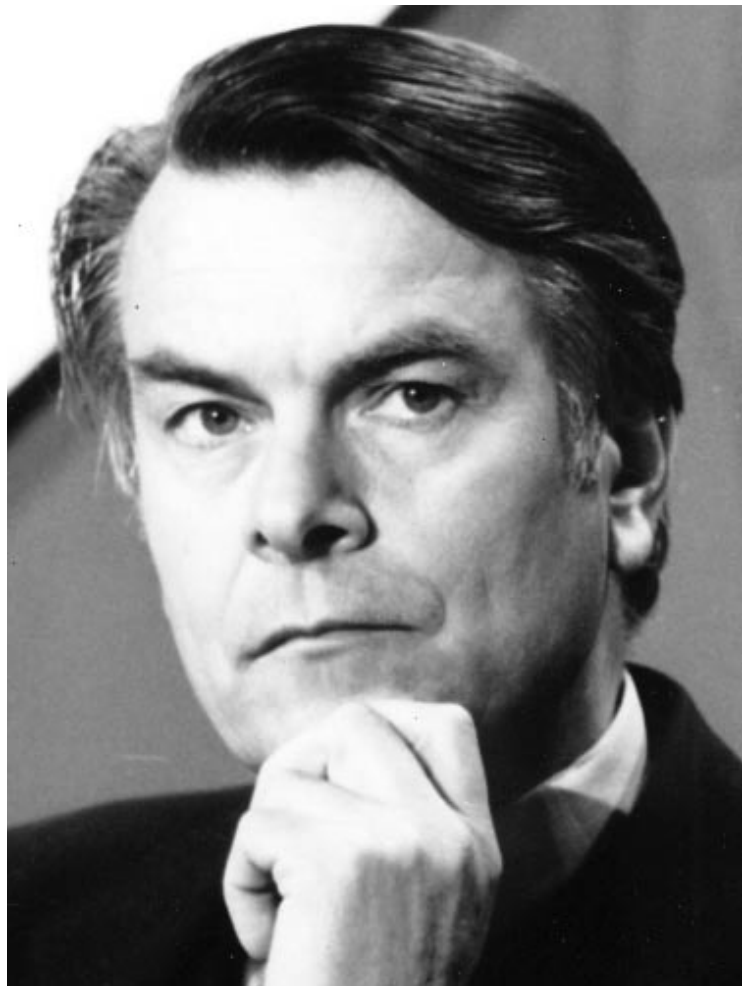


‘Suddenly a new idea is abroad; an idea with the power to divide one political party, unite another and dissolve the dilemmas of a third. Owenites claim it as their true credo; Conservatives as the faith they have always professed, if sometimes unknowingly; Liberals define themselves as its oldest British guardian, while even one or two luminaries in the Labour Party see it as the route to modernising socialism. What can this androgynous, all-purpose, elastic idea be? Why, the social market economy, of course; the idea, that if only one knew what it was, as the SDP delegate said in their debate on the matter, one would be bound to endorse it.’¹

Duncan Brack examines the origins of David Owen’s concept of the social market economy – and its use both as an idea and, perhaps more importantly, as a political weapon.

DAVID OWEN SOCIAL MARKET ECONOMY



Much of the division between right and left centres around different views on the combination of social justice and market economics. As Neal Lawson, chair of the Labour

pressure group ‘Compass’ put it in early 2005:

The critical point of alignment between the parties is the markets. Labour once aspired to make people the masters of the market – now

OWEN AND THE MARKET ECONOMY

it has given in to global capitalism by inverting that principle. The fundamental political shift was equating economic efficiency with social justice. Social justice is no longer to be achieved by taming capitalism but by ensuring employability in a global economy.²

Twenty years earlier David Owen, the second leader of the Social Democratic Party, attempted to formulate just such a combination of policy goals – economic efficiency through market allocation, plus social justice via redistribution – which he called ‘the social market economy’. This article traces the story of the social market, both as an idea and, perhaps more importantly, as a political weapon.

Origins

Owen was elected to the leadership of the SDP in 1983, after its founding leader, Roy Jenkins, stood down in the wake of a disappointing election result which saw the party’s parliamentary strength fall by four-fifths, even while the Liberal-SDP Alliance was winning the highest third-party vote for more than fifty years. He moved immediately to stamp his authority on the party, and retained it, largely unchallenged, until the aftermath

of the 1987 election. He needed to define his ideological position – different from the Conservatives and Labour, and increasingly different from the Jenkinsites within the SDP, and his Alliance partners the Liberals. The concept he came up with was the ‘social market’, which he claimed was borrowed from ‘the 1959 Bad Godesberg Programme of the German Social Democratic Party, when they abandoned Marxist economics and achieved electoral success with thirteen years of a Social Democratic/Liberal government’³ – an obvious lesson for the British Liberal-SDP Alliance to learn.

In fact the phrase originated earlier than 1959: *die soziale Marktwirtschaft* was first coined in 1946 by Alfred Müller-Armack, an adherent of the Freiburg school of ‘ordo-liberal’ economists, associated with the German resistance to Hitler. Writing in the wreckage of the thousand-year Reich, the Freiburg school was searching for an economic system that would keep the state from interfering in individuals’ lives: a perfect, undistorted, liberating market, in which the only role of government would be to ensure that market forces worked freely, through breaking up concentrations of economic power.

The theory was taken up and turned into practical politics by the

The combination of policy goals – economic efficiency through market allocation, plus social justice via redistribution – which he called ‘the social market economy’.

German Christian Democrats in their 1949 Dusseldorf Programme. For them, the social market represented a third way, between socialism and monopoly capitalism: the Programme included minimum state control of industry, powerful anti-trust laws and co-operation between trade unions and companies. ‘Outlaw monopoly’, wrote Ludwig Erhard, the Christian Democrat Minister for Economic Affairs, ‘turn the people and the money loose and they will make the economy strong’.⁴ And strong the German economy turned out to be – although Marshall Aid, the refugee inflow of cheap labour from the East, currency reform and an undervalued Deutschmark, a booming world economy, and reconstructed, and therefore modern, industrial plant must take a substantial degree of credit. One factor that was *not* noticeably present, however, was social justice; Erhard was implacably opposed to universal welfare provision and redistributive fiscal policy. True competition would by itself produce prosperity and higher living standards for all: the only ‘social’ element in *die soziale Marktwirtschaft*.

In the face of this continuing economic success, and electoral dominance by the Christian Democrats, it was hardly surprising that the opposition SPD responded by

shifting their own policy stance. Their 1959 Bad Godesberg programme, however, contained 'neither the term nor the notion of the "social market economy"', according to Dr Susanne Miller, widow of SPD leader Willi Eichler.⁵ Public ownership and investment controls as means to control the economy, counter private influence and achieve social justice featured strongly, as they did also in the SPD's 1975 Long-Term Programme, adopted six years after it finally achieved power. In any case, the pure social market had long since been subverted, with the introduction of subsidies for agriculture in 1957, for coal in 1962, and subsequently for other key industries and sectors.

Owen was therefore on rather shaky ground in claiming that the ideas behind the social market originated with the political left, or even the centre. He was also inaccurate in claiming that the concept was taken up by moderate Conservatives in Britain in the 1970s. Certainly John Biffen used it, but during his early, monetarist, phase. It owed most of all to that pre-Thatcher Thatcherite, Sir Keith Joseph, and his creation, the Centre for Policy Studies, whose first publication, in 1975, was called *Why Britain Needs a Social Market Economy*.⁶

In his foreword to the booklet, Joseph explained how he founded the CPS, 'to survey the scope for replacing increasingly interventionist government by social market policies'. For Joseph and the booklet's authors, the meaning of the term 'social market' was clear, and the same as it had been for Muller-Armack and Erhard: 'a socially responsible market economy, for a market economy is perfectly compatible with the promotion of a more compassionate society ... Industry alone creates the wealth which pays for social welfare'. Government intervention was justified *only* where it was designed to limit market distortions such as the abuse of monopoly power or restrictive practices. The 'social' aspect derived entirely

from the surplus produced by an efficient and competitive economy: higher profits, higher wages and higher employment all resulted in a higher tax yield, which could be used to 'alleviate distress and advance education'.

Despite Joseph's support for the social market, however, the term never featured in the slogans of Thatcherism – perhaps because it sounded too remote and academic, perhaps because the word 'social' fitted rather poorly with Thatcherite rhetoric. Thus David Owen was the first politician to attempt to inject it fully into the vocabulary of British politics. Yet even he was never clear in defining precisely what it meant.

David Owen and the social market

Owen first started systematically to use the term 'social market' in September 1983, at his first conference as SDP leader. He had outlined his interpretation of it in the article 'Agenda for Competition with Compassion',⁷ which actually appeared a month later in the October issue of the journal of the free-market-promoting Institute of Economic Affairs. This was supposed to mark Owen's conversion to the policy. 'I did it quite deliberately,' he explained later.⁸ 'I knew I'd have more publicity for a switch like that if I did it in the IEA journal than if I did it in *Open Forum* in the SDP.' This was followed a year later by the 'The Social Market Approach', the first chapter of his book *A Future That Will Work*; but in fact both article and chapter are based very heavily on a speech Owen gave in May 1981, just two months after the foundation of the SDP, when he delivered the fourth Hoover lecture ('The Social Market') to Strathclyde University.

In each case the prescription was the same. The source of Britain's economic and industrial decline was poor productivity, caused by a failure to develop a commercially oriented social climate within industry, far too weak an emphasis on winning

markets, and insufficient priority given to exports. An important part of the policy of the social market was recognition and welcome for the role of markets. The creation of a small Ministry of Competition was therefore important, to break up cartels and monopolies and to promote competition and fair trading.

Owen concentrated mostly on the public sector, where he tended cautiously towards denationalisation – an innovation in the early 1980s, before the large-scale Conservative privatisation programme had gathered pace – though at the same time accepting that publicly owned industries could be used imaginatively and at greater risk than would be possible in privately owned firms. Monopolies in the public service sector were to be broken up; franchising was favoured for such services as telephones, post, gas, electricity, railways and water. Owen saw the main obstacle to efficiency and competition, however, as organised labour, and dealt at some length with remedies for the labour market: industrial democracy (to ensure that workers fully understood the commercial realities facing their firms); greater democracy within trade unions; disaggregation of wage bargaining structures (including ending comparability linkages and national pay settlements); and, to control inflation (at least in the short term, before these changes had worked their way through), an incomes policy.

Something of a macro element made its appearance in the last version of the paper (the chapter in *A Future That Will Work*): an industrial strategy, to assist firms to develop and adjust to changing patterns of demand in the marketplace – research and development, skill training, and restructuring of declining industries; central planning, 'anticipating trends and taking action to prevent or mitigate foreseeable adverse social situations'; and reform of the social security system (mainly through replacing universal benefits with targeting) to reduce poverty and social deprivation. Social

Owen was therefore on rather shaky ground in claiming that the ideas behind the social market originated with the political left, or even the centre.

partnership thus took its place beside industrial partnership to create 'the background of understanding and shared interests that is inherent in the social market'.

Although Müller-Armack and Erhard would have recognised much of this – promotion of the market, encouragement of competition, opposition to monopolies – there was equally much that did not fit at all with the original concept of the social market. Owen's writings abounded with proposals for government intervention – incomes policy, industrial strategies, central planning – and he possessed the clear commitment to a more generous welfare system that would have been anathema to Erhard and the Centre for Policy Studies. The key to Owen's social market, at least at this stage, was revealed in his interview with *Alliance* magazine in July 1982. The SDP, he claimed, had 'taken on the necessity to think commercially, to recognise the place of markets and to try and reorientate union attitudes as well as management, so that we can get a more commercial atmosphere within what I would call a social market framework'.⁹

The largest section of each of these first three of Owen's papers on the social market dealt with reform of the labour market, to hold down real wage costs and increase international competitiveness. Strong government and weak unions – otherwise referred to as 'partnership' – were the means to create wealth; the market should indeed be encouraged, but government still had rather a large part to play within it. On the other hand, the surplus thus produced could be used in a more positive way to reduce inequality and stamp out deprivation. In his own fashion, Owen was attempting to create a new 'third way' for the 1980s; but his frequently used phrase 'tough and tender' probably summed it up more accurately than did 'social market'.

Although this article concentrates on David Owen's own writings and speeches on the social market, it is true to say that

the subject did generate genuine debate among other members of the SDP, though it largely failed to arouse much interest outside the party. After Owen became leader in 1983, his economic policy adviser, Alex de Mont, and the social policy specialist, Nick Bosanquet, in particular were responsible for developing the idea, and especially its relevance to the social justice aims of the party. De Mont saw the key aspect of the social market as 'the modification of market economy in the name of social equality'.¹⁰ Bosanquet went further, by arguing that the market was still an essential tool to be used to achieve economic success, but by itself could not provide the road to social harmony; rather, government had to intervene to create the political climate necessary to allow the market to operate (by, for example, redistributing the surpluses of 'market gainers') – almost the exact opposite of the original meaning of the term.¹¹

Owen himself was influenced by this debate, and a lecture he delivered in January 1987, entitled 'Social Market and Social Justice',¹² borrowed heavily from Bosanquet's article. The operation of the market was essential for reviving the British economy, he concluded, but it 'can only exist within a stable framework of policies for winning consent to economic adjustment' – including not only investment in human capital and welfare selectivity but also electoral reform and decentralisation. The speech contained the most coherent commitment to social justice that Owen had made, and he received praise from a number of commentators for it – the *Guardian* columnist Hugo Young, for instance, comparing him favourably to Roy Hattersley and the Labour right. The speech was also significant, however, for the changes it made from Owen's original thinking on the social market. Gone this time was the belief in planning, a hangover from Owen's Labour days; gone was any mention of an incomes policy; and present was a new criticism of high levels of public expendi-

'The actual programme for tenderness is a bit thin', he commented. 'Every time David Owen enthuses about bombs and the free market he carries conviction. Every time he talks of welfarism and public services he sounds bored.'

ture. The commitment to the free market, unhindered by government intervention, was now much clearer and stronger.

In making these claims, Owen was continuing the strategy he had developed since 1983, of attracting those he saw as the new Conservative voters, those who possessed some commitment to social justice and who might have voted Labour a decade earlier, but now valued the affluence they believed the Conservatives were creating and distrusted Labour for its interventionist style and its unilateralist defence policy. To his detractors this approach was simply an acceptance of the new Thatcherite consensus, with a human face; but to Owen's supporters it was an attempt to face up to the same political and economic realities that Thatcher had correctly identified, but with a different, and of course superior, set of solutions. 'Tough and tender' was to be the message in the SDP's attempt to win votes from the Conservatives; and, since they were targeting the centre-right vote, it was hardly surprising that in most of Owen's writings and speeches the tough aspect was stressed more than the tender. The journalist Charles Moore had noticed this as early as 1983. 'The actual programme for tenderness is a bit thin', he commented. 'Every time David Owen enthuses about bombs and the free market he carries conviction. Every time he talks of welfarism and public services he sounds bored.'¹³

The failure of the social market

Yet Owen had his opponents, both within his own party and amongst his Alliance partners, the Liberals. Roy Jenkins and Bill Rodgers, from the original Gang of Four, and the academic and former Labour MP, David Marquand, all at times warned against adopting a 'junior Thatcherite'¹⁴ approach; Marquand in particular opposed the trend against positive state intervention.¹⁵ The danger they saw was that by effectively

DAVID OWEN AND THE SOCIAL MARKET ECONOMY

enlisting in the Thatcherite pro-market crusade, Owen was helping to lend credibility to its claims, and undermining the strength of any opposition. As Jenkins commented, why put all that effort into promoting the market when it was the public sector that was going under?

Some Liberals similarly viewed the social market with distaste, largely because they saw its proponent in the same light. Others, particularly in the Liberal establishment, tended to argue that there was no real difference from Liberal economic thinking. The Liberal energy spokesman Malcolm Bruce MP, for example, observed in 1985 that many politicians of the left, faced with the dominance of the New Right, seemed to feel a need to express their understanding of and commitment to the operation of market forces. Liberals, by contrast, had never questioned the role of the market – social market economics ‘seemed to me no different from the Liberal economic pragmatism that evolved over the past century’¹⁶ – but equally had long been aware of its limitations. Similarly, the Liberal leader, David Steel, commented that had he been talking about markets rather than David Owen, it would have attracted no media attention at all, since ‘this has been classical Liberal thinking for a very long time’.¹⁷

The main Liberal response, however, was that Owen was simply tilting at the wrong windmill. There was a general acceptance in Liberal economic thinking that the market was, if operated without distortion, a relatively efficient way of allocating resources without excessive state intervention; but would not, by itself, lead to that distribution of power, income and wealth that was essential for a Liberal society. The question was *not* to what extent the market was needed, but to what extent the state had to take action to adjust, supplement or replace market outcomes, in the pursuit of individual liberty, opportunity, or an environmentally sustainable economy. Liberals thus tended to be interested, not in the question of

market versus state, but in the distribution of power in society, and how it could be devolved to afford the individual and the community maximum influence over the forces and institutions that shaped their lives. For many Liberals, therefore, the argument over the social market was thus not only a difficult one (because Owen kept on changing its meaning), but not even a terribly important one.

The term ‘social market’ did not feature at all, either in the Liberal-SDP manifesto for the 1987 election, *Britain United*, or in the more detailed explanation of the Alliance approach set out in the book *The Time Has Come*.¹⁸ Some of Owen’s social market themes, including a strong competition policy, the taming of monopolies and the removal of restrictive practices, were included, but the general tone of both was far more critical of the limitations of the market than Owen tended to be. Both also contained clear commitments to an incomes strategy, budgetary expansion and higher public expenditure – all policies which Owen had abandoned or of which he was becoming more sceptical.

Owen chose to express his irritation at this supposedly fudged approach in the middle of the election campaign. In a speech in Leeds on 27 May 1987, Owen explicitly restated his belief in the social market – according to the *Independent*, ‘the combination of “toughness and tenderness” which Liberal leaders had previously kept out of the Alliance campaign’.¹⁹ Owen was frustrated, claimed the paper the next day (following a personal briefing), with the blandness and caution of *Britain United* and its failure to carry any specific mention of the market economy. His speech had been an attempt to restore the cutting edge to the Alliance challenge, and to appeal once more to wavering Tory voters. This outburst can also be seen, of course, as preparing the ground for laying the blame on others for losing the election: Owen would have done his best in trying to present a tough, radical, cutting

While David Owen may have been superb at leading by inspiration and example, no one, not even his supporters, ever suggested he was much good at leading by agreement.

edge, and it wouldn’t be his fault if it had been blunted by the compromisers of the Alliance.²⁰

The major inconsistency in this story, however, is that neither Owen nor any of his supporters at any time requested that the social market as a phrase should feature in the election manifesto;²¹ so, given the hostility to it, or lack of interest in it, from most of the Liberals and some of the SDP, it was hardly surprising that it did not appear. The reason behind this failure to press the issue underlies both the inability of the social market to take off as a slogan outside the SDP, and the ultimate failure and disintegration of the Alliance.

The explanation lies in the character of the SDP leader. While David Owen may have been superb at leading by inspiration and example, no one, not even his supporters, ever suggested he was much good at leading by agreement. As Richard Holme put it after the election, Owen could ‘be identified as a politician in flight from politics. The Hound of Heaven which has pursued him down the years is collective decision-making. He couldn’t stand it in the Labour Party, he wouldn’t stand it in the SDP, and he no longer has to stand it in the Alliance ... for a loner like Owen, hell is other people.’²² Bill Rodgers agreed: ‘he’s a brilliant leader if he can give orders – but he doesn’t want to *persuade*. He doesn’t like having colleagues on an equal footing.’²³ Although Owen may have used the social market in his own speeches and booklets, and within his own party, where opposition hardly existed, when it came to the Alliance, and arguing for his beliefs with the sceptical Liberals, he simply opted out: if they wouldn’t agree with him, why should he waste his time in argument?

The death – and rebirth? – of the social market

In one sense Owen got his wish; the general election of 11 June 1987 effectively marked the end of the Liberal-SDP Alliance. Owen

resigned as leader of the SDP after it voted to open merger talks with the Liberals, and founded his own Campaign for Social Democracy, pledged to keep social democracy – or at least his version of it – alive; on 9 March 1988, the day after the launch of the merged Social & Liberal Democrats, this transformed itself into the ‘continuing SDP’.

Throughout the process Owen continued to proclaim his belief in the social market. In July 1987, he explained to the House of Commons in his reply to the Queen’s Speech that he had learned his lesson: ‘the most crucial linkage between social policy and the market economy’.²⁴ The real test of the next four years was whether ‘we can outflank the Government in winning people’s confidence in what I have called the social market economy’. In September Owen addressed the American Chamber of Commerce in a speech emotively entitled ‘Blunt – Not Bland’. No party could hope to succeed, he claimed, unless it was forthright in its commitment to the market: ‘not a token commitment; not a commitment hedged in with ifs and buts; a *full-blooded* commitment to make the market economy succeed. Only then will you be listened to and believed when you introduce the element missing from the Conservative market economy: social justice.’

The speech (later reprinted as *Sticking With It*,²⁵ the first publication of the Campaign for Social Democracy) presented a new version of the social market, one fitted to the ‘self-confident, determined and tough third force’ that Owen was trying to create. Commitment to the market was to be the touchstone of success in the 1990s. Therefore, gone were any of the criticisms of the market which had marked Owen’s earlier speeches; gone was any caution over privatisation, which he advocated for steel, coal, and, later, electricity. Back once more was the concern with the reform of the labour market (decentralisation and disaggregation of wage bargaining, encouragement of labour mobility,

and so on), to hold down real wages and increase international competitiveness; but the commitment to an incomes policy was explicitly dropped. Still present was the belief in social justice, but redistribution was no longer so important (and while real wages had to be kept down, differentials had to be maintained, to preserve incentives: not much redistribution there). The emphasis on selectivity in social security grew stronger all the time, coupled with a move towards the US ‘workfare’ work-for-benefits system. No mention here of Nick Bosanquet’s conception of the need for social harmony to allow the market to operate; instead this was much closer to the original German *ordo-liberal* view of social harmony resulting from the unhindered operation of the market.

Although something of a debate about the social market sprang up in the press in the three or four months after the 1987 election, and the various opposition parties – particularly Labour – began to reconsider their economic policies in the light of three successive election defeats, it cannot be said that support for the term spread beyond Owen’s splinter SDP. Just before it merged with the Liberals, in January 1988, the SDP, post-Owen, adopted the policy statement *The Social Market and Social Democracy*, but this owed far more to the de Mont/Bosanquet approach than to latter-day Owen. The term has never featured in Liberal Democrat policy papers, though possibly some of the *Orange Book* authors might go along happily with Owen’s prescriptions.

Owen and the ‘continuing SDP’ persisted in placing the social market at the heart of their approach. Their first conference, at Torquay in 1988, featured a debate on a paper by the economic historian (and later peer) Robert Skidelsky, called *The Social Market Economy*,²⁶ and Owen continued to stress the idea of the social market as ‘our big idea, our very own idea. If we work it out further we could make it our flagship. We can face the future

confidently and with a proud sense of identity.’²⁷ Twenty months later the Owenite SDP wound itself up after a record of electoral failure culminating in finishing seventh (behind the Monster Raving Loony Party) in the Bootle by-election of May 1990.

The Torquay conference also saw news of a new think tank, the Social Market Foundation, organised and promoted by a group of SDP peers and Skidelsky himself. The Foundation was eventually established under the Owenite peer Lord Kilmarnock; its first publication was a reprint of Skidelsky’s SDP Conference paper. Nowadays, however, although the Foundation is still very much active, there seems little link with its Owenite past. ‘Steering an independent course between political parties and conflicting ideologies,’ as its website claims, ‘the SMF has been an influential voice in recent health, education, welfare and pensions policy reform.’²⁸ Its entry in a guide to think tanks states that ‘the SMF undertakes and commissions original research and writing on a range of public policy issues where understanding both the vitality of markets and the need for social consent can advance debate and help to shape new ideas. It develops ideas that are pro-market but not laissez-faire, setting markets in their social context and recognising that outside the realm of theory they are underpinned by social consent.’²⁹ The Foundation does seem to have been influential in underpinning New Labour’s move in the direction of ‘social market’-type policies, and after the 2005 election its director left to join the 10 Downing Street Policy Directorate (though former directors were subsequently active in Conservative politics).

Myth or reality?

The precise identity of Owen’s social market itself, however, was always in doubt. Owen claimed that he first employed it to get away from the term ‘mixed economy’, which anyone, from neo-liberal to neo-marxist, could

The precise identity of Owen’s social market itself, however, was always in doubt.

support;³⁰ but he then redefined it so many times that the same problem ended up dogging his phrase as well. Owen's original version of the social market was quite different from that of the German *ordo-liberals*, littered as it was with examples of state intervention, including training, planning, incomes policy, and industrial strategy. At times it seemed little more than a camouflage for breaking the power of the unions, fragmenting the labour market, and holding down real wages so that British industry could compete effectively in world markets. At other times – most clearly when under the influence of Alex de Mont and Nick Bosanquet – he stressed the social justice aspect; the need to create social harmony through redistribution of income, wealth and opportunity, to establish the society in which the market could be allowed to function relatively unchecked. Thus Erhard's conception was inverted: social harmony was needed to create the market, rather than the market to create social harmony.

Probably, to Owen, this didn't really matter. His aim in taking up the term was not to create a new economic or social theory, but to provide a pointer towards where he was taking the SDP. After his election as SDP leader in 1983, Owen deliberately set out to create a new image for his new party, one untainted by the centrist interventionist corporatism of the past – particularly, in his eyes, associated with Roy Jenkins and his associates, and David Steel and the Liberals. He happened to choose the phrase 'social market economy', borrowing a term from West Germany, and associating it with the SPD's ditching of their outmoded rhetoric and programme at Bad Godesberg, supposedly followed by their accession to power. The facts that the phrase was never really used by the SPD at all, but stemmed from a far more right-wing origin, that its original meaning was very different from Owen's, and that by the time he took it up it had mutated, in West Germany, into just the sort of cor-

poratist, interventionist strategy that he was trying to avoid, were not terribly important. If offered a neat parable, and the phrase itself sounded new and vaguely technocratic; and, as one of his associates said, Owen was always possessed of 'an entrepreneurial view of history' – he took what suited him and ignored the rest.³¹ The social market was in this sense a PR slogan, an advertising ploy: it suggested that the SDP was new and exciting. It was, of course, particularly aimed at wavering Conservative voters – so it is hardly surprising if it did appear to have a right-wing slant.

To be fair, however, the social market was a little more than just a PR slogan; it did indicate a genuine shift in political thinking. Owen's use of the term marked his ideological as well as his political split from the Labour Party, and carried with it a substantial ditching of old Labour commitments, including nationalisation and the primacy of the trade unions. (His book, *Face the Future*,³² published in 1981, had contained no reference to the social market, even in his account of the SPD's Bad Godesberg Programme – but it was written when he was still a member of the Labour Party.) To his followers in the SDP, the social market became the latest stage in the march of British social democracy: from Marx to Bernstein to Durbin to Crosland, and then to Owenite social market theory.³³ In one sense, there had to be *something* like the social market, *something* new; otherwise, as Ralf Dahrendorf observed, Social Democrats would be 'merely survival politicians, essentially about the past rather than about the future'.³⁴

Owen's Alliance partners, the Liberals, would of course have argued that his emphasis on the market marked nothing more than a recognition of the economic realities that they had always accepted. Owen and the SDP, however, because of their Labour past – especially their immediate past, when the word 'market' was particularly associated with capitalist exploitation of the workers

– had to stress their attachment to it again and again, to mark their separation from the anti-market socialists. Hence the social market formed part of the constant gradual evolution of political language, at that time trending towards talk of the role of the market, in the face of three successive election victories for Mrs Thatcher's market-stressing Conservatives. Although Owen and the SDP may have failed, they did at least to some extent affect the agenda of the political debate – as can perhaps be seen in the story of New Labour. As Peter Mandelson put it in June 2005, 'New Labour's blueprint is quite distinct from any US model. It is far closer to Ludwig Erhard's post-war social market economy ...'³⁵

The main role of the social market, however, was always as a political tool; a weapon with which David Owen could flail his opponents – and allies – accusing them of too little commitment to the creation of economic prosperity, and too much soft-hearted, woolly-minded attachment to a bygone interventionist era. As a tool, in the end, it did not prove all that useful; although a few journalists (notably those writing for the *Independent*) picked it up, it was hardly a phrase that resonated with the electorate. Owen tried to ensure that it was associated with the promotion of personal prosperity, and opposition to the interventionism, high tax rates and excessive union power of the 1970s, but in practice the social market, along with its promoter, disappeared into what Trotsky called the 'dustbin of history'.

The final use to which the social market was put was not only to present the SDP as new and exciting, but also to picture David Owen himself in the same light. Owen was, in British terms, an unusual politician. As Richard Holme observed,³⁶ he was by temperament very like an American presidential candidate, identifying himself clearly with particular issues, impressing media and voters by demonstrating his grasp of policy positions and his

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personal qualities of toughness and decisiveness. The party itself became almost unnecessary, as it is in the US. In the story of the social market, David Owen is far more important than is the SDP – though it afforded him the platform he needed in the British context to advance his ideas.

‘Thank God I’m free’, were supposed to have been Owen’s first words on leaving the Labour Party;³⁷ free of the shackles of other people. There were few enough restraints within the SDP, especially after he became its leader; but there were some in the Alliance, which explained his growing contempt for his partners, his hostility to merger, and his determination to regain his freedom by founding yet another third party, the ‘continuing SDP’. As Richard Holme saw it, what drove him was his perception of himself as ‘a blow-torch aimed at the liberal establishment, burning with a hard gem-like flame to cut through their soggy consensus ... What he wants to achieve is his manifest destiny, and what he stands for is the inspired will of the leader, whatever that may be from one moment to another.’³⁸ In a revealing interview in 1984, Owen affirmed his loathing for the ‘Establishment’: ‘They’ve never been able to envelop me.’ He saw himself as a crusader, battling against ‘the cotton wool of indifference ... I cannot get people to understand the facts’.³⁹ His model was Mrs Thatcher, with her toughness and conviction; by adopting her style, one day, Owenism would replace Thatcherism, and his mission would be done.

Reading the original literature on the SDP, published between 1981 and 1983, and the early speeches of its leaders, one is struck by the widespread assumption that the breakaway party represented a new, radical force on the left of the Liberal Party. By 1987, it was difficult to identify any single issue on which SDP policy was, in conventional terms, to the left of the Liberals’. This shift across the political spectrum can be followed in the successive meanings given

by Owen to his term, the social market economy, and it was almost entirely due to his conviction that adopting both Mrs Thatcher’s policies and her style was the route to electoral success.

Maybe, in one sense, it was – but it was Tony Blair’s New Labour Party that in the end proved more adept at moving to the right, while Owen, largely because of his own inability to work with anyone prone to disagree with him, failed to persuade his own party, and its Alliance partners, that it was sensible politics. His cause was not helped by the very imprecision of the term social market, the multiple meanings he gave it, and its close identification with himself. The story of the political failure of the social market is the story of the political failure of David Owen.

Duncan Brack is a freelance researcher, and the Editor of the Journal of Liberal History. This article is a summary and updating of his booklet, The Myth of the Social Market: A Critique of Owenite Economics (LINK Publications, 1989).

- 1 Will Hutton, ‘Stalking the social market’, *The Listener*, 10 September 1987.
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