

PART V
SUMMATION

16 Range, Limits and Origins

Micropolitics has so far been examined as a technique. Attention has been focused on how its mechanisms and devices start from the analysis of public choice theory, and move from that critical examination to a creative counterpart. The analysis tells us why certain policies fail because they do not take account of political markets. The new policies produced by micropolitics try to overcome the objections which caused other policies to fail. They do take account of the political markets, and are designed to work with them rather than to override them.

The assumption has been throughout that micropolitics will bring more market forces into the economy. The pressures which dominate the public sector operations are those which give prime place to political rather than to economic factors. Public choice analysis shows why this is so, and how it comes about that situations are produced by the public which are not to their advantage. Consumer wants and needs which would be effective in the private sector are squeezed out because the political system governing the state sector denies them sufficient power. Micropolitics has been treated as something which can redress this fault. Its products cited and examined have been those which act to neutralize the political forces, or to set opposite ones

against them, or to redirect them to serve similar ends to those achieved in private markets.

It is appropriate to ask, however, whether micro-politics must of necessity serve such ends, or whether its techniques might not be applied with equal success in the opposite direction. If it is a technique, value-free, and nothing more, it could in principle be applied to serve other ends. It might be possible by devising new policies working with interest groups to achieve more centralism, less consumer input and market forces, and a larger public sector than before.

There would be little point. The conventional approach has proved quite sufficient to achieve all of these things. In democratic societies the political system acts to subvert the market process and has no need of the extraordinary measures here described. The findings of the public choice school show how people lose a little at a time the freedom to choose their own goods and services as the political provision of these items is made instead. Interest groups bid and trade in the political market to greater effect than individuals can wield, even if they add up to a majority. The advantages gained by groups in political markets exceed in their impact the gains which individuals can make in economic ones.

In the absence of the extraordinary techniques examined herein, the democratic process itself will replace economic markets by political ones. This is one of the central implications of public choice analysis. It describes a process, and in doing so implies a trend. More and more of the provision is taken out of economic markets and supplied through political ones. This process removes power from the periphery and concentrates it at the centre where it can be used. It may be that socialists and other centralists will try to achieve their goal of a planned society in easy stages, rather than by overnight change. What Fabianism does is to

introduce the unacceptable at an acceptable pace.

The first conclusion is thus that micropolitics is irrelevant to the centralist design; conventional macropolitics is sufficiently adequate for the task. In a struggle on the macro-scale, those who advocate free markets will lose to those who advocate a range of collective provision. The reason is that the ideas behind free markets are perceived to run counter to the interest of groups involved in the process. In a version of the prisoners dilemma, it is in the interest of each group to sustain its own advantage and have others give up theirs. So everyone defends his benefit.

Micropolitics was conceived as a means of reversing the tendency towards political markets at the expense of economic ones. It offers techniques and instruments by which that process can be set to work in the other direction. The basis which underlies all of its technical devices is the alteration of circumstances such that individuals and groups will perceive greater advantage in the extension of free market characteristics. Sometimes this will involve the movement of numbers of them to seek an alternative supply from the private market; sometimes it will involve putting market elements to work within the public sector. At the bottom line of all of its creative policies lies the preference of both the interest groups and of the individuals who comprise them.

Micropolitics introduces marginal utility into politics. It seeks to influence decisions on the margin, at the point where people form a view that one choice gives them more benefit than another. It promotes and encourages those choices. It tries to extend the range over which they can operate, and to coordinate circumstances to make some outcomes visibly preferable to others. The motor which drives it is choice. If people cannot make choices they are not able to opt for the alternatives made more attractive by the micropolitical

strategies. It therefore seeks to extend choice at every possible opportunity. With each success it breaks open yet another part of the public sector to the impact of preferences.

It feeds, furthermore, on its own successes. As the choices of individuals accumulate into a new reality, people perceive the direct benefits which those choices brought about. The advantage gained by each choice also advertises the advantage of choice itself. The more that people gain by exercising choice, the more likely it is that they will accept the introduction of choices elsewhere. If choices in transport have given them both improved services and lower prices, they will be more ready to accept them in other areas.

Micropolitics, if used to open up the public sector to individual choices, can be self-accelerating. If use of its techniques were attempted for the opposite purpose, it would ultimately be self-negating. Even if some early success were achieved, victory would involve a limitation of the choices which had made it possible. It would mean that part of an economic market ruled by individual preferences had been swallowed into the public sector and was now ruled by interest group pressures instead. The result would be one in which choice had diminished, and there would be less scope for new micropolitical strategies to take the process further.

Not only is micropolitics unnecessary to achieve centralist ends, it is inappropriate. For free market ends each success makes new policies easier. With centralist objectives the reverse would be true instead; each success would make subsequent ones harder to achieve. Even if it were possible to apply this approach to swell the size of the public sector, it would be a misapplication of effort. Micropolitics has been devised for the specific task of setting the growth of the public sector into reverse, and has the values of that task built into it. It

works through the operation of mechanisms such as choice, opportunity and enterprise, all of which are incompatible with public sector economics.

For centralists to take up micropolitics in an attempt to augment the size of the state sector would be for them to enter a contest in which they were handicapped. If they can exploit the desires of interest groups to gain benefits at the general expense, and a political system which encourages them to trade such benefits for support, they have no need to take up battle with armaments which are unsuited to their purpose. The instruments designed for other purposes would prove unwieldy in their hands.

Micropolitics moves down to the micro-scale because it recognizes that it can win on the level at which motivated individuals make decisions. It can create circumstances under which the marginal utility of specific courses of action is enhanced for individuals who can choose them. As they exercise the choice in that direction, they constitute an interest group to set against those which already operate on the macro-scale. Micropolitics thus produces a set of techniques whose application results in the transformation of public sector supply into private economic markets. If it can take the state operation itself into the private sector it will. If it cannot do so easily, it will resort to alternatives. These include the replacement of a standardized state supply by private alternatives, or the introduction of free market features such as variety and choice into the state system itself.

The range of micropolitics is the whole of the public sector of the economy. Within its ambit come all of the state industries and utilities, state services, transfer programmes including welfare policies and the regulatory activity of government. It produces tactical devices in all of these areas aimed at the strategic objective of a society which has its choices made by

individuals for themselves instead of by powerful groups on their behalf, and which is oriented to meeting the needs of consumers rather than those of producers.

Although there is an *ad hoc* look to the devices which emerge as the products of this type of thinking, it is only a surface look.

At a deeper level there is a unity of analysis and purpose. The approach does not seek individual tactical victories on a case-by-case basis. The methods are all designed to work in the world of interest group pressures, and all to give individual preferences primacy in the political process. The public sector presents many aspects, all different, and all sustained by different groups and different forces. To the micro-politician these aspects are like a series of locked doors; the objective is to open them up in order to let in consumer choices and responsiveness to individual need; and the instruments are the keys which each of the micropolitical techniques constitute. No two keys are identical, but information learned about the opening of one door can be used to help unlock others.

It is precisely this range of techniques which explains the vast difference in achievement between the administrations espousing conservative ideas in the early 1970s and those which came along a decade later. The Nixon and Heath governments did not manage to gain many successes for economic markets and individual choices, despite a climate of ideas which had helped to elect them on that kind of programme. The Reagan and Thatcher governments enjoyed more success because of the micropolitical techniques available to them, and the strategic thinking which lay behind them.

Like many scientific theories, it originated from the perceived inadequacies of the prevailing model. It was the experience of the failures under President Nixon and Prime Minister Heath which led some analysts to

the conclusion that it was not enough to win the battle of ideas, or to elect people committed to them. It was important to have policies which could succeed and which could work. The insight came about because the public choice theories began to gain prominence at a time when the failures of the two administrations were becoming apparent. Some of those who had worked to win the battle of ideas, and to elect those prepared to support programmes based on them, saw in public choice analysis the explanation for failure. Some of them also came to understand that it might be possible to derive policies which could overcome the objections encountered by conventional ones.

The result was the concentration of some groups in the 1970s not on the battle for ideas, but on policy engineering. Instead of simply waving free market flags and shouting the traditional battle cries, attention on both sides of the Atlantic turned instead to the technical and mechanical details of policies which could circumvent the public choice objections. A new awareness of the power and role of interest groups led to the formulation of policies designed to prevent them from thwarting the introduction of market elements into the state sector. In some cases this involved a rejection of the conventional market alternative on the grounds that it took insufficient account of the forces at work in political markets. In other cases it took the form of working for partial market solutions on the grounds that these would not only succeed, but would establish a base on which more market elements could be constructed later.

Over the course of the 1970s, the broad principles behind the new style were developed, and many of the policy options which it was able to generate were researched and polished. The new policies caused some puzzlement, not only by their originality of approach but also by the limited nature of their objectives. Instead

of seeking the immediate replacement of the public sector by private alternatives, they appeared to look for more modest progress. The introduction of alternative choices here and there was accepted. If an operation as a whole could not be taken into the private sector, perhaps the production could be. If current beneficiaries were too powerful to oppose, the prevention of new entry into those benefits was sought instead of their abolition. If attempts to terminate the public supply met too much opposition, means were sought instead to encourage exit from it by ever increasing numbers. If the value generally placed on certain aspects of the public services guaranteed their survival, then techniques were developed to incorporate internal competition and choice. Where the state sector proved to be entrenched, means were investigated whereby its funds might be redirected to follow consumer needs.

All of these methods of circumventing the built-in opposition of interest groups seemed to others as unnecessary compromises, and unjust ones. The aim of securing free markets seemed to have taken second place to that of winning a few short-term political victories. Instead of abolishing the advantages which some groups had secured through political markets, the new tacticians seemed intent on exchanging them for others. On this point, if not on the others, the perception was correct.

The new policies were not simply half-hearted or inconsistent versions of the old ones. They were ones specifically designed to function in the reality they faced. Unlike the policies which had ignored that reality or sought to abolish it, the new techniques examined it, exploring where its strengths and weaknesses lay. At its most vulnerable points they proposed to introduce new options calculated to divert the pressures which sustained it in its old form. They sought ultimately the

same free markets and individual choices as they had before, but now with a realistic eye as to what could be achieved and when and how.

The successes achieved by the new-style policies allowed for the rise of the attractive but erroneous view that the work of the lonely scholars, their acolytes and their advocates had finally paid off and brought results in its train. That these results had not come in the earlier administrations which attempted them was put down to a wrong climate or wrong personnel. In fact, it was wrong policies. It was the policy engineers, coming in the wake of the pure scientists of political and economic theory, who made the machines which changed events. The ideas had been sufficient to win the intellectual battle, but this was not enough. Men and women with spanners in their hands and grease on their fingers had first to devise the ways in which the ideas of pure theory could be turned into technical devices to alter reality. The idea at the core of micropolitics is that creative ingenuity is needed to apply to the practical world of interest group politics the concepts of free market theory. Their philosophy owes as much to Archimedes as it does to Adam Smith and Friedrich Hayek. With a lever long enough and a place to stand, they can move the world.

None of this should give the impression that the administrations which assumed office in Britain and the United States at the end of the 1970s had only to apply the policies developed by the new approach while they were in opposition. This misses the empirical elements of micropolitics, and fails to admit how much of it was learned in practice. One of its strengths is its flexibility. It draws back when it encounters superior force, and seeks alternate routes to take it around. Several policies were hastily modified on the basis of practical experience. In fact most of the methods which now characterize the micropolitical approach are distilled

from the practical experience of what has worked. Although much work was done in the opposition period to develop the style of the approach and the general outlines of some of its methods, the detail has been filled in during office.

The techniques used to dismantle parts of the public sector, and to open up others to variety and competition, to opportunity and choice, have been developed for the most part by the application of them in practice, and their improvement by the trial and error feedback of actual experience. They were not the product only of theory and analysis, but of testing. One reason why the methods have proved so effective is that they are tailor-made for each of the situations to which they are applied, even to the extent of being modified during the process, as a garment will be altered at a fitting.

What was available to those later administrations and was lacking from the earlier ones was an approach, as well as a set of policy proposals. This approach enabled those existing proposals to be modified in action to succeed better, and it enabled new ones to be developed. Many of the actual policies which have been applied successfully have been developed in practice since 1979; they are not taken from the lore of free market ideas which was generally available before.

Micropolitics thus does not come into the class of ideas for which the theory is fully developed by scholars, and then applied to the world. Very few ideas do. While the analysis on whose base it was developed is certainly theoretical, it derives in turn from the close examination of real events. The creative structure built on that base is only theoretical in its outlines. It points to the broad principles of assuaging interest groups and setting up countervailing forces. The detail of how this is done is left to individual cases, for one of the contentions of the approach is that every case is different and requires a different combination of tech-

niques. Many of the ideas of micropolitics have been abstracted from practical application, as exponents have compared successful attempts with unsuccessful ones in order to highlight the essential ingredients.

The policies which have proved successful are not the product of victories in the world of their ideas, nor does their success owe a significant amount to their general acceptability. They emerged in practice from an approach to problems armed only with broad principles and previous solutions. New techniques were in many cases devised on the spot to cope with new situations encountered in practice. As various expedients succeeded and others failed, so have they been added to the body of policy techniques or left out of future consideration.

The relationship between theory and practice in micropolitics is a complex and interactive one. There has been much discussion in scientific method about whether an observation precedes a theory, or vice versa. After Popper, there is widespread support for the view that there must be a background theory in order for any data to register as significant. In other words, a preconceived theory forms the basis for an observation. The observation, in turn, can lead to the proposal of a new theory. The development of policy on the micropolitical model is similarly interactive. The broad ideas about interest groups and their benefits suggest avenues of approach, and the practical test of these leads to modifications in the body of technique. Micropolitics has learned as it has gone along. It is not the product of theory applied to practice; overwhelmingly its ideas are the product of interaction between theory and practice.

Many of the successes of micropolitics have preceded the general acceptance of the ideas on which they were based. In several cases the success of the policy has led to the victory of the idea, rather than the other way

round. Scholars have noted some of the many achievements, and started to take an interest in the theory behind the policies which produced them. In some cases the successes in practice of actual policies have led to an increase in support for the free market model in general. It has not been the case that a rising tide of support for free markets has made the policy acceptable. Had that been the case, Nixon and Heath could have done it. It has been the other way round; practical success has justified the idea and won converts to it afterwards.

The success of the new policies is typical of the movements which are led by events. Policy engineers developed the tools on the job, with only broad outlines to guide them, together with an analysis of what does not work. The success in practice of those policies has brought about wider support for them, and interest in the theory which unites them.

Privatization, for example, was not the result of pure theory. It was developed by the micropolitical approach as an alternative to denationalization. The latter stressed only the need to 'return' state operations to the private sector, with no indication given of how this might be done. The new alternative concentrates on the detail of application. It seeks to transfer functions to the private sector by using the forces within political markets, not by ignoring them or trying to override them. Privatization uses dozens of micropolitical techniques, treating each portion of the state as a unique entity requiring a novel and distinct solution.

There was no conversion to this concept which made it possible. The word featured not at all in the 1979 Conservative manifesto, and the idea only in limited outline for less than a handful of cases. The techniques were developed in practice, and the success of some led to others being tried. Policies were tested and then modified. New devices were tried out; some were

improved, others discarded. Only after many successes did opinion swing to general support of privatization as an idea. It won its converts after its success, not before.

Even the theory underlying privatization came under study late in the day. Several years deep into the Thatcher government, it came to be appreciated that a new phenomenon had appeared. Scholars in universities and colleges became interested in what was being done, and the studies, monographs and theses began to appear. The events came first, and the theory followed in their wake. Policy engineers constructed machines which worked, and their success brought about support for the ideas of the pure scientists who had long preceded them.

The micropolitical approach clearly distinguishes the governments of the early 1970s from those of the 1980s, but it must not be taken for granted that the later ones had access to a complete printout of policy options. What they did have was an understanding by the policy research institutes of why the programmes of the earlier administrations had not been implemented. It was unlikely, given this, that the same policies would be attempted. They also had access to a new approach to policy formulation, together with some detailed policy suggestions.

Governments are not monolithic entities; they are mixtures, even coalitions. The administrations of the 1980s did not take office determined to impose micropolitical solution across the board. In fact they were driven by forces from many directions and wanted to do many things, some of them mutually contradictory. They were set on applying traditional conservative solutions to a much greater extent than any new micropolitical proposals. There were sections of them which wanted neither, but sought to continue the public sector programmes under better management. The formulae of cutting out wastage and limiting

government spending were applied with their usual lack of success. It was the success of the few micropolitical stratagems which were tried which led to more from the same stable being run. The policies which did not bring about good results were dropped in favour of more of those which did.

The rise of micropolitical solutions took place while governments were in office trying them out. They were taken up because they achieved success where conventional policies failed. Whenever the nail was hit on the head, government kept on banging it in. The sections of government which supported other types of policy came to be less influential because they achieved less successes. Many of them, indeed, became enthusiastic converts to the new style. If it worked, they could gain results with it as well, and take credit accordingly.

The success in practice preceded the victory in theory and helped to bring it about. As in previous cases, events were determined by men and women of action doing things that worked, and towing theory in their wake. Their predecessors had tried doing things that did not work and had ditched the supporting theory when the failure became apparent. Now it was the policies which did work which turned the attention to theory.

Many observers have not understood the significance of the method which has been used. On conventional free market policies, there are cases in which the Thatcher administration fell far short of what theory required. Some have taken it that nothing of note was accomplished. There are other cases in which progress has been made beyond the expectations; few, for example, expected that the systematic transfer of major utilities to private ownership would prove to be as rapid or as extensive. It seemed inconceivable to many in 1979 that by 1986 the telephone and gas industries would have been sold off.

The shortfall has centred on conventional free market goals of total deregulation and free competition. There are those who voice criticism that the major utilities have not been exposed to full competition, or that the government should not intrude its political goals of wider share ownership into what ought to be a straightforward commercial sale. The criticisms miss the point of micropolitics altogether. They fail utterly to see that pursuit of a full free market solution would have produced no solution at all, or that the support of large interest groups is needed to achieve success impossible for straightforward commercial sales.

Micropolitics can rarely be used for the immediate attainment of holistic goals. Its character is that of a piecemeal approach. It looks at the small scale in fine detail, and generates proposals to solve each section at a time. It is limited in the scale on which it can operate. Nonetheless, it can produce its solutions in a cumulative way. Those who would have preferred immediate and large scale denationalization from the Thatcher government must have been disappointed at the small scale of what was done. British Petroleum and Amersham International and the others made only a very modest start. However, they soon added up as the pace accelerated.

A further limitation on it is that it works by political trading. It does not win converts through ideas, but wins supporters by conferring advantages. It is limited, therefore, by the benefits which can be found to offer. If entrenched advantages are traded instead of attacked, there will be ones which government simply cannot afford to buy. Micropolitics has no answer to these except perhaps to set in motion a long-term chain of events whose result might eventually bring success. It might prevent new entry into those benefits, but at a price of securing them for those already in possession. None of this is very satisfactory to those who want

results within the lifetime of one term of office.

Finally, it must be said against it that in many cases it achieves at best only a partial solution. Contracting out local services is not the same as a free choice for the householder. Persuading 20 per cent or even 40 per cent to buy their state-owned houses does not restore a free market in housing. Introducing variety and choice into schools and directing funds toward the popular ones is a shadow of a full free market in education. Most of the policies deriving from micropolitical analysis have settled for less than complete solutions; they have achieved improvements only. People do not often change overnight. They take time to adapt and to accustom themselves to the new.

It takes time for free choices to spread, and for a new reality to emerge from the old. By working with the interest groups in political markets, micropolitics opts for the gradual way. In doing so, it exposes itself to criticism at any stage that things have not gone far enough, and that more is needed. The criticism is justified; the fact that its policies seek to secure support from interest groups and to divert them to the pursuit of more attractive benefits means that micropolitics will usually offer progress which is both slow and incomplete. It turns to the small scale, to the decisions made by individuals and groups, precisely because of the failures of macro-scale free market policies to gain substantial results. The progress may be piecemeal, but it is progress, it is all in one direction, and it is securely made.

17 A Time to Pluck Up that which has been Planted

It took more than a century for the public sector in Britain to grow to its present size. Some of that growth was gradual, some of it was spasmodic. There have been long slow periods of steady accumulation, punctuated by brief spurts of dramatic acceleration of state activity. By 1979 it was either a dominant force or at least a major factor in industry, communications, energy, auto manufacture, transport, housing, education, health, pensions, local services, and other areas too numerous to list. It built the roads and ran the buses, it owned the railways and ran the trains, it made the aircraft and flew them, it made the ships and ran the docks. The state was the biggest spender, the biggest employer, the biggest service provider, the biggest manufacturer and the biggest insurer.

Government was Britain's major industry, and was one of its few growth areas. Furthermore, this was not confined to Britain. The nation had exported the idea of state control to its former colonies, and had served as an example to other countries. Many of the defects inherent in public sector economics were known of in 1979; indeed, they had been known of for some years. Knowledge of the wrong, however, did not mean

knowledge of the remedy. The overmanning, undercapitalization, producer domination and lack of responsiveness to consumers had all been seen in practice. The domestic customers might have no alternative but to take what was given, but overseas customers proved less tolerant. Instead of continuing to support British state workers in the manner to which they had become accustomed, they took their orders elsewhere, preferring the prices, quality and delivery dates that others were able to offer.

The rise of Britain's public sector to the level at which it posed these problems had not been due to any single cause: rather was it the product of many factors. Some of it was ideological, inspired by a desire to have individual aspirations supplanted by consideration of collective need. Some of it was paternalistic, deriving from the view that people could be cared for by the state better than they could look after themselves. Parts of the economy came into the public sector from a belief that large-scale operations could bring economies of scale. Parts entered by default, out of political pressures to keep ailing industries in business. Most of the steady, remorseless growth was a product of a system which encouraged the making of decisions in political markets rather than economic ones. Other things being equal, the rise of the public sector is a tendency inherent in democratic societies. It needs no contrived or convoluted explanations; it is what happens.

The structural defects of the public sector are similarly inherent. It is not an accident of history that state operations are chronically overmanned and undercapitalized. It is a direct result of their status as political entities, and of the forces which work on them. Neither is it accidental that they favour the needs of producers over those of consumers; given the way in which they operate it could not be otherwise. One of the discoveries made by public sector unions as they struggled to

campaign against privatization was the very low esteem in the public eye which was enjoyed by the nationalized industries. The defects of the public sector are widely perceived, even if the causes behind them might not be appreciated to the same extent.

There is one other feature of the public sector which is harder to pin down. It is that state operations are seen as in some way out-of-date, relics of a former time which have survived into the present day like living fossils. Part of this might simply be due to their size. The giant nature of state corporations and their slowness to respond conjure up unconscious association with the popular picture of slow-moving dinosaurs. Part of it might derive from their capital depletion. The state sector has to rely on out-of-date equipment and to keep its capital stock in operation for a longer period than the private sector would accept. This gives it an outdated air, with worn-out equipment and yesterday's technology. A labour-intensive operation, lacking streamlined machines and methods and slow to innovate, conjures up intangible images of former times.

Part of that reputation is a consequence of the fact that many of the public sector operations *are* out-of-date. Many of them stem from the age of mass manufacturing and the production-line economy. Economies of scale resulted from a system which specialized in the mass production of standardized interchangeable parts. The fortune of Henry Ford was not the only one to be built on this principle. First developed by Eli Whitney for the mass production of muskets, it is this system which set the pattern for most of our industry. It meant that large numbers of people would work in large factories doing roughly similar things for the whole of their working lives. It also meant that they would have broadly similar requirements for housing, health, education and social services.

It was against this background that the public sector

grew, with its standardized mass production offerings for people with fairly standard lives. For state services people themselves were the interchangeable parts. Scope for variety and individual choices was hardly missed in the age of mass supply. The state catered for the masses, anxious to provide mass education, mass health, mass social security. These were mass-produced services for mass-production people. The exercise might have had justification while the economy was characterized by that pattern but it lost it when the pattern changed.

The point is that this was the industrial model of the previous age. The economy now is no longer represented by the giants of standardization. The new companies are the small, fast-growing ones. They bring new techniques and new technology, and turn over capital far more rapidly than their predecessors. Instead of the heavy investment once locked into fixed plant, firms increasingly turn to subcontractors to perform tasks from the outside. Where cost-reduction once necessitated standard products, the newer technologies permit individual specification. Consumer products are increasingly customized rather than standardized, with the basic product serving only as the nucleus for individual choices to be added about design and finish.

With this development visibly transforming the scene in both the manufacturing and service sectors, the public sector operations seem increasingly out of place, designed for a world which has already passed. People no longer expect to do broadly similar things in the same place for most of their lives. They no longer expect to spend a lifetime in one activity, let alone with one employer. Their needs are becoming more specialized, more varied, and more individual. They need different, more flexible types of education, more varied pension schemes, health care which is more responsive to changing life-styles. It is against this background that

the state sector operations seem increasingly inappropriate and unable to cope with the changing times.

All of these factors led to a recognition that the public sector operations were in need of major change. It was no sudden flash which brought this about, but a steady accumulation of evidence and experience over the years. As early as the early 1960s there was a general popular rejection of nationalization, a rejection which led Hugh Gaitskell, then Labour Party leader, to attempt a change in clause four of the Party's constitution, the clause which speaks of the state taking over 'the means of production, distribution and exchange'. At the end of that decade electoral victory went to a Conservative Party which had committed itself to substantial denationalization.

Popular and expert opinion alike concurred in the need to reduce the size of the state sector. It was apparent by now that the taxation it took to finance it was draining the funds which were needed to promote enterprise and expansion in the private sector. Britain's steady decline, hid by inflationary expansion for some years, had now become evident. The time was right for a move away from the public sector, and so was the general opinion. The major problem was that no one knew how to do it; governments had tried and failed.

The difficulty was that attempts to dismantle the public sector or to open up any of its locked-in group benefits brought hostile reaction from those directly involved. No government seemed ready to face the wave of unpopularity which would doom it to certain defeat. Some observers speculated on the need for a sacrificial government which would come in to do what was necessary without any hope of re-election afterwards. Others toyed with the idea of a government which would not need to be re-elected.

From the perspective given by the subsequent decade,

most of the speculation of the time seems fanciful and difficult to justify in the light of events. At the time, however, it indicates the level of desperation being felt at the apparent inability of the political process to produce solutions to the central problem. No answer seemed forthcoming which could prise away the benefits which interest groups had obtained at the general expense. It was onto this political scene that the central ideas of micropolitics were introduced.

The solution seems obvious now that we have seen it working, but it was not so at the time. It presented an alternative to taking on the interest groups and trying to strip away the advantages they had amassed over the years through the political process. It provided instead a means of trading those benefits. Rather than having political leaders try to destroy or override political markets, it suggested instead that they should enter those markets in order to trade. The resentment and hostility which would be encountered by any threat to their benefits would not be produced by an offer perceived by the interest groups to be more attractive.

Micropolitics came on the scene when people were looking for a politically feasible means of bringing public sector operations under control. This had to mean breaking up some of them, transferring others to the private sector, and opening up some of the remainder to consumer preferences. It had to mean decreasing substantially the role which they played in the economy, and the capacity they had for crowding out growth and enterprise. The new techniques brought with them the realization that this could be done without the confrontation and the unpopularity which had been thought to make it impossible. It could be done by a process of exchanging benefits instead of trying to confiscate them.

In place of the systematic hostility as each group was alienated one by one, there appeared instead the

prospect of accumulating the gratitude and goodwill of those who enjoyed greater benefits under the new arrangements than they had received under the old. At the very least, political leaders could hope for acquiescence from groups who had exchanged one benefit for another. The great strength of the micro-political approach is that the trade-offs which it offers to public sector interest groups give them what are perceived as gains. This, in turn, creates an advantage for the political leaders who can take credit for it. In place of the call to do tough things which will make them unpopular, a means is presented by which they can combine doing the right things with the reward of popularity.

In place of angry and bitter tenants opposed to attempts to make their state rentals 'economic', government is faced instead by a contented band of new homeowners, people who bought their state homes at heavily discounted prices, and have seen the value of their investment rise accordingly. Where there might have been drawn-out and divisive disputes over denationalizing the National Freight Corporation, instead there are worker-owners who not only take pride in their firm and its profitability, but who have all made substantial capital gains.

If the process is repeated throughout all of the areas in which solutions have been generated by the micro-political approach, the same pattern is repeated. Out go the hostile and embittered crowd whose benefits were attacked by government, and in come the faces of those who took up the attractive offer and gained accordingly. A government attempting most of those changes by the conventional means would have had to face that hostile crowd. Use of the new strategy has produced instead the satisfaction of those who were able to trade their benefit for a better one.

Governments are used to receiving gratuitous advice

on policy. It usually takes the form of hectoring by academics and other experts for not having the courage to do necessary but unpopular things. Sometimes it comes in the form of 'hair shirt' politics, with the implied suggestion that nettles need to be grasped and bullets bit, and that anything easy is not worth doing. Often the promise is held out that if only government will keep its nerve, eventually the wisdom of what they have done will be apparent to all. 'Eventually' in this context seems to mean 'after the next election'.

Micropolitics is certainly different. In place of the apparent insensitivity to political reality of most advice, this style seems to be more political than the politicians. It identifies the interest groups and points out what they perceive to be their advantage, and how they will use the system to defend it. It then suggests ways of securing the cooperation of those groups by making a more attractive offer to each of them. It is even able to warn political leaders in advance of some of the dangers which proposed initiatives will face, and to suggest ways of making their passage easier. If there are small groups too entrenched in the public sector to accept counter-offers, even here the reform is made to generate larger and more effective groups with which to outweigh them. In terms of political advantage, there are few methods of policy generation which achieve it so systematically.

Politicians prefer to be popular if they can. While many of them are prepared to do what they perceive to be necessary, they are limited by the need to be re-elected, and by the time-frame within which the gains from policy are realized. If they have any kind of choice, a policy option which does not provoke widespread unpopularity is to be preferred to one which does. It is not easy for political leaders to put through policies which bring long-term hostility in their wake. If they were prepared to undertake the sacrifice themselves,

their supporters in the legislature probably would not follow. They would pressurize their leaders into a policy change. Even the Thatcher administration, with its many successes, has been marked by the reluctance of some of its parliamentary majority to countenance anything which alienates significant interest groups, be they of church leaders or country squires.

The basis of the micropolitical strategy is working with interest groups, and restructuring circumstances so that it becomes to their advantage to choose the course preferred by the policy-makers. Since they are freely rejecting what they have in favour of what they prefer, they do not oppose the government which made this possible. If anything, their support is attracted, and they acquire a vested interest in the new arrangement making them less likely to support legislators who might try to reverse it. Those who do propose to delete the reform and revert to the old system find themselves in the unenviable position of politicians who are proposing to cancel an existing benefit. The ire of the interest group concerned is at once aroused.

The micropolitical approach thus has two very important advantages over the conventional style of politics. It solves problems and it is attractive to political leaders. Attempts made simply to replace the public sector by free market alternatives face two difficulties: most of the attempts fail, and the government which makes them also makes enemies. The new style has neither of these drawbacks. Because it offers advantages to interest groups it is popular; and because they accept it, it works. The advantages of success and popularity constitute two powerful advocates for the political style which produces them. Government is quick to spot the merits of policies such as these, and each success makes it readier to take up other similar ones.

On the eve of the 1979 election in Britain, the Prime Minister James Callaghan remarked to his colleague

Bernard Donoughue that he sensed a sea-change in British politics. He was right. People at that time knew that something had finally to be done about the way in which interest groups were operating against the general good. It was widely felt that action of some kind must alter the balance away from trade unions and the state sector, and towards greater choices and opportunities for individuals. On a much broader perspective, something needed to be done to break open the closed institutions, to bring variety and flexibility more in accord with the needs of a modern economy and a modern society.

The political style which recognizes and works within political markets was a timely innovation. It enabled a government to start on such a programme of reform without paying the electoral price widely predicted. It gave the means for a successful transformation to contrast with the previous failures. The pursuit of their own advantage, which had occupied groups in the political process was now turned around. Policies were designed with tempting alternative benefits to offer, and the trade-offs have been made. In one area after another, the barriers against market choices have been weakened or lifted. The monopolies which protected the producers in occupations as diverse as the legal profession and bus transport have been raised a little. The ordinary members of trade unions have been given powers to balance and control those of the leaders.

Most significant of all, perhaps, in view of the long term economic changes, has been the gradual breakdown of standardized provision in favour of variety and choice. Little by little the scope for individuals to secure individual treatment is being extended. The producer oriented public services are being opened up to the impact of choices. In a world where people no longer do most of the same things for most of their lives, they are just beginning to gain access to the varied services they

will need. Micropolitics, by working on the small scale where people make decisions and give effect to preferences, is able to introduce elements into the public sector which make it alter and adapt itself accordingly.

These techniques are small in detail, but they add up to large results. The Chancellor of the Exchequer was able to tell the Conservative Party conference of 1986 after seven years in power that 20 per cent of state industry had been privatized, that it would be 40 per cent in just over one more year, and that the next Conservative administration would privatize 'most of what was left.' While the state industries were being privatized, over one million state homes had been sold to their tenants, and with new legislation to cover apartments, the target was a further million. Competition and deregulation had permitted new bus companies and airlines to have an impact on both services and prices. Banks and solicitors both faced competition from building societies, and were offering better services as a result. Trade union leaders were much more answerable to their members, and more restrained as a result. New powers promised parents more say in education, and the first of the directly funded schools were about to be set up. Private medicine was spreading, portable pensions were a reality, and over half the population had chosen private alternatives to the state earnings-related pension scheme. Enterprise zones and free ports were in operation, and private contractors were taking over hospital cleaning and catering and local government services in greater numbers every year.

Individually, each item could be criticized as being too modest, but together they added up to a major shift away from the public sector and from state controls. All of the measures pointed in the same direction: towards more market forces, more opportunities for choice,

greater variety and more responsiveness to consumers. The impression given overwhelmingly by the changes was that these were only the first steps. The government gave every indication that the programme would continue. If thwarted temporarily, over such items as gas showrooms or liberalizing shopping hours, it would regroup and come back from a different direction. A setback was seen as a delay, not a defeat. The implication was that new methods would be tried until success was gained.

As it learned to trade in political markets, the government grew more confident and tackled bigger enterprises. Its reforms, which had started more modestly, grew in scale as it mastered the basic skills of the new technique. Bigger industries were privatized each year, as the government moved into what it termed 'the heartlands of the public sector'. It began to make inroads into major institutions, and to tackle the core services of health, education and social security.

It has been common for governments to enter office and implement a batch of reforms in the first flush of victory. Usually they then slide into a more settled routine. Those who expected this in 1979 may have sighed with relief at the modest scale of the early measures; their expectations must have been disturbed by the spectacle of reforms which increased in scale and radicalism as the government learned in practice how to work with interest groups and began to press deep into the state sector.

The techniques which made this possible came at a most opportune time for Britain. As its economy has changed, so the institutions which developed with it have become increasingly outmoded. The decline of mass manufacturing on the production line basis has meant that the services and institutions which served that kind of society are unable to meet the changing needs of the new one. With the changeover to sub-

contracting, to smaller firms, and to the more rapid turnover and replacement of capital, there is a greater need for flexibility. There are no longer the enormous groups who could be given identical services because they led identical lives.

The old rigid categories are breaking down, and with them the standard provision which covered them. Where there were employed and unemployed, now the boundary has been blurred by a range of intermediate positions. More people are employed part-time; more are self-employed; more run their own businesses, more work as subcontractors. Some people work for part of the year, some work for part of their lives. Some 'retire' early into part-time and self-employed contract work. The institutions which were geared to a straightforward division into employed and unemployed are unable to cope with the proliferation of new categories. New ones have to be created to cater for them, and space must be cleared for them to develop in response to the many different needs.

The mass services of education, health and social security have to recognize that they are dealing less with coherent masses as each year goes by. People now need different training instead of a standard education; and they need the facilities to enable them to undertake retraining at a later stage. People with different life patterns need different kinds of insurance, different sorts of pension scheme.

The regulations which cover the growth and expansion of business have to adapt to the faster pace which characterizes new economic activity. More service industries, more high-technology products, all demand new institutions and new conditions. The power of either employees or producer cartels to keep out change in order to continue their advantages cannot be sustained in the climate of a modern economy; it has to undergo change itself.

The techniques of micropolitics were not devised to assist with this particular transformation. They were developed as a means of overcoming the resistance of interest groups to consumer inputs within their sphere of activity, and to introduce the elements of economic markets into political markets. It happens fortuitously that most of the devices of the new approach allow individuals to make choices between alternatives. In doing so, they help to create the conditions for varied and flexible services to replace the standardized ones which served a more rigid society.

By restructuring the supply to respond to the preferences of the consumers instead of the convenience of producers, the policies enable different needs to be satisfied simultaneously. The old monolithic state supply gradually breaks down into a variety of offerings from which consumers can pick and choose according to the lives they lead and the needs they experience. The breakup of monopolies leads to new and varied forms of service springing up to meet new demands. Privatization forces companies to respond to the multiple and different pressures of consumers. Deregulation enables new types of product and service to be introduced more rapidly in response to demand.

The effect has been to make the new political strategy the means of modernization. The emphasis it places on consumer preferences has enabled it to create the right circumstances in which variety could develop. Had people wanted roughly the same things, it would have led to roughly similar services. It was because they wanted and needed more varied things under the impact of the changes sweeping through the economy that more variety developed. Although the motivation which led to its development was a desire to see the successful introduction of market elements by dealing with the interest groups who usually opposed this, its effect has been to enable society to adjust to major

economic changes and to the social changes which they brought in their wake.

In many ways the most encouraging feature of micropolitics as a method of generating policy is that it is a technique rather than a set of specific goals. In other words it is continuous. If it were only a range of specific measures, its use would be ended once they had all been attempted. Because it is a technique, it is constantly generating new policies. Not only does it enable novel attempts to be made to solve intractable problems, it also enables new problems to be faced and solved as they arise. All of the inroads which it has made so far into the public services and their standardized output make only a start. All the achievements so far attained serve as the base line for further progress. The only limitations are the need to make attractive alternative offers in order to encourage groups to trade benefits; and the limits here might be those of ingenuity rather than of resources. As long as there are reserves of human creativity, new suggested solutions can be generated.

The technique has succeeded in a few short years in reversing the seemingly ceaseless move towards more centralism, more provision through a state supply, and more state controls. The rise of the public sector has been taking place for more than a century. It reached its high water mark in 1979, and is now flowing backward. It is not scholarly or popular opinion which has achieved this, but a technical method which was previously absent. Observers who had thought the constant growth of government to be an inherent feature of democratic societies have had to revise their opinions since 1979. The new methods have done more than stem the rising tide of collectivism, they have set the ratchet into reverse. As each reform creates its new benefit group, so it is locked into place by their defence of that advantage. It will be very hard for a government

of different complexion to reverse most of what the new technique has achieved; there are too many interests tied into the new arrangements. People enjoy not only the advantages they have gained in material terms, but the advantages conferred by choice itself: the enlargement of the area over which people as individuals can influence their own lives. People enjoy the ability to determine their own priorities and to allocate their own resources. Once they have experienced this freedom, and seen the material benefits it brings in terms of responsive and varied services, it will be difficult to take it away again. So with each new gain for market forces achieved by this strategy, the ratchet clicks into place to retain it. The state which was wound up for over a century is being unwound in a steady and systematic way.

Nor is the effect confined any longer to Britain. It was Britain which pioneered the use of the new techniques, even though they were developed simultaneously in the United States. Britain was first to elect an administration prepared to try them, and has a constitution conducive to their ready use. The United States has a political market more highly developed, and a Congress which lives and trades by exchanging benefits for political support. It is Britain which has achieved more because its concentration of power enables more initiatives to be tried. The successes gained in Britain, however, have served as an example to other countries including the United States. Britain's achievement in reversing the growth of state power and creating ground for private firms to move in and demonstrate superior efficiency has attracted not only attention but emulation.

Over fifty countries have sent delegations to study the way in which this was done in Britain. British experts have found their services much in demand overseas. Of all of the micropolitical techniques, those

involving privatization have attracted the most attention, together with those which make use of outside private contractors. The techniques have been copied and adapted to fit local conditions, and have been introduced to some degree in more than 100 countries. The French have embarked upon a huge programme of privatization; other European powers have made more modest beginnings.

The Pacific Basin countries have eagerly embraced the new ideas, and many of them have set in motion measures to bring the public sector activities towards market influences. Singapore, Malaysia and South Korea have all made notable progress with the devices first pioneered in Britain, and show the same readiness to adapt political stratagems as they have previously shown with advanced technologies. The big surprise has been the rapidity with which the ideas have influenced Third World nations. The poor countries have been as eager to gain the benefits as the rich ones, in many cases more so. Bangladesh has used the techniques extensively to place jute and flour mills into the hands of their workers, with the effect of increasing both productivity and output, and taking away the need for subsidy.

The suggestion has been made that the less advanced countries can implement these measures more easily because the public sector is a more recent phenomenon there. Its roots do not go as deep, nor as far back in time. The advantages which it confers to various groups still have to be traded, but they might be more open to new ideas if there is no long history of public sector monopoly. Whatever the cause, Third World nations have been enthusiastic to develop and apply the techniques. Many of them have economies seriously distorted by state controls and public sector activity; they see in the new methods a chance to create the entrepreneurs and the market opportunities they need

to set loose the wealth creating process.

Only slightly less surprising has been the adoption of some of the ideas by communist nations. Without conventional democratic constitutions, there are not the active political markets we know in the West. There are, however, groups who enjoy benefits from the state and who are proving unable to generate efficiency and growth under their present economic structure. The new methods offer them the possibility of trading one benefit for another, and in the process setting some market forces to work to provide the motivation for increased output, improved supply, and greater variety. Communist Cuba has followed the British model of selling state houses at discounted prices to tenants, and the People's Republic of China has traded opportunity for security in farming with spectacular effect on output.

The result of all of this activity has been to make the decline of the public sector a phenomenon on the world scale. It is in retreat nearly everywhere, in communist countries as well as in capitalist ones, in dictatorships as well as in democracies, in poor countries as well as in rich ones, in backward countries as well as in advanced ones. Its effects are being felt in every continent and by every race of people. What started in Britain in 1979 has spread with an astonishing rapidity which not even its most enthusiastic supporters predicted for it. It has become one of the most striking movements of economic organization in the twentieth century.

It is, moreover, a technique still at its beginning. The results gained so far represent the early stages. Most of its development has been made by practical application. The use of it constitutes a learning process, and that process has only been operating for a very few years. As micropolitical solutions succeed, they are refined and adapted, and new twists are added to extend their range to other areas. Governments which use them

successfully gain both confidence and expertise, and are ready to move on to their application to new problems. As international experience is augmented by the results of different experiments, so nations copy from each other and adapt ideas to local conditions. There will inevitably be setbacks and mistakes, but these, too, form part of the learning process. The methods used to diminish the role and impact of the state in economic life have already shown themselves to be no short-lived expedient. They are a systematic way by which the tide of state power can be turned back, leaving space for consumer preferences, variety and opportunity. It looks as though they will be making their mark for a long time yet.

In the final analysis it is not surprising that these techniques have succeeded. Politicians have long been used to receiving policy advice from outside. Economists have urged changes in fiscal policy. Constitutional lawyers have proposed new laws. Sociologists and social psychologists, penologists and criminologists, have all urged their advice upon governments. Politicians have received directions from every profession but their own. Not surprisingly, they have found much of that advice inappropriate, unsuitable, or plainly impractical. Their experience of their own field has told them that.

Micropolitics concerns itself with the generation of policies designed for the practical world. It starts out by looking at the political markets which operate, and examines the political problems they cause. Its solutions are designed within the context of the practical. It urges politicians not to resist or to oppose political markets in ways which spell failure and defeat. Instead it teaches them to enter those markets in order to trade. Rather than opposing the self interest of the groups involved, it urges them to bid for it with more attractive offers. It represents one of the few methods of policy generation

to emerge looking at the world from the point of view of the profession.

There is a very old proverb in which the wind and the sun make a wager about which of them can remove a man's cloak. As the wind blows more furiously, the man wraps his cloak ever more tightly about him, until the wind gives up, exhausted. Then the sun comes out and the man takes his cloak off. After years of being advised to behave like the wind and expend much effort with only failure at the end of it, micropolitics has come along telling them to behave like the sun and succeed. It is hardly surprising that it has made an impact already, and highly probable that more is yet to come.

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