to understand how these forces work. The more such uncertainty leads to a vague feeling of anxiety, the less surprising it is that people escape from their sense of isolation by forming groups and organizations, which in their turn give public expression, in amplified form, to the individual's inner disquiet.

A process such as this naturally not only produces effects which heighten the danger both of atomizing and of collectivising life, but also intensifies the desire of the individual for some kind of bond in which he can find warmth and security. . . . It is asking too much of the Social Market Economy to expect it to break down the visible social manifestations of our present-day life and recreate them on an idealistic basis. But it does have an obligation to live up to the precepts of a Christian social policy and to implement them in a better society

Seen in terms of economic policy, the problem is one of working towards a humanization of our environment in all spheres of life but particularly in the economic sphere. . . .

Of course the policy of the Social Market Economy has come to stay. I would even emphasize that we and the Western world as a whole have every justification for claiming the birthright to a far better economic policy, which is based on the principle that industry must, first and foremost, serve man, and which, in view of the sharpening competition with the collectivist world, must not be sacrificed or betrayed. . .

It follows from all this that, in the future development of the Social Market Economy, problems of social policy will rank equally with economic problems. . . .

A social policy which aims to be more than just an ideology and to be realistic and progressive must have as its basis the actual conditions of our economic environment, and this means developing aims which also do justice to the large industrial organizations that have kept pace with modern technology. However clear our purpose might be, we would be frittering away our energy in a purely *pro forma* struggle against concentration of power if we were not prepared to admit that the large industrial units in our economy have achieved a great deal and can rightly claim to have made a major contribution to the general growth of prosperity. It is not the large concern as such but the unbridled lust for power that tends to produce the sort of concentration which is harmful to our national economy and socially undesirable and to which we are therefore opposed. So it is our intention to restrict, and indeed to suppress, all restrictive or monopolistic control of markets by introducing further legislation to protect competition and by pursuing an appropriate taxation policy. But wherever the market is influenced by a lowering of prices and society benefits, then we should acknowledge that such an influence is indispensable. This implies, of course, that even large concerns must recognize that they too have social obligations, especially as they can do much to expand the independent, self-supporting sector of industry. To take only one example, they can leave certain functions and services to independent suppliers. The more liberal our economic system becomes the more importance will accrue to the larger industrial concerns, but this certainly does not mean that intermediate enterprises must go to the wall. . . .

Several attempts have been made, particularly during the last few years, to benefit certain sectors of our society by adjusting taxes. It seems to me, however, that such a social policy, which confines itself to technical measures, is not sufficient to meet the psychological situation we are confronted with. The social blueprint we have to develop must do more than just prescribe certain individual measures to be taken; it must open up a complete vista of social policy, the aims of which can command the moral support of the mass of the people. What this means can best be imagined if we think of the appalling developments in East Germany, where free peasants are enslaved and the independent artisan is deprived of his livelihood.

No one would now deny that the Social Market Economy has provided this kind of comprehensive blue-print, more particularly during the period when our economic policy was undergoing a complete transformation. But today we have a new responsibility, namely to evolve a social policy for the future which will supplement and also perpetuate the functions of the Social Market Economy. As I have said time and again, the focal point of our economy is the individual. It is now up to us to translate this incontrovertible general principle into concrete terms, and in so doing we will find the the economic basis established by the Social Market Economy can serve as the foundation for a continuing process of development.

Margaret Thatcher
THE 1980 STEEL STRIKE

Margaret Thatcher (b. 1925) served as leader of the Tory, or Conservative, Party from 1975 to 1990, and as prime minister of Tory-led governments between 1979 and 1990. Nicknamed the "iron lady" by the Soviets for her resoluteness in international politics, Thatcher demonstrated her determination no less in domestic politics. The following selections, taken from Thatcher's memoirs of her years as prime minister, reveal this toughness in her approach to faltering state-run enterprises and her willingness to serve as a firm negotiating partner vis-à-vis the trade unions. Thatcher's discussion of the 1980 steel strike reveals her desire to reduce the state's interference in the marketplace to the greatest extent possible and to privatize nationalized industry where opportunities presented themselves. In the eyes of both critics and supporters alike, her approach harkened back to the "Manchester school" of early-nineteenth-century laissez-faire economics, tempered by contemporary circumstances—a kind of neo-conservativism for the late twentieth century.

The debate about trade union reform, both inside and outside government, was conducted under the shadow of industrial conflict: in particular, the issues of secondary action and immunities became inextricably entangled with the 1980 steel strike. But that strike also challenged our economic strategy directly; and it is unlikely, once the strike had begun, that our economic policies would have survived if we had suffered defeat.

The steel industry, like the motor vehicle industry, was suffering the after-effects of overambitious policies of state intervention. . . .