

This file is called: c/documents/chapters/britstate2

THE BRITISH STATE AFTER STATISM

Michael Moran
University of Manchester, UK
michael.moran@man.ac.uk

Draft for BRIE workshop on *The state after statism: new state activities in the age of globalization and liberalization*, May 2003, University of California, Berkeley. Comments welcome, but please do not cite: I may want to disown this.

This draft: 8,700 words.

THE BRITISH STATE TRANSFORMED: POST MODERNISM AND HIGH MODERNISM

For about the first two thirds of the twentieth century the British state was among the most stable and least innovative in the advanced industrial world; since then her institutions have been in turmoil and she has been a pioneer of policy and institutional innovation.

Consider first the epoch of stability (or as I prefer, stagnation), especially notable in the half century or so after the end of the First World War. The extensions of the franchise in 1918 finally established something close to formal democracy. Labour emerged as the Conservatives' main rival, ushering in a half century when partisan argument was organized around two class blocs. With the creation of the Irish Free State four years later the single most contentious issue in British politics – the character of the United Kingdom itself – went underground for half a century. The consolidation of a unified civil service after Warren Fisher's appointment as Head of the Service in 1919 fulfilled the final conditions for the creation of a culturally homogenous metropolitan mandarin class. The biggest domestic change over the next half century was, simply, continuing, miserable, economic decline.¹

Now contrast the experience of the last thirty years. It has been an age of hyper-innovation in which Britain emerged as a pioneer of institutional and policy change. Consider just four examples.

Privatization Feigenbaum, et al, show that the scale of privatisation in Britain, measured by standard indicators, was the greatest of any major

industrial nation – indeed among the democracies only New Zealand outstripped the British.²

Public Sector reform Pollitt, et al, in their comparative study of reform, measure reform along six dimensions, for instance marketization and intensity of implementation. Britain is in the top rank of all.³

Financial liberalization Throughout the 1980s and 1990s a wave of liberalization swept over world financial centres. Britain was in the first wave again, notably through the Big Bang of 1986. The result was to consolidate London's place as a world financial capital, and as Europe's leading financial centre.

Self-regulation This takes us to the heart of the illustrative case used in this paper. When Vogel 'set' British business regulation into comparative perspective nearly two decades ago, he stressed the peculiarities of the British: the dominance of self-regulatory bodies; the extent to which self-regulatory institutions were private associations; in the unusual cases where the law was historically entrenched – like regulation of health and safety at work – the extent to which regulation was light touch and consensual; and the degree to which institutional structures bore a heavy imprint of their nineteenth origins.⁴

Every one of these generalisations now has to be radically revised. The scale of the revision I illustrate with the three simple accompanying figures. They focus on a single domain – broadly, corporate governance – and they show persistent features. I choose the City as my first illustration (Figure 1) both because of its importance in the British economy and because it provided an institutional and ideological template for traditional British business regulation; I select accounting and auditing standards (Figure 2) because these have emerged as key processes in the government of the firm; and I finally highlight the broader framework of corporate governance in Britain (Figure 3). The sketches in these figures are very 'broad brush' but they show two striking features:

- A long term shift from stability to almost perpetual policy innovation.
- A long term rise in the importance of the state as an organiser and controller of systems of regulation.

I have focused on corporate governance in this example because space demands selectivity, and it seems that the group has a special interest in corporate governance. But my contention is that a similar picture – of hyper-innovation and rising state surveillance – emerges when we look at other domains: regulation of professions; of all levels of education; of the

internal regulation of the state machine; of sport and the arts. I return to some of these illustrative cases later in the paper.

FIGURES 1, 2 AND 3 AT END OF PAPER.

This picture of growing state surveillance presents serious problems of interpretation and explanation, because the prevailing account of the British revolution of the last generation suggests a very different pattern: of state withdrawal, of collapsing hierarchies, and the spread of self governing networks. I call this prevailing view a theory of the post-modern state. It comes from many quarters. Students of the European Union into which the British state is being integrated picture it precisely as post-modern, in Caporaso's phrase: 'abstracted, disjointed, increasingly fragmented, not based on stable or coherent coalitions'.⁵ It is, in Majone's formulation, a 'regulatory state' in which, following the collapse of Keynesianism, the state has withdrawn to the role of regulator – a balancer rather than a driver of social forces.⁶ In public management practice the image is of a state which has shifted from rowing to steering, to use Osborne and Gaebler's dazzling image.⁷ In the new literature on the sociology of organisations there is claimed to be a shift to 'soft bureaucracy' as an alternative to Weberian hierarchies.⁸ Rhodes summarises the paradigm in a characteristically pungent way:

The shift from government to governance in the differentiated polity is my preferred narrative... It focuses on interdependence, disaggregation, a segmented executive, policy networks, governance and hollowing out. Interdependence in intergovernmental relations and policy networks contradict the authority of parliamentary sovereignty and a strong executive. Institutional differentiation and disaggregation contradict command and control by bureaucracy.⁹

To maintain this paradigm in the face of the evidence of the state's transformed role – notably its invasion precisely of those self-governing networks that were once central to British regulation – involves serious intellectual contortion. I propose something simpler: that we view the state now developing in Britain is an exercise in high modernism, not post-modernism. I take the notion of high modernism from Scott.¹⁰ Its characteristic marks are:

- The growth of central control to impose ambitious projects of social transformation – whether these are waging war, collectivising agriculture or reshaping a failing market economy.

- A drive for synoptic legibility to the centre as a precondition of control – a drive that in Britain manifests itself in a boom in auditing and the development of Power's 'audit society'.¹¹
- A consequent emphasis on the importance of measurement, part of an attempt to convert the tacit knowledge of insiders into explicit knowledge more widely available. The process is thus bound up with the notions of modernization and democratisation that are examined in Porter's history of the growth of quantification in social life.¹²

Where has the British version of high modernism come from? To understand, unsurprisingly, we have to go back to origins.

CLUB GOVERNMENT, INCOMPETENCE AND STAGNATION

The best single characterisation of the British system of government in the age of stagnation has been offered by Marquand. The state became a large scale interventionist state over the course of the twentieth century, but this interventionist state was run by an oligarchical system of club rule. In Marquand's words: 'The atmosphere of British government was that of a club, whose members trusted each other to observe the spirit of the club rules; the notion that the principles underlying the rules should be clearly defined and publicly proclaimed was profoundly alien.'¹³ This club system was not confined to the heartlands of the British executive, though it was peculiarly at home in the metropolitan ruling elite, for instance at the top of the civil service; it also provided the defining features of British business regulatory ideology.

This club system originated in something familiar: the special timing of British economic development. Britain not only pioneered industrialism; she also pioneered the institutional forms – such as company law, the invention of regulatory bodies to regulate the firm, the conception of the firm as an economic actor - that accompanied the transition to industrialism. She invented these forms, notably in the middle decades of the nineteenth century, when the state had some particularly pre-modern forms: the bureaucratic and fiscal resources available to government were by modern standards tiny; notions of state intervention, especially to control business, were in their infancy; political life was dominated by bourgeois and aristocratic oligarchies; and democratic, accountable government was viewed mostly as a threat – notably a threat to property and order from the working class that had been created by industrialism.

These were the conditions under which the wider ideology of club rule was formulated, and the particular ideology of business regulation crystallised. Where the state did equip itself with law and regulatory institutions – such as in factory inspection and in air pollution regulation – it fashioned the laws and regulatory practice to accommodate business preferences.¹⁴ Where it created the legal framework for corporate governance – as in the critical company law acts passed between the 1840s and the 1860s – it created the company as a legal creature which was the product of a private contract between its owners, the shareholders.¹⁵ In the critical domain of financial markets it invented a system of regulation centred on a privately owned, and privately controlled, central bank, and an ideology of ‘self regulation’ which was the very crystallisation of the notion of club rule. ‘Clubs’ like the Stock Exchange and banking cartels ruled the markets; ‘practical’ knowledge – which meant the tacit knowledge of club insiders – was elevated over the formal knowledge of experts, or the formal rules that might have been contained in laws passed by Parliament.

Club rule was invented before the rise of the formally democratic, interventionist state; but it was adapted as a defensive mechanism by governing elites against the threat of that new state. The first two decades of the twentieth century were critical. The working class emerged as a distinctive, independently organised political interest; something close to formal democracy was established in the franchise reform of 1918; and, briefly, there appeared the frightening spectre of revolutionary socialism from eastern Europe, coupled with the equally brief employment of revolutionary language by the political instrument of the newly enfranchised working class, the Labour Party. Yet the outcome of all this turmoil resembled Burke’s verdict on 1689: not a revolution consummated but a revolution averted. These decades saw the institutionalisation of the club system: the final consolidation of the metropolitan civil service elite into a single unity under Warren Fisher’s headship; the transformation of the Bank of England, under Montague Norman, its first permanent governor, into a professionally organised manager of the financial markets; a burst of quango creation – for instance in the spheres of research and university funding – to create institutions that allowed interests to run their own affairs unencumbered by public accountability. The club system could absorb an extraordinary amount of institutional change. In the 1920s, for example, public ownership of the new technologies of broadcasting was established; the new corporation, the BBC, soon became almost paradigmatic of club rule. The wider system of nationalised corporations likewise was

absorbed into a culture of informal understandings, backstairs manipulation and evasion of public accountability – with disastrous consequences for economic performance and responsiveness to consumers. Even in those few cases where the state equipped itself with a modern looking regulatory institution, the club culture prevailed. Here is Wilks on the early decades of the Monopolies and Mergers Commission, established in 1948 to regulate monopoly and cartel in the domestic economy. The Commission’s practice was to emphasise

The avoidance of legal process and the determined retention of room for bargaining implied in ministerial discretion. They emphasise the accommodating approach taken towards industry and the respect for reasonable business behaviour and voluntary compliance with inquiries and recommendations. Additionally, they stress the tendency to ‘negotiated legislation’ in which the views of business were given considerable weight.¹⁶

The age of club rule was also necessarily an age of amateurism and incompetence, and of stagnation. It had to be an age of amateurism because to insist on technical competence was to threaten the tacit knowledge controlled by club insiders. And it had to be an age of stagnation because to open the system to institutional reform was to raise awkward questions about transparency and accountability – to expose, in other words, the anachronism of an oligarchic system of rule, originally created in pre-democratic circumstances, persisting into an age of formal democracy. The transformation to an age of hyper innovation and high modernism therefore required something deep seated: a mixture of secular cultural change and deep systemic crisis. How this happened and with what consequences for the state I next examine.

THE CRISIS OF CLUB RULE

Crisis and policy failure were inscribed in the nature of the club system. The lack of transparency in the policy process meant that a high level of fiasco could be accommodated. Expectations about the standards of performance required of public institutions could be depressed; failures could be minimised, forgotten or explained away as the inevitable product of complex social affairs. Some striking examples, from different dates, include the following.¹⁷

- The catastrophic mismanagement of currency policy in the 1920s culminating in the return to Gold.
- The equally catastrophic post-war mismanagement of British policy on European unification, in part the product of fatuous advice from an incompetent civil service elite.
- The Suez fiasco.
- The inability to master complex project management when characteristic modernist projects were occasionally attempted, as in the fiascos of the high rise housing projects of the 1950s and the 1960s, and the Concorde fiasco, a project embarked on with an amateurism that would have been comic had not the fiasco been so serious.
- The acceptance of low expectations of performance from professional groups inside the club system, most obviously manifested in a seriously underperforming state school system, an autocratic health care system that was run for the convenience of the medical elite not the wishes of patients, and a complacent university sector which ostentatiously cultivated amateurism.
- A consensual and business friendly system of business regulation which turned a blind eye to abuses as various as the endangering of workers lives (examples stretch from NorthSea oil exploration to the control of asbestos), large scale financial fraud (the Lloyds Insurance market) and dishonest business practices (the ubiquity of insider trading in the City of London until the 1990s.)

Simple fiasco and policy failure were therefore never going to be enough to undermine club government; it had learnt to live with them. It was, however, almost swept away by two forces: the grand systemic crisis of the 1970s; and the slower ebbing away of the wider culture on which club rule rested.

The story of this grand systemic crisis is very well known and need only be summarised briefly here. The crisis came to a head in the early and mid-1970s. At its root lay the end of the great thirty-year period of global economic expansion – the end of the ‘thirty glorious years.’ That buoyant epoch had concealed the weaknesses of the British economy, masking relative economic decline and widespread institutional incompetence behind full employment and rising real prosperity. The last couple of years of life of the Heath Government destroyed many illusions. The latter half of 1972 saw the abandonment of that Government’s brief experiment with economic liberalism and deregulation, and the introduction of a disastrous attempt to run a prices

and incomes policy on command lines. The consequences of that latter catastrophe continue to shape our politics thirty years on. The destruction of the Heath experiment in command economics, mostly at the hands of the miners in 1973-4, caused the greatest constitutional crisis since the General Strike. It destroyed Mr Heath's Premiership and Leadership of the Party, and in the longer run destroyed the kind of Conservatism that he stood for. It led directly to the accession of Mrs Thatcher to the party leadership and then the Premiership, to the rise of Thatcherism, and thus to the great economic reforms of the 1980s. But as the connection with wider problems of the international order showed, this was much more than a crisis of Heathite Conservatism. Economic catastrophe pursued Mr Heath's immediate successors, culminating in the annus terribilis of 1976, when a runaway crisis of the currency forced the British government into the humiliating acceptance of policies dictated by the International Monetary Fund. That episode provoked a wider crisis in the British governing elite comparable in magnitude to the Great War crisis of 1940. The agonies of the 1970s produced revolutionary change. That revolution, still by no means finished, wrought profound institutional and policy transformation in the 1980s and 1990s.

The circumstances of the 1970s compelled a modernist response. In other words, obliged elites, as a condition of survival, to embark on a large scale transformation of both the institutions of the state and of civil society in order to accomplish aims of almost utopian scale: to refit British government and society so as to compete successfully in global markets. This is the substantive sense in which the last quarter century has been an age of high modernism in Britain: it has been dominated by a project which matches anything documented in Scott's wider account of high modernism. Although attempted in a liberal society with formally democratic political institutions it is as ambitious as the collectivisation of Soviet agriculture, Mao's Great Leap Forward or Tanzanian villagization. The language of economic liberalism and of state withdrawal which accompanied this project was not simply rhetoric. It showed itself in real policy changes involving deregulation of a wide range of markets. But, in a manner Polanyi would have appreciated, the road to a more market liberal society was cleared by massive state intervention and a sharp rise in state control of regulatory systems.

The turn to a highly interventionist reshaping of civil society is therefore traceable in part to the sheer intensity of the crisis which was experienced in Britain in the mid and late 1970s. But there is another face to the British revolution. It has not been a stable project of high modernism. Britain turned into a laboratory of hyper-innovation, in which

revolutionary change spread with great speed across virtually the full range of the domains of British society: the system of business regulation, as sketched above; the core institutions of the welfare state, like the National Health Service; all levels of the education system; the regulation of hitherto autonomous domains of civil society, like sport; even the regulation of the institutional life of political and administrative elites themselves, changes that in the case of the public service can be documented in the work of Hood and his colleagues, and in the wider public sphere can be traced in the efforts of the Committee on Standards in Public Life to codify norms of behaviour for public servants.¹⁸

To understand why this has happened we must recall one of the key functions of club government: to protect elites in a range of policy domains from the agents of formal democracy, like elected politicians. A key reason for the institutional turmoil of recent decades has been the collapse of the defences of the club system, and the invasion of hitherto enclosed policy communities by a wide range of new actors, notably elected politicians. The connection between this growing overt politicisation and hyper-innovation can be seen with remarkable clarity in the fields of schools and health policy, where there has been a torrent of innovation as politicians intervene to seek to steer social sub-systems hitherto largely dominated by relatively autonomous professional elites. (For a closer examination of school inspection, see later.)

The collapse of these defences of the club system is due not only to the intensity of the systemic crisis of the 1970s but to wider social change which undermined, long term, the cultural conditions for club government. Since the club system was an exercise in constraining the institutions of formal democracy its effectiveness depended heavily on the existence of a wider culture of subjection – on deference, to resort to a once fashionable language. This was the culture which ensured that the once threatening Labour Party was, even by the middle of the 1920s, drawn into accepting traditional constitutional understandings; that the values disseminated by key institutions like the BBC reflected the values – and even the accents – of a metropolitan elite; and, at the other end of the social scale, ensured that citizens accepted without undue questioning the decisions of professionals like teachers and doctors.

The collapse of deference – of the culture of subjection – in the 1960s and 1970s has been thoroughly documented. Its long term decay was inevitable since at heart it was an anachronism: an attempt to secure the foundations of oligarchy in conditions of formal democracy. But the proximate sources of collapse in an astonishingly short time span are less

certain. For Beer it reflected a kind of change in *Zeitgeist*: the rise of a new romanticism across British society which resulted in a wide ranging questioning of authority.¹⁹ This is a version which suggests, to misquote Philip Larkin, that 'High modernism began in 1963/Between the end of the Chatterley ban and the Beatles' first LP'. Plainly the growing accumulation of policy failure even before the systemic crisis of the mid 1970s must also have been a contributory factor, even though the club could live with a huge amount of incompetence.

And there is one striking coincidence in the timing of the collapse of the cultural foundations of club rule: the astonishingly swift collapse followed almost immediately on the equally swift dissolution of Empire. The club system was irrevocably bound in with the social hierarchies of imperial Britain - and with the collapse of empire between the 1940s and the 1960s there collapsed also the social and cultural foundations for hierarchy provided by the imperial system. Some of the key themes emerge in Cannadine's study of the hierarchies of Empire - a study that is, as he himself stresses, as much about the hierarchy at the metropolitan centre as about its imperial outposts.²⁰ Critical moments of consolidation and dissolution of the club system coincide with critical moments in the history of imperial cultural creations. Perhaps the single most important few years in the consolidation of the club system were those around the end of the First World War, when there was a need to domesticate formal democracy and the even more frightening spectre of a wave of revolutionary socialism emanating from the European mainland.

²¹ As we saw earlier these were also years when key institutional innovations were made at both the centre of the machine and in quasi-government. Virtually the same moment (1917) also saw an important cultural innovation, the creation of the Most Excellent Order of the British Empire (from GBE to MBE), an order designed to unify the hierarchical cultures of domestic society and its imperial domains. It rapidly emerged as the centrepiece of the domestic honours system, 'the order of Britain's democracy'.²² The external Imperial collapse could not but affect the domestic system. The history is full of striking coincidences, both large and small: the grand coincidences of the end of empire in the two decades after the close of the World War II, followed in the 1960s by the collapse of deference and then the wider collapse of club hierarchies across British government and society;²³ the smaller coincidence of the liquidation at the end of the 1990s of the last significant relic of Empire - Hong Kong - and the virtually simultaneous liquidation of a domestic institutional relic of the pre-democratic system, the hereditary House of Lords.²⁴ It is also full of ironies. The single movement that did most to destroy club government and create the new

state animated by the spirit of high modernism - Thatcherism - also fought in the Falklands a war over a relic of empire; and the stunning electoral victory of 1983, which did so much to empower Thatcherism's most radical instincts, may also have been due in part to that military victory.

THE RESOLUTION OF THE CRISIS AS HIGH MODERNISM

The core of my argument thus far is that for about the first two thirds of the twentieth century Britain operated a system of club government which, inherited from a pre-democratic era, served to insulate elites from the institutions of democratic politics, and to protect them from accounting for their own incompetence. The price of this was the cultivation of an amateurish system of government by club insiders which produced massive policy failure and national decline. The great systemic crisis of the 1970s forced the state into a characteristically modernist project: the reshaping of civil society and of its own institutions in the name of national efficiency and competitiveness. The collapse of the culture of deference which had underpinned club rule created the conditions in which this revolutionary project could be attempted. I here try to illustrate this process by sketches of three very different policy domains: the transformation of financial regulation; the transformation of sports regulation; and the transformation of the regulation of the school system. The importance of the first of these is virtually self-evident: the regulation of the City was the paradigmatic model for the club system. The case of sport is important for a variety of reasons. Before the changes summarised here sport was an almost entirely autonomous domain of civil society, and furthermore a domain which exemplified many of the institutional and ideological features of club 'gentlemanly' rule. The transformation therefore dramatises how far the state is now engaged in the reshaping of civil society. School inspection I choose because it shows an extraordinary surge in overt central control in an area of the welfare state which had for most of the twentieth century simply been handed over to the control of the teaching profession – and which as a result was marked by a culture of incompetent provision and low expectations, especially for the poorest children in Britain.

The transformation of financial regulation. This has taken place in two giant steps. The first occurred in the Financial Services Act 1986, a law that was partly prompted by a series of frauds and collapses among financial investment firms, and partly by pressures from modernisers in the state bureaucracy and the biggest firms, who wanted more effective

controls to position the City as a key location in the global financial services industry.²⁵ It accompanied, and was a corollary of, one of the most important state directed episodes in economic modernisation: the 'Big Bang' which deregulated City markets with the aim of securing London's place as a leading world financial centre. The Big Bang is both analytically and substantively important: analytically, because it involved a drastic reshaping of a part of civil society which had been dominated by club rule; substantively because it was stunningly successful, converting the economy of the south-east into one of the most successful in Europe. The 1986 legislation is ideologically significant, because it saw a large step in the direction of a hierarchical system of state backed controls, while nevertheless trying to retain the language, and some of the institutions, of club based self-regulation. It systematically organized all the main markets into a hierarchy of self-regulatory organisations (SROs). These self-regulatory organizations gained monopoly control over the markets - that is, membership of, and obedience to their rules, was a condition of entry. In turn their own rules and internal government were subjected to oversight by an overarching self-regulatory organization, the Securities and Investments Board, which in effect licensed the individual SROs. All this greatly increased the degree to which the self-regulatory system was codified: the SROs of necessity acquired rule books, and these rule books over time became more detailed and more elaborate, and of course acquired legal force. The Securities and Investments Board spoke the language of self-regulation, and as a gesture towards independence was constituted as a corporate body financed by a levy on the industry. But the power it wielded over the SROs was based on statute, its own constitution was prescribed in law, its leading officers were publicly appointed, and it was required to report to Parliament and to the central state in Whitehall.²⁶

This remarkable advance in the direction of a corporatist hierarchy in financial self-regulation did not endure. The passage of the 1986 Financial Services Act was followed by more than a decade of instability in financial regulation: periodic regulatory crises and scandals; and internal struggles within the financial services industry, as scandal and failure pushed the regulatory authorities towards more controls, while supporters of traditional light touch self-regulation tried to preserve as much as possible of the old order. That struggle has culminated for the moment in the changes associated with the passage into law of the Financial Services and Markets Act of 2000.²⁷ The Act completes in a radical way the transformation of self-regulation begun in 1986. Some vestiges of the old forms of self-regulation, admitted, do still remain. The new institution charged with implementing the Act, the Financial

Services Authority, is a company limited by guarantee financed by a levy on the industry, thus conferring 'ownership' on the regulated themselves. But this is a weak echo of the voice of the old world of self-regulation. The Authority (originally established in advance of the law in 1997, but deriving its powers from the statute of 2000) has some claim to be the most impressively empowered financial services regulator in any leading world financial centre. If, for instance, we compare the system usually taken as the model of tight legal control, the United States, we find a striking contrast: all the powers over the full range of markets and institutions concentrated into the hands of the FSA in London are in the case of the US dispersed among a wide range of regulatory bodies at state and federal level. The FSA in effect licences all institutions and products, and does so by virtue of power conferred by statute. It has thus displaced the Bank of England from any significant role in prudential regulation of markets or institutions. Authorisation, standard setting, supervision, and enforcement: all come within its powers.²⁸ The creation of the Authority amounts to the diffusion into the financial markets of a major recent institutional innovation in the British system, the specialized regulatory agency empowered by law. (Other important examples include the regulation of food safety and the regulation of human fertility.) As a regulatory agency, the Authority has a radically different relationship with the central state from that enjoyed by the old institutions of City regulation and by the Bank of England. The Treasury appoints its Board, it reports annually to the Treasury and the House of Commons, and it is required to give evidence to the Commons' Treasury Select Committee.²⁹

To summarize: in just about fifteen years from the middle of the 1980s self-regulation of financial markets was transformed. There were radical changes along at least three dimensions: a sharp increase in state surveillance; a growth in the volume and complexity of rules, including legally prescribed rules; and the development of a comprehensive hierarchy of controls operated by a single, legally empowered regulator. That regulator in turn, equipped with great legal powers, an increasingly assertive sense of regulatory mission, and subject to powerful popular pressures to respond to cases of regulatory failure, is emerging as a major actor in both the regulatory politics of the markets and the bureaucratic politics of the central state. The changes have a distinctly 'modernist' cast in the sense identified in this paper. That is, they take social domains that were largely independent of public control, that were the result of fragmented, gradual historical change, and that relied heavily on informal controls and tacit knowledge, and then transform all this into something recognizably modernist in its workings and ambitions: there has been a

radical shift to formality, including legally backed formality, in regulatory relationships; a shift from tacit to explicit knowledge, in the form of more elaborate codification of rules and more elaborate and onerous reporting requirements; and the reorganization of regulated domains into a reshaped set of hierarchically organized institutions subject to systems of close formal reporting and central surveillance.

Transforming sporting regulation Sport is of growing substantive importance for some well-documented reasons. For long a major cultural domain of civil society, professional sport in particular has in recent decades assumed a growing economic significance, both in the resources that it directly commands and because of its impact on other domains - the shape of competition in the media being an obvious instance.³⁰

Until the 1960s sport was paradigmatic of the British tradition of self-regulation: 'Sport was almost the quintessential voluntary activity, part of that long tradition of British voluntarism in which people pursued a wide variety of cultural, intellectual and social activities not because the state wanted them to but because they freely chose to.'³¹ It is true that there was an earlier tradition that closely connected sport both to ideologies of imperialism and to projects for channelling and controlling the energies of potentially disruptive parts of the working class.³² But the organization of the most important sports as they crystallized in the later decades of the nineteenth century were characteristically club-like in nature, in exactly the sense used in this paper: they involved the domination of individual sports by metropolitan oligarchies often - as in the cases of cricket and horse-racing - integrated informally with upper class gentlemanly cultures.³³

It is possible to track over the post-war period an incremental growth in both state support for sport and some institutional change: the first British Minister of Sport was appointed in 1964 and a Sports Council, chaired by the Minister, was formed in the same year. The Council, however, still enjoyed only an advisory status.³⁴ Despite the institutional innovations of the 1960s, therefore, the traditional picture of autonomous self-regulation still survived at the end of the 1980s. The role of the state in sporting regulation had not changed greatly since the golden age of sporting codification in Britain in the closing decades of the nineteenth century.

That pattern of autonomy changed radically in the 1990s. I first summarize the institutional reforms. Sport England was established in 1997. It replaced the Great Britain Sports Council. (Separate Sports Councils now exist for the different nations of the UK.) Sport England is a public institution charged with important executive functions in implementing a national strategy for sport. It is accountable to Parliament through the Department for Culture, Media and Sport and the Secretary of State appoints its Council. Its primary roles are to develop and maintain the nation's sporting infrastructure. In pursuit of this it allocates substantial moneys, a mix of Exchequer Grant and Lottery funding.³⁵ UK Sport also came into existence in 1997. It is primarily concerned with enhancing performance in elite sports, and with managing sporting international relations, notably the diplomacy of bidding to host prestige international events like the Olympics and the soccer World Cup. In its own words, 'the work of UK Sport is targeted towards developing and supporting a system capable of producing a constant flow of world class performers'.³⁶ One its most important instruments in achieving this is the distribution of a mix of exchequer funding and lottery grants to over 40 sports in return for a commitment by individual sporting governing bodies to achieve agreed performance targets.

At the back of these changes lies a radical alteration in the way the British state has begun to view sport. One of the most important shaping motives has been the desire to raise British performance at elite level, as an index of British national prestige. The first important public sign of this in the 1990s was the publication in 1995 of *Sport: Raising the Game* by the Department of National Heritage. This was a response to perceived poor British results in showcase events like the Olympics.³⁷ *Raising the Game* was the immediate stimulus for the reorganization that created Sport England and UK Sport in 1997, and as the title suggests it was mostly concerned with the problem of managing performance in elite sports. Elite sporting success thus achieved significance beyond either sport's internally generated standards of excellence, or beyond the life goals of autonomous individuals; it became an index of national and state achievement. The consequences of *Raising the Game* also anticipate a theme that will be important when we turn in a moment to the new world of schools inspection: the micro-management of service delivery. As a result of *Raising the Game* the physical education curriculum in schools was changed to place more emphasis on participation in competitive team sports.³⁸

By the time Labour was elected to office in 1997, therefore, a powerful force – the desire to use elite sport as an instrument of state policy - was already reshaping this domain of civil society: there was colonization by a state intent on using sporting success in the pursuit of national prestige. The new government added a new dimension to this: a desire to use mass sport as an instrument of social policy, notably as a way of combating social exclusion and promoting public health. These elements all come together in *A Sporting Future for All*, the national strategic plan published in 2000.³⁹ *A Sporting Future* joins together the two concerns with elite performance and mass participation. It lays down as fundamental principles of policy the objectives of achieving lifelong participation and reducing ‘unfairness in access to sport’.⁴⁰ It announces that the governing bodies of sports must adopt inclusive policies to widen the range of participation, and expects all major sporting bodies in receipt of significant television revenue to set aside a minimum of 5 per cent of receipts for grass roots participation.⁴¹ But it is in the organization of elite sport that we see most clearly the shift to instrumentalisation and integration into a wider national sporting strategy. The strategic plan notes the history of failures in elite sport (cricket, tennis, soccer world cup.) It then uses the New Public Management language of target setting and performance achievement to announce a new relationship between sport and the state:

We will be asking the Sports Councils to move to a more open appraisal of the individual performance plans. All the various sports – and the athletes, coaches, and performance directors - must be fully aware of what is required of them. The focus will be much more closely on target setting by national governing bodies and on the achievement of targets by individual performers and teams.⁴²

The way this works in detail is explained by the description of the World Class Performance Programme, a system of public subsidies for elite athletes:

Awards are made to the governing bodies of sport following their submission of performance plans setting out the future targets for their sports...The level of support received by individual athletes is dependent on their individual performance. Competitors are graded according to their ranking or their results in world championships.⁴³

My argument in these passages is that we are seeing the working out of a characteristically high modernist project. There is occurring the reshaping

of hitherto autonomous domains of civil society in the light of objectives prescribed by institutions of the central state.

The transformation of schools in inspection. School inspection is both substantively and analytically an important case. It is substantively important because education provision was a major part, and a pioneering part, of the modern interventionist state: the state sector has long accounted for about 90 per cent of the cost of primary and secondary education.⁴⁴ It is analytically important because it was a domain where several different parts of the state – a partially autonomous profession, layers of government below the level of the metropolitan, and the central state itself – inhabited a ‘secret garden’ of regulation.⁴⁵ This was a world where the ‘British’ style of informal, cooperative regulation was deeply embedded, and where the scrutinizing gaze of the state had all but disappeared: the Secretary of State at the beginning of the present upheavals once estimated that under the old system it would take central inspectors 200 years to complete inspection of all schools.⁴⁶ It was also a domain where, despite the fact that the teachers were a client profession of the state, they had won an operational autonomy that compared well with the autonomy of traditionally ‘self-regulated’ liberal professions.

Much of this was turned upside down in the 1990s, following the passage of the Education Reform Act (1988) and the Education (Schools) Act of 1992. The formation of OFSTED as the state body concerned with the regulation of standards in education in 1992 heralded a significantly different regulatory approach.⁴⁷ Gone was the Arnoldian conception of the schools inspector as a kind of gentle encourager of the dissemination of high culture; in its place was a ferocious insistence on the inspector as the driver of standards in the name of national efficiency. In OFSTED was created an institution that in culture and working practices was far removed from the main interests that had supported the old cooperative system. At the same time there was a marked increase in the formal organization and institutional density of the regulatory system. In place of the fairly simple, small regulatory community that had joined an educational elite and a mandarin elite there now developed a large, overlapping and often competing range of regulatory bodies. By the late 1990s, in addition to OFSTED, there also existed: individual local authorities, the kingpins of the historically displaced system, who still nevertheless retained significant roles; a Funding Agency for Schools; a Schools Curriculum and Assessments Authority; and several others, including ‘all purpose’ regulators like the Audit Commission and the National Audit Office who intervened unpredictably in the regulatory system.⁴⁸ At the same time there developed a marked shift in regulatory

style, especially after the appointment of a new Chief Inspector of Schools in 1995, towards a more adversarial and judgemental system. This was in turn associated with a move to more explicit, quantitatively expressed regulatory standards, notably in the use of standardized attainment tests and targets, and a policy of 'naming and shaming' those who failed to meet targets.⁴⁹ The return of a new Administration in 1997, though it ultimately displaced some individuals, changed little. The Labour Government was convinced both that educational standards were an electorally sensitive issue, and that fostering human capital and the skill base were the keys to international competitiveness. Thus the pressure to achieve targets was if anything intensified.⁵⁰

In summary: in the space of less than a decade a cooperative, enclosed, oligarchic world had been broken open. Micro-management of the school system from the centre was now so great that Ministers were forming views even on such detail as particular methods of teaching.⁵¹ In the course of the 1990s the country acquired one of the most ambitious schemes of school inspection in the world. Wilcox and Gray's summary catches the ambitions of all this:

the system of inspection inaugurated by the 1992 Act represented an unprecedented attempt to apply a universal model of inspection of ambitious frequency and comprehensiveness, carried out by independent inspectors drawn from a wide range of backgrounds and operating on a competitive commercial basis. We doubt if any more ambitious programme of school-by-school evaluation and review has ever been mounted anywhere in the world.⁵²

In its form and ambitions this new inspection system looks anything but a turn to reflexive regulation, soft bureaucracy and steering through dispersed networks. Far from being smart casual post-modernism, it looks to be one of the clearest cases of the new regulatory state in Britain as the incarnation of an ideology of high modernism. Its origins can be traced right back to one the main sources of change in the modern British state - the great economic crisis of the 1970s and the consequent first appearance of a 'great debate' on education, a debate that was stimulated by the belief that the malaise of the economy was in part traceable to a malfunctioning school system.⁵³ Thus there is a direct connection between these institutional upheavals and the birth of the wider modernist project of reshaping British economy and society to compete more effectively.

IN CONCLUSION

I conclude, for the purposes of this draft, with nothing more than a series of questions.

- Imagine for a moment that my general account is convincing. Yet it is an account couched as a single country study. An obvious issue is how far this is really a British story, or something wider.
- Imagine for a moment that my transposition of high modernism to an account of the government of a liberal democracy works, an obvious question again is: just how modernist is all this? After all, the search for national efficiency began in Britain over one hundred years ago, as some parts of the elite realised that the country was losing its historic lead over national competitors. And the welfare state that was built, especially after 1945, might be characterised as a quintessentially modernist project. My tentative answer to this is that there were many modernist projects before the revolutionary changes of the 1980s and 1990s but that they were fatally compromised by the anachronistic system of rule.
- Imagine for a moment that I have accurately sketched the character of institutional and policy change that has occurred in the last decade, and that my account of this as a response to the age of stagnation, incompetence and national decline is convincing. An issue then arises about the adequacy of this response. The age of innovation has also itself been an age of policy fiasco: consider examples as various as rail privatisation, the Poll Tax and the Millennium Dome. Some of these look suspiciously like the kinds of disasters catalogued in Scott's own account of the fiascos of high modernism.

**Figure 1: The Transformation of firm regulation in Britain:
regulation of the City**

| | Traditional Regulation | The Modern Regulatory State |
|----------------------------|---|---|
| Regulating the City | <ul style="list-style-type: none"> • Law marginal • Public accountability rare • Regulatory institutions controlled by markets • Standards controlled by markets • Institutions and practices stable, 1918-1980s | <ul style="list-style-type: none"> • Law (Financial Services and Markets Act 2000) governs regulatory system • Public accountability via reporting to core executive and Parliament • Single regulatory peak institution, Financial Service Authority • Standards the result of public argument, debate and regulatory prescription • Institutions and practices in turmoil 1980s- |

Figure II: The transformation of firm regulation: accounting and auditing.

| | Traditional Regulation | The modern regulatory state |
|--|--|---|
| Accounting and auditing standards | <ul style="list-style-type: none"> • Accounting and auditing standards fixed by professional convention • Accounting and auditing standards bodies controlled by profession • Institutions and practices stable, 1918-1990. | <ul style="list-style-type: none"> • Accounting and auditing standards fixed by statute • Accounting and auditing standards bodies publicly controlled as to membership and structures. • Institutions, standards and powers in turmoil, 1990- |

Figure III The Transformation of firm regulation: corporate governance

| | Traditional Regulation | The modern regulatory state |
|-----------------------------|---|--|
| Corporate Governance | <ul style="list-style-type: none"> • The firm is a private association not a state creation • The key relations are between shareholders • Competition policy is controlled by business interests • Legal regulation of firm activities – safety, pollution – is light touch and business friendly. • Public Inspectorates are fragmented creation of historical evolution • 1918-1980: corporate governance stable and ‘depoliticised’ | <ul style="list-style-type: none"> • Privatisation revives a ‘concessions’ model of the firm • Internal issues of corporate governance like corporate reward are politicised throughout the 1990s • MMC restructured as Competition Commission; Office of Fair Trading acquires new mandates and powers • Signs of incremental legalisation of regulation of firm activities • Public inspectorates reorganised into central, comprehensive regulatory bodies • 2002 White Paper latest a decade of constant reform. |

REFERENCES

- Beer, S. (1982). *Britain Against Itself*. London: Faber.
- Birley, D.
- (1995a). *Land of Sport and Glory: sport and British society 1887-1910*. Manchester: Manchester University Press.
 - (1995b). *Playing the game: sport and British society 1910-45*. Manchester: Manchester University Press.
 - (1999). *A social history of English cricket*. London: Aurum.
- Cannadine, D. (2002). *Ornamentalism: how the British saw their Empire*. London: Penguin.
- Caporaso, J. (1996). 'The European Union and forms of state: Westphalian, regulatory or post-modern?' *Journal of Common Market Studies*, 34/1: 29-52.
- Carson, W.G.
- (1970). 'White-Collar Crime And The Enforcement Of Factory Legislation'. *British Journal of Criminology*, 10/4: 383-98.
 - (1974). 'Symbolic And Instrumental Dimensions Of Early Factory Legislation: a case study in the social origins of criminal law' in R. Hood, (ed.), *Crime, Criminology and Public Policy: Essays in Honour of Sir Leon Radzinowicz*. London: Heinemann, 107-38.
 - (1979). 'The Conventionalization of Early Factory Crime'. *International Journal for the Sociology of Law*, 7/1: 37-60.
- Coghlan, J. and Webb, I. (1990). *Sport and British Politics since 1960*. Basingstoke: Falmer Press.
- Committee on Standards in Public Life:
- (1995). *Standards in public life, volume 1: report*. Cm 2850-1.
 - (1996). *Local Public spending bodies, volume 1: report*. Cm 3270-1.
 - (1997). *Standards of conduct in local government, volume 1: report*. Cm 3702-1.
 - (1997a) *Review of the standards of conduct in Executive NDPBs, NHS Trusts and Local Public Spending Bodies*. Cm 3270-1.
 - (1998). *The funding of political parties in the United Kingdom, volume 1: report*. Cm 4057-1.
 - (2000). *Reinforcing standards: review of the first report of the Committee on Standards in Public Life, volume 1: report*. Cm 4557.
 - (2000a). *Standards of conduct in the House of Lords, volume 1: report*. Cm 4903-1.
- Courpasson, D. (2000). 'Managerial strategies of domination: power in soft bureaucracies'. *Organization Studies*, 21:1: 141-61.

Cowling, M. (1971). *The impact of Labour 1920-1924: the beginning of modern British politics*. Cambridge: Cambridge University Press.

Department for Culture, Media and Sport

- (2000) *A Sporting Future for All*. London: DCMS.
- (2001). *The Government's Plan for Sport*. London: DCMS.
- (2002). 'World class sports: world class performance programme'.
www.culture.gov.uk/sport/performance - accessed 7/02/02.

Department of National Heritage.

- (1995). *Sport: Raising the Game*. London: Department of National Heritage.
- (1996). *Sport: Raising the Game: the first year report*. London: Department of National Heritage.

Dunleavy, P. (1995). 'Policy disasters: explaining the UK's record'. *Public Policy and Administration*, 10/2: 52-70.

Feigenbaum, H., Henig, J. and Hamnett, C. (1999). *Shrinking the state: the political underpinnings of privatization*. Cambridge: Cambridge University Press.

Financial Services Authority

- (2001). *Introduction to the Financial Services Authority*. London: Financial Services Authority.
- (2002). *Annual Report 2001/02*. London: Financial Services Authority.

Holt, R. (1989). *Sport and the British: a modern history*. Oxford: Clarendon Press.

Holt, R. and Mason, T. (2000). *Sport in Britain 1945-2000*. Oxford: Blackwell 2000.

Hood, C., Scott, C., James, O., Jones, G. and Travers, T. (1999). *Regulation inside government: waste-watchers, quality police, and sleaze-busters*. Oxford: Oxford University Press.

Jones, S.G. (1988). *Sport, politics and the working class*. Manchester: Manchester University Press.

Laughlin, R., and Broadbent, J. (1997). 'Contracts and competition: a reflection on the nature and effects of recent legislation on modes of control in schools'. *Cambridge Journal of Economics*, 21/2: 277-90.

Majone, G. (1996). *Regulating Europe*. London: Routledge.

Marquand, D. (1988). *The unprincipled society: new demands and old politics*. London: Jonathan Cape.

Osborne, D. and Gaebler, T. (1992). *Reinventing Government: how the entrepreneurial spirit is transforming the public sector*. Reading, Mass.: Addison Wesley.

Parkinson, J.E. (1993). *Corporate Power and Responsibility: issues in the theory of company law*. Oxford: Clarendon Press.

Pollitt, C., Girre, X., Lonsdale, J., Mul, R., Summa, H. and Waerness, M. (1999). *Performance or Compliance? Performance audit and public management in five countries*. Oxford: Oxford University Press.

Porter, T. (1995). *Trust in numbers: the pursuit of objectivity in science and public life*. Princeton, NJ: Princeton University Press.

Power, M. (1997). *The audit society: rituals of verification*. Oxford: Oxford University Press.

Reid, M. (1988). *All change in the City: the revolution in Britain's financial sector*. Basingstoke: Macmillan.

Rhodes, R.A.W. (1997). *Understanding Governance: policy networks, governance, reflexivity and accountability*. Buckingham: Open University Press.

Scott, J. (1998). *Seeing Like a State: how certain schemes to improve the human condition have failed*. New Haven: Yale University Press.

Sport England. (2002). 'Sport England's aims'. www.sportengland.org - accessed 7/02/02.

UK Sport. (2002). *Sport in the UK - history of UK Sport*. www.uksport.gov.uk - accessed 7/02/02.

Vogel, D. (1986). *National Styles of Regulation: environmental policy in Great Britain and the United States*. Ithaca: Cornell University Press.

Vogel, S. (1996). *Freer Markets, More Rules: regulatory reform in advanced industrial countries*. Ithaca: Cornell University Press.

Wilks, S. (1999). *In the public interest: competition policy and the Monopolies and Mergers Commission*. Manchester: Manchester University Press.

¹ The assertions here are implicitly comparative, but I think the assertions are easy to ground.

² Feigenbaum, et al, 1999: 1, 62.

³ Pollitt, et al, 1999: 42.

⁴ Vogel, D. 1986.

⁵ Caporaso 1996: 45.

⁶ Majone, 1996.

⁷ Osborne and Gaebler 1992: 25-48.

⁸ Courpasson 2000.

⁹ Rhodes 1997: 199.

¹⁰ Scott 1998. Since Scott's fine great book is in the main a hostile study of authoritarian high modernism, I should emphasise two things: I am not equating modernism with its authoritarian variant; and, therefore, unlike Scott I am rather a fan of high modernism.

¹¹ Power 1997.

¹² Porter 1995.

¹³ Marquand 1988:

¹⁴ Carson 1970, 1974 and 1979.

¹⁵ A major theme of Parkinson 1992.

¹⁶ Wilks 1999: 10.

¹⁷ There is an anthology of incompetence in Dunleavy 1995.

¹⁸ Hood et al 1999; Committee of Standards in Public Life, 1995-2000.

¹⁹ Beer 1982: 1 19.

²⁰ Cannadine 2002: 121-35.

-
- ²¹ The definitive study of the high politics of this transformation is Cowling 1971.
- ²² Cannadine 2002: 181.
- ²³ As will be all too obvious this part of my argument is heavily influenced by Cannadine 2002.
- ²⁴ A coincidence pointed out by Cannadine 2002: 181.
- ²⁵ Vogel, S. 1996: 93-117 is authoritative.
- ²⁶ Reid 1988 tells the whole story.
- ²⁷ Financial Services Authority 2001.
- ²⁸ Financial Services Authority 2001: 9-19.
- ²⁹ Financial Services Authority 2002.
- ³⁰ Holt and Mason 2000: 93-120 summarise this.
- ³¹ Holt and Mason 2000: 146.
- ³² Holt 1989: 202-79; Jones 1988: 15-41.
- ³³ Birley 1995a and 1995b surveys widely.
- ³⁴ Coghlan and Webb 1990: 21 for the early history; and Holt and Mason 2000: 150 on the gradual acquisition of more executive functions after 1970.
- ³⁵ Sport England 2002 is the source for the details.
- ³⁶ UK Sport 2002 is the source for the quotation and for this institutional description.
- ³⁷ For *Raising the Game* and its institutional consequences see Department of National Heritage 1995 and 1996.
- ³⁸ Department of National Heritage 1996: 2.
- ³⁹ Department for Culture, Media and Sport 2000.
- ⁴⁰ Department for Culture, Media and Sport 2000: 11.
- ⁴¹ Department for Culture, Media and Sport 2000: 19.
- ⁴² Department for Culture, Media and Sport 2000: 44.
- ⁴³ Department for Culture, Media and Sport 2002.
- ⁴⁴ Hood, Scott, James, Jones and Travers 1999: 140.
- ⁴⁵ The phrase is from Hood, Scott, James, Jones and Travers 1999: 139.
- ⁴⁶ Cited in Hood, Scott, James, Jones and Travers 1999: 147.
- ⁴⁷ Gray and Wilcox 1995: 133-48 summarise the history of this transformation.
- ⁴⁸ Hood, Scott, James, Jones, and Travers 1999: 143-4.
- ⁴⁹ Pring 2001 documents this intensification.
- ⁵⁰ See for instance the targets dominated strategy document: Department for Education and Skills 2002.
- ⁵¹ For example the (then) Secretary of State's views on the need for a daily 'literacy hour' in primary schools: Blunkett 2001.
- ⁵² Wilcox and Gray 1996: 2.
- ⁵³ Laughlin and Broadbent 1997: 278-80 summarize this context.