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Bachelor of Arts

Thatcherism

Honors Political Science
Chancellor's Honor Program

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Spring 2007

I. Introduction

Margaret Thatcher is one of the most memorable leaders of the 20th century. As the first female Prime Minister of the United Kingdom, she made reforms that changed the way Britain operated. To this day, she is one of the most discussed leaders of British history. Her career is so well known that her posthumous biography has already been commissioned – Margaret Thatcher is still alive.

Thatcher's time in office is worthy of such a commitment. While in office she changed the economy, changed international relations and changed ideology of Britain. Thatcherism, as her conservative policies came to be known, was controversial and effective. I will argue that Thatcherism was harsh but necessary and effective.

In order to demonstrate this I will first provide a brief biography of Thatcher's rise to Premiership. Then I will define and explain Thatcherism. To show the necessity of Thatcherism the ideology and economic situation of Britain leading to Thatcher's election will be discussed. Lastly, the results of Thatcher's time in office will be analyzed and shown to be positive.

II. Background

Margaret Roberts Thatcher

Before I can explain Thatcherism, it is important to understand Margaret Thatcher's personal and political background as it exposes how her ideology was formed. As her experience demonstrates, beginning in her childhood, Thatcher was immersed in the self

sufficient work ethic of her family. This is the same value system that Thatcher promoted politically. To frame Margaret Thatcher's life and career I will outline the major periods here:¹

1925 October – Birth of Margaret Roberts

1925 – 1951 Grantham and Oxford (Early life and education)

1950 – 1951 Candidate for Dartford

1951 – 1970 Marriage, Family & Career

1970 – 1974 Education Minister

1975 Elected as Conservative Leader

1975 – 1979 Leader of the Opposition

1979 – 1983 Prime Minister 1st Term

1983 – 1987 Prime Minister 2nd Term

1987 – 1990 Prime Minister 3rd Term

Margaret Thatcher broke the mold of traditional leaders. She was from a middle class family and is often referred to as the “grocer's daughter.” This is something that she will carry with her to council seats (local government) and all the way to her position as Prime Minister. Once in Parliament she refers to her upbringing on numerous occasions although never going into detail.²

She was born in 1925 in Grantham, to Methodist parents who owned a grocery store and lived above it. Thatcher spent her formative years in Grantham during Britain's involvement in World War II, a time of tragedy, and a time of great leadership of Winston Churchill. Churchill, a strong and inspiring leader influenced Thatcher's oratory and political style. Although she attended state schools, she eventually secured a place at Oxford. While at Oxford she studied chemistry. She became politically active while at school, but too late to shift studies. In the 1940s as a woman she could not be the president of the Oxford Union, but was the president of

¹ The Margaret Thatcher Foundation.

² Green, *Thatcher*, 17.

the Oxford University Conservative Association. This allowed her to form and exercise her conservative beliefs early.³ After she lost the seat in Dartford in 1951 when Labour maintained their hold, Thatcher bounced back and forth between what she wanted to prioritize. Meanwhile, Thatcher's obvious feature, her gender was continually noted and discussed. In the 1950s, as in the United States, a woman with a family and husband was expected to tend to those responsibilities. There were some in the party, however, that managed to see beyond her gender and recognize her as a potentially great leader.

Thatcher made it to Parliament in 1959, having been elected to a seat in Finchley. She quickly rose in the ranks of the Conservative party, and became Education Minister in 1970. In this position, Thatcher was already a source of conflict and controversy. Policies enacted during this period, although not initiated by her, gave her the nickname "Thatcher, the milk snatcher," as funding was cut for free school milk for older children. After a few years in this position, Thatcher became party leader. She was party leader while Labour had the majority in Parliament. The Conservatives won back power in 1979 and as a result, Margaret Thatcher became Prime Minister, the first woman to ever do so in Britain. While she had proven her skill and intellect as Education Minister and Party Leader, no one predicted the role the next decade would have in the life of Britons and of the world.

Defining Thatcherism

Thatcherism is the name of Margaret Thatcher's policies while in office. These policies were an ideological shift from the collective to the individual, and were demonstrated in nationalistic attitudes towards Northern Ireland and the Falkland Islands, shifts in tax policy

³ Green, *Thatcher*, 9.

(direct to indirect), reduction of the viability of trade unions, privatization and attitudes toward an integrating Europe. This term is used to refer to the Conservative initiatives under Thatcher from 1979 – 1990. It is best described in Thatcher's own words, first early on and then later on in her career:

[Thatcherism is] really sound financial policies and sound industrial policies against a background of limitation of the power of the State in order to give freer rein to the talents and abilities of the individuals and companies to make the most of the available opportunities.⁴

She continued on this definition later on in her time in office explaining:

[Thatcherism] stands for sound finance and Government running the affairs of the nation in a sound financial way. It stands for honest money – not inflation. It stands for living within our means. It stands for incentives ... It stands for the wider and wider spread of ownership of property, of houses, of shares, of savings. It stands for being strong in defence – a reliable ally and a trusted friend.⁵

Her articulation of Thatcherism was influenced by the work ethic of her upbringing and the influence of a devastating war on her life. How Thatcherism was demonstrated, perceived and worked is not so simply explained away. Another issue is the necessity of Thatcherism, why it was necessary and what it worked to correct.

⁴ Green, *Thatcher*, 26.

⁵ Green, *Thatcher*, 27.

Politics before Thatcherism

Prior to the emergence of Thatcherism, a different political ideology ruled British politics – consensus politics. The consensus period can be defined as beginning during World War II and ending with the rise of Margaret Thatcher to Prime Minister in 1979. The consensus and consensus coalitions began with war time coalitions that were required to sustain Britain's effort in the war. Consensus politics led to policies of government welfare, employment, national education programs, housing projects, health service, and social equality that were to rebuild post WWII. These policies were traditional Liberal and Labour party agendas, but not necessarily coherent with traditional conservative ideology. After WWII, Britons desired a government that would provide these needs to the public and had higher expectations for the role of the national government. This was due to the increased direct role that the government took in ensuring the welfare of its people during the wartime and post war periods. A new direct role came in the form of social benefits, national health services, and increased protectionism. The year 1945 marked the first time that the electorate expressed this feeling in the clear Labour majority in elections that year.⁶

The Conservative Party had two choices in response to this election. The first response was to hold steady to their platform and stay true to their beliefs. However, this choice would lead the Conservative Party out of Parliament. The second path would be necessary. In order to maintain a position in the future of British politics, Conservatives would have to change and adapt to these new widely accepted Labour policies and integrate them into their own platforms. Applying consensus to politics appears to be contradictory to the very nature of competition between parties and competition for power, and in this sense labeling this period as Consensus

⁶ Pearce, *British Political History*, 462.

Britain is slightly misleading. Kavanagh and Morris, two frequent writers on British politics and Thatcher note:⁷

There is a problem about using the term consensus as a synonym for cross-party agreement. After all, disagreement is the life blood of politics ... An obvious problem follows: the idea of consensus is at odds with political activity. Was nothing at stake in general elections, were different party programmes false labels ...?

This is an important point to discuss. As I will discuss later, the main result of consensus politics was the economic and political failings of Labour governments. The future stability of Britain *was* at stake. There was the need for a shift away from consensus politics as Thatcherism provided.

There was still competition between parties during elections. Parties still debated over how far policy should go and who should lead parties. There were five consensus areas between the Conservatives and the Labour party during this period.⁸ First, a dedication to Keynesian economics created an attempt to force unemployment down and to control demand. Second, Britain's dedication to national enterprise emerged. Nationalization and public ownership were employed as methods to control economic and social problems. Third, as a result of aiding in unemployment and nationalizing industry, trade unions began a natural role in politics. British trade and labor unions subscribed to the ideas of full employment and nationalization as a fundamental part of their beliefs, and built a special relationship with the Labour party as a result. Fourth, as described earlier, the British electorate expressed a greater demand for social justice coupled with Labour's expressed interest in the area led to the expansion of the welfare state in Britain. Both benefits and costs were high in the maintenance of a saturated welfare

⁷ Pearce, *British Political History*, 505.

⁸ Pearce, *British Political History*, 462-3.

system. Lastly, the consensus was not limited to domestic politics. Foreign policy was well agreed on and was centered on Britain's post war role in the world.

Consensus politics defined the era in which Margaret Thatcher rose through the ranks of the Conservative party. Although there was no clear demonstration that Thatcher would employ Thatcherism as part of her political career early on, these policies became necessary for the Conservative party's continued existence. In the midst of the consensus shifting left, the Conservatives were taken along and swept in under the consensus politics, and lost a grasp on what Conservatism meant for the party. Shortly after coming into office as Prime Minister, Thatcher reflected on the years of consensus as "the process of abandoning all beliefs, principles, values and policies ... avoiding the very issues that have got to be solved merely to get people to come to an agreement on the way ahead."⁹ Right before the elections in 1979, Thatcher earned her ubiquitous title "Iron Lady" after a Russian journalist called her this in response to her militant attitudes towards the Soviet Union.¹⁰ The rise of Margaret Thatcher and the ideology behind Thatcherism demonstrated a shift from the past few decades in the form of a distinctive policy that would reflect the primary beliefs of Conservatives.¹¹

III. Thatcher in Charge

Ideology of the Conservative Party was a shift back towards what the Conservative Party, and not what the Labour Party, believed in. Thatcherism was necessary to clearly create a demarcation between old and new Conservative policy pre and post 1979. As party leader, Thatcher understood where it needed to go and she explains that "I knew in my heart that it was

⁹ Pearce, *British Political History*, 463.

¹⁰ Reitan, *Thatcher Revolution*, 18.

¹¹ Green, *Thatcher*, 39.

time not just for a change in governments but for a change in the Conservative Party.”¹² How this change would happen is an important factor. Thatcherism was justified on various grounds by Thatcher and other leading Tory supporters. Thatcher articulated her policies in such a way as to create solid support for them. Thatcher argued:

I believe that we should judge people on merit and not on background ... I believe that the person who is prepared to work hardest should get the greatest rewards and keep them after tax. That we should back the workers and not the shirkers: that is not only permissible but praiseworthy to want to benefit your own family by your own efforts.¹³

The values of her upbringing as well as the political and economic climate of her life are evident in this statement. Thatcherism is what Britain needed at the time, to break free of consensus politics and correct the failings of Labour policies.

The Winter of Discontent ushered in the election of the Conservative party. The electorate recognized that Labour was not working and that the Conservatives were the only viable option. Economics in the 1970s were rough for the entire West, especially the British economy. In the lead up to and after the 1970s, Britain had also reduced its military presence to a few areas, including the Falklands, and was almost completely decolonized. Both the colonial power and military power of the British Empire helped to define Britain's strength, and they were both disappearing. In addition, Wales and Scotland were in serious debate over devolution and would both eventually receive such political rights in their own regions. On the eve of globalization and with the ever increasing capital transfers, industry became an unstable footing for the British. Oil price increases through the 1970s compounded these problems. Britain was slowly faltering and Keynesian policies were ineffective.

¹² Reitan, *Thatcher Revolution*, 15.

¹³ Reitan, *Thatcher Revolution*, 18.

The British economy, depending as it did on finance and trade, was especially hard hit. Inflation remained higher than in most industrial countries, was especially hard hit. Inflation remained higher than in most industrial countries, stimulated by rising levels of public spending and borrowing. Manufacturing industry continued its steady decline. Unemployment rose to over a million; the goal of full employment was no longer a reality. As confidence in the British economy declined, the balance of payments turned strongly against Britain, and the pound sterling fell to record lows.¹⁴

Most problematic were the increasing demands of the trade unions and constant wage demands that crippled the Wilson and Callaghan Labour governments prior to Thatcher. Under Wilson's government, the pound suffered, unemployment increased, and public spending cuts were made. The Trades Union Congress (TUC) agreed upon a 4.5 percent wage increase, eliminated the chances of wage restraint, and the pound fell by over \$.37 from \$2.024 on 1 January 1976 to a low of \$1.637 in September that same year. Meanwhile unemployment hit 1.5 million and inflation reached 17 percent by the end of the year.¹⁵ The TUC is a collected body of labor unions across Britain that negotiates on the behalf of its members for wages and other benefits. As industry in Britain is owned by the government or owned privately, the TUC negotiates with the government as well as private employers. The trade unions in the 1970s demanded pay raises for their members. The majority of union members in the 1970s were those that worked for nationally financed public works and industries.

The International Monetary Fund put together a £3,390 million package that also required over £3,000 million in budget cuts. In addition, fear grew in Britain as IRA (Irish Republican Army) attacks peaked in England and Northern Ireland. Overall, the political situation of

¹⁴ Reitan, *Thatcher Revolution*, 20.

¹⁵ Pearce, *British Political History*, 501.

Northern Ireland did not change and direct rule from London continued after more than 700 civilians and soldiers had been killed across the United Kingdom.¹⁶ The economy managed to stabilize, but it was not until Callaghan's government that Labour truly collapsed. Callaghan was only able to proceed because of a coalition he built between the Liberal and Labour parties. Labour could not hold onto their majority. This coalition was set to expire in late 1978. This economic and political decline was the "British Disease" and at the time, Britain was the "sick man of Europe."

With all of these problems taken in consideration, Callaghan's Chancellor of the Exchequer effectively ended any chance of a revival of the economy. Denis Healey, the Chancellor of the Exchequer, announced a policy in line with the fourth phase of their policy on incomes and announced a 5 percent limit on pay increases. This limit was subsequently rejected outright by Labour Conference itself.¹⁷ While this happened towards the end of 1978, January of 1979 – three months before the scheduled election, strikes and wage demands exploded. The year 1979 opened with a truck driver demand for 25 percent wage increases, eventually settled at 14 percent, and at the end of January, 1.5 million public service workers also demanded wage increases and went on strike for 6 weeks. These public service workers included garbage collection, sewage and water maintenance.

Callaghan's reaction to the mounting problems opened up the imminent election for Margaret Thatcher and the Conservatives to walk back into Parliament. By March, strikers' demands had been met and wage restraint was impossible, creating further demands on the economy and expenditures. Early on Callaghan had said "I do not think other people in the world share the view that there is mounting chaos," which famously evolved into the front page

¹⁶ Rubinstein, *Twentieth Century Britain*, 312.

¹⁷ Pearce, *British Political History*, 504.

headline of the Sun (a widely circulated paper in the United Kingdom) as “Crisis, what Crisis?”¹⁸

A popular description of the few months was:

Amidst overflowing rubbish bins, closed schools and undug graves the unions destroyed wantonly a government which could hardly be gentler towards them, and which had steadfastly ruled out statutory restraints on pay or on the internal conduct of union affairs.¹⁹

The country was inoperable and the government could not do anything to save it. Callaghan denied the opportunity to call elections early and a no confidence vote was held, the results being extremely close 311 against and 310 for the government. He was blamed constantly for not holding an early election, “and thus exposing the party and the country to the ‘winter of discontent.’²⁰” As a result, Callaghan called a general election for May 3. With the results of this election falling expectedly in the Conservatives’ favor Margaret Thatcher became the first female Prime Minister of Britain on May 4, 1979.

How Thatcherism Worked

In order to describe the successes of Thatcher’s government, I will illustrate chronologically what she did during her three governments. Her three terms in office demonstrate a shift to individual control over national control and the return of Britain back into the world stage.

First Government 1979 – 1983

¹⁸ Pearce, *British Political History*, 504.

¹⁹ Pearce, *British Political History*, 505.

²⁰ Pearce, *British Political History*, 505.

After the “winter of discontent” and the surge of strikes and wage demands, the first area Thatcher addressed was wages and income policy. She had two options emerge: (1) to break the strength of trade unions; and (2) gain control over the money supply. . As Keynesian monetary control was destroyed under Wilson and Callaghan, a stricter money supply policy was enacted to halt inflation. The theory supporting this new policy was based on Milton Friedman, and it ruled that if the money supply growth was controlled inflation would be controlled. Wage demands would not be fulfilled unless inflation and prices continued to rise. Thatcher’s first budget reflected a new monetary policy, and reduced the highest rate of income tax from 83 percent to 60 percent and the average rate came down from 33 percent to 30 percent. Also £1 billion was cut from the budget. The beginnings of privatization were outlined at the sum of £1 billion.²¹ Unemployment steadily rose but inflation was kept manageable. Inflation stayed steady but unemployment hit a high of 3,000,000 under Thatcher. Another factor to the massive layoffs and shop closures can be attributed to the oil crisis of 1979, and the worldwide inflationary struggles. This led to rising costs that forced industries to lay off employees to maintain production. But oil production above Scotland in the North Sea would begin to bring down oil prices, bring in foreign investment and reduce the quantity required to import. This reduced the cost pressures on domestic industries.

While strict monetary policy continued, Thatcher also sought to enforce the role of Parliament over local council (regional governments). She limited local budgets by denying loan requests and by limiting local councils’ ability to tax. By limiting budgets, regional governments became more dependent upon the national government. The Local Government Act of 1980 did just this. Interest of local council was strictly encouraged to support the national government’s

²¹ Pearce, *British Political History*, 522.

interests and to provide services. Thatcher also took a stand on unions. The ability of unions to collectivize was also limited. Liability of losses due to strike days was placed on unions. Laws were put in place to require strict voting procedures before strikes could begin. Strikes were prevented. Unlawful strikes that cost an employer £1,000,000, for example, would require the labor union to pay the losses. The bargaining power was shifted away from union members to union employers.

One of the first significant steps Thatcher took encourage personal responsibility was the Housing Act of 1980. This act allowed for the purchase of council houses (public housing) by their current tenants. Already a number of tenants wanted this opportunity but did not have the capital to do so or were not in a local council that allowed this. The bill was written to benefit tenants who had rented for a long period of time. It was successful. A “property-owning democracy” became ever more possible.²² Housing sales were very profitable as well, as sales rose from £472 million in 1979-1980 to over £2 billion by 1986. House ownership-tenancy rates in Britain rose to 71 percent from 56 percent.²³ With a strict limit on the money supply, limits on local council, sale of council houses, Thatcher had lived up to her manifesto plans thus far.

The Falklands Islands became the most eventful place of Thatcher’s first term. In 1982, the ruling party of Argentina invaded the Malvinas (Falklands). As the two names suggest, this is an area contested between the two countries, although most of the inhabitants at the time considered themselves British. Margaret Thatcher’s aggressive response brought national pride back to the British armed forces. Her response also helped reverse the remaining humiliation from the Suez Canal crisis, the massive decolonization of the 1950s and 1960s and military reductions that had been taking place to sustain the British economy. Prior to the Falklands

²² Pearce, *British Political History*, 525.

²³ Reitan, *Thatcher Revolution*, 33.

invasion, Thatcher did not have much formulated in the way of foreign policy and this success reminded her of the rising importance of an articulated foreign policy. It also reminded her that Britain could not remain isolated.²⁴

By 1982, after Thatcher shifted from tax cuts to tax increases and increases on National Insurance contributions, the economy became to perk up. Inflation began to drop and hit 4.5 percent in 1983. This low rate continued for the following five years while the economy steadily grew. To match Thatcher's quest for freeing the market of Britain, the pound was eventually allowed to float again, which made the pound sterling a world currency once more.²⁵

By 1983, the effects of Thatcherism were evident. In a study conducted on British Social Attitudes, the following was reported: (proportions are choosing action and inaction):

<i>Faced with the prospect of an unjust or harmful law, respondent would:</i>	1960 %	1983 %
Take personal action	47	77
Take collective action	23	77
Do Nothing	32	14
Don't Know	6	1

This chart demonstrates the increased likelihood of individual action, during the Thatcher years.²⁶ Although it is very difficult to assess changes in political culture, it can be confidentially

²⁴ James, *British Politics since 1945*, 95.

²⁵ Reitan, *Thatcher Revolution*, 32.

²⁶ James, *British Politics since 1945*, 159-60

agreed upon that the culture of people in Britain had changed, and personal action was becoming a more acceptable form of action.

Second Government 1983 – 1987

The election results for the 1983 General Election for all of the United Kingdom are as follows.²⁷

Major Parties	Total Votes	% of Vote	Seats Won
Conservatives	13,012,316	42.43	397
Labour	8,456,934	27.57	209
Liberal	4,210,115	13.73	17
SDP	3,570,834	11.64	6
(Alliance Total)	7,780,949	25.37	23

As the chart demonstrates, the Conservatives won big. Thatcher was the first consecutively elected Conservative since Lord Liverpool in the 1820s. This majority was won after the relative success of the Falklands War and after the economy began to improve.

After her tumultuous first two years, Thatcher again restructured her office and continued the trend to surround herself with male politicians who stood by her and her ideals. The results of the election were a serious setback for Labour. Although Labour in the past had presented serious opposition they were currently split and dealing with internal debate. The only viable opposition that would face Thatcher in her second term would come from internal party debates over how far and where reform and policy should go.

²⁷ Boothroyd, *General Election Results 1983*.

One of the first bills of Thatcher's second term was Education Reform. It became law in 1986 and led to further reforms during her second term in 1988. The 1988 Education Reform Act that emerged restructured education and examinations and placed more emphasis on personal effort and parental participation in school bodies and school decision making.²⁸ Early on Thatcher attempted reforms to drastically reduce the expenditures of local councils and took this a step further with the actual abolition of some. Between 1984 – 86, Thatcher went from budget limits to actual abolition of the Greater London Council and Metropolitan Councils. This policy cut expenditures for the government and Thatcher began privatization that would also generate revenue.

“Ownership by the State is not the same as ownership by the people. It is the very opposite.”²⁹ Some of the traditional British companies, Rolls Royce, British Petroleum, British Telecom, British Airways and British Steel were sold off. In the prior term, she had already sold British Aerospace, Associated British Ports, and holdings in British National Oil Corporation, British Cable, Wireless and Amersham International. Nationalization began at the beginning of the 20th century. This was due in part to the government's quest to provide revenue, regulate and provide. These initiatives were in Labour policies and Thatcher was the first Conservative to end the acceptance of this practice. Privatization brought in huge amounts of revenue, allowed private investment and loosened the government's grip on the economy. Government in the past was continually providing costly subsidies and bailing out failing industries. The government was no longer responsible and no longer had to endure costly and inefficient practices. Privatization gave the public the ability to have a higher interest through shareholding and stock

²⁸ Pearce, *British Political History*, 527.

²⁹ Green, *Thatcher*, 83

trades. Some estimates place the sales generated in the 1980s under Thatcher privatization at £4,394.7 billion. The cost was only 17 percent of the revenue.³⁰

Next Thatcher faced down the unions. Participation in unions had been declining for years, and industries that were still heavily unionized were becoming more inefficient and redundant. Due to the increase of dual-firing stations (those that can run on both coal and oil), potential for pit closures, and overall layoffs and redundancies, the National Union of Mineworkers went on strike against the well protected and provisioned National Coal Board. The strike began on March 5, 1984 and ended on March 3, 1985, a consecutive 362 days.³¹ When the strike barely ended by a close vote and the Union paid for losses, the viability of unions began to decline. After years of government planning and various acts, Thatcher was eventually successful at reducing the unions' power. This role is to continue to operate well and within the framework of representing workplace and industrial interests for workers and union members. Overall unions still existed when Thatcher's government was through with them. Unions had been successfully removed from politics and their excessive actions and power had been eliminated.

Third Government 1987 – 1990

The policies of Thatcherism went too far in the third term. The Conservative Manifesto for the 1987 election indicated that the same ideology would be followed. In the manifesto the idea of a Community Charge is introduced. Thatcher believes that “many people benefit from local services yet make little or no contribution towards them... there is much else wrong with

³⁰ Green, *Thatcher*, 99.

³¹ Pearce, *British Political History*, 530-1.

the present system of domestic rates. They seem unfair and arbitrary.³² Domestic rates, or city/state taxes as they would be in the United States, were replaced with a Community Charge. The Community Charge was a flat tax to replace progressive domestic rates. The old system of taxation needed to be changed. However, making the aristocracy responsible for the same amount as a regular lower class laborer was the wrong way to change the old system. This system follows the thought behind other Thatcher policies. Here the emphasis is put on individual responsibility to contribute. It continues with the idea that if more people were monetarily contributing, more people would care what is going on in government.

The Community Charge was enacted in the Local Government Finance Act of 1988. It backfired. The new tax became known as the Poll Tax, a reference to the head tax of 1381 that led to the Peasant's Revolt.³³ A law that clearly made the rich only pay as much as the poor, and vice versa, was rejected by the people. First the charge was introduced in Scotland, then Wales and England by 1990. For some the payment was a large increase from old rates and massive rioting was carried out. One in three tax payers refused to pay.³⁴ A policy that was meant to reduce wasteful spending ended up being a very costly failure, both fiscally and politically. Thatcher was infamous for her statement "this lady does not turn." In fact she never reversed the tax; she stepped out of office before it inevitably had to be reversed.

The Community Charge is the most discussed policy of the last term of Thatcher. There were other events to her final term. An internal National Health Service market was created which increased efficiency while continuing state control and funding. The economy continued to improve and privatization continued. Also, the poll tax cannot be pointed to as the sole reason for the end of Thatcher's time in office. After being in office since 1979, she was bound to have

³² Dale, *Conservative Manifestos*, 343.

³³ Pearce, *British Political History*, 535.

³⁴ Pearce, *British Political History*, 536.

failures and bound to leave office. Although she left office in 1990, John Major led the Conservatives in Number 10 until the Labour party took over in 1997. The Iron Lady came into conflict with her own cabinet ministers. Her strong leadership style caused much stress within her own cabinet that led to minister resignations and public criticisms of Thatcher. Thatcher, along with her advisors was able to sense the improbability of winning a fourth term, and resigned before she was voted out.

By the end of her third government, it was apparent that Thatcher had changed the culture and priorities of Britons. For example, the responsibility of government for industry declined in public opinion. In 1983, 29 percent felt that the government should help out industry; by 1991 10 percent felt that was still appropriate. This continued and by 2002, only 4 percent still believe in this responsibility of the government.³⁵ The younger generations of Thatcher began to have stricter views on social welfare benefits such as unemployment and that distribution should be more stringent. An overall cultural change was evident as well.

There was ... a cultural shift in attitudes towards capitalism, especially among the young, such that business life and entrepreneurship became popular career choices among those who would not previously have considered business careers; capitalism was looked upon as far less 'exploitative' than it had been a generation before, while the internet capitalism which emerged in the 1990s was often seen as genuinely empowering and popular.³⁶

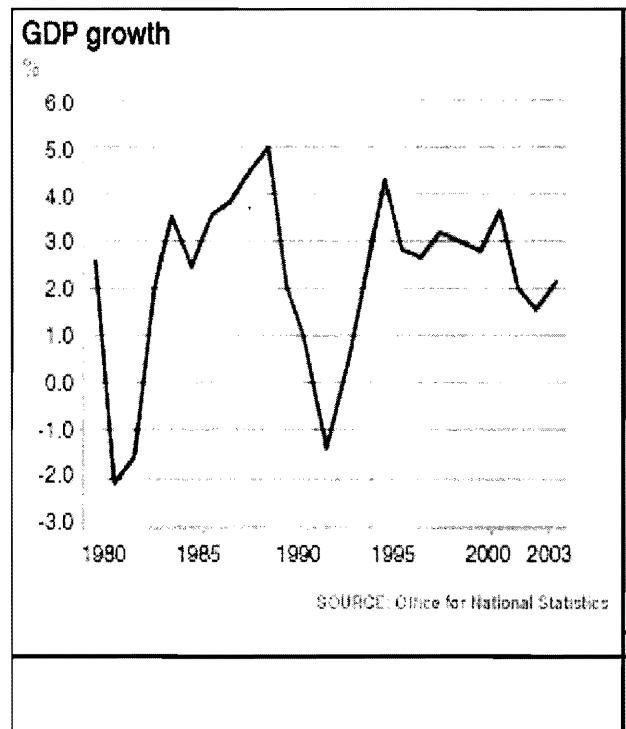
³⁵ Park, *British Social Attitudes*, 11.

³⁶ Rubinstein, *Twentieth Century Britain*, 333.

IV. Results of Thatcherism³⁷

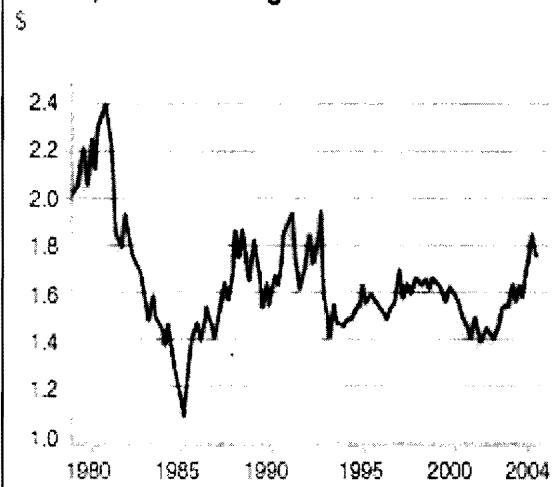
Thatcherism economically worked. There are serious contentions with her policies but it created a growing economy and a strong foundation to continue to today in 2007.

Graphs



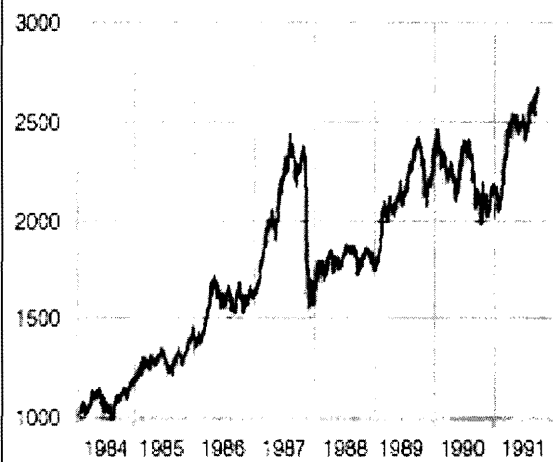
³⁷ BBCNews Online, *Thatcher's Economic Legacy*.

Pound/dollar exchange rate

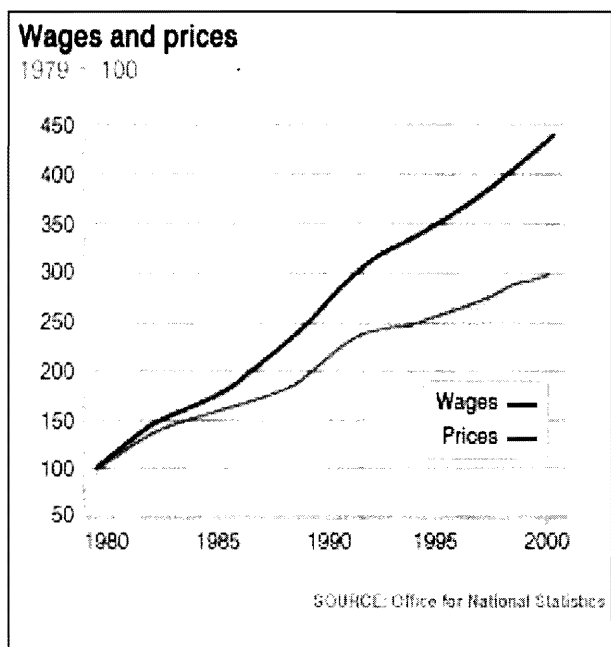
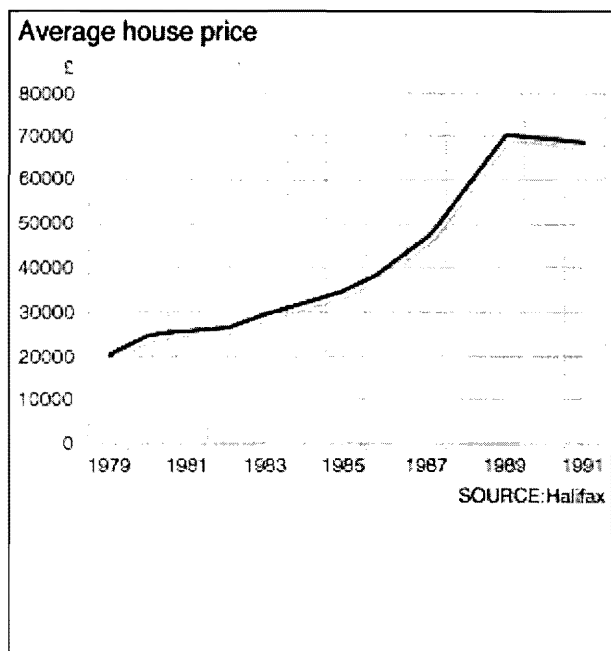


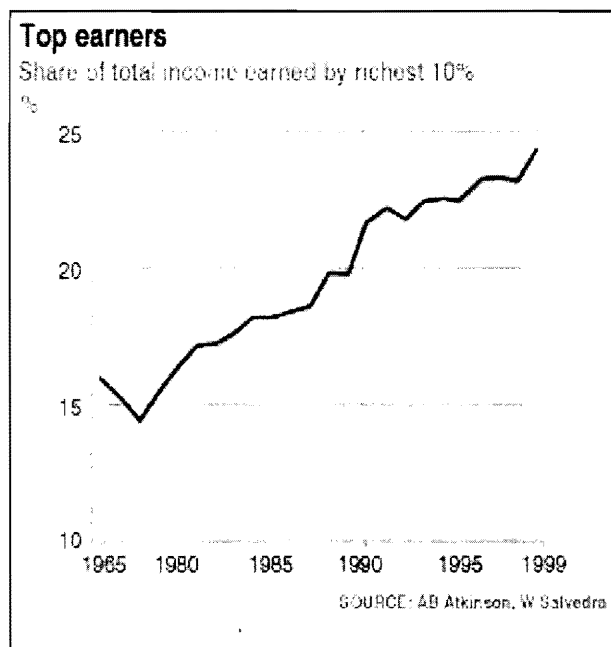
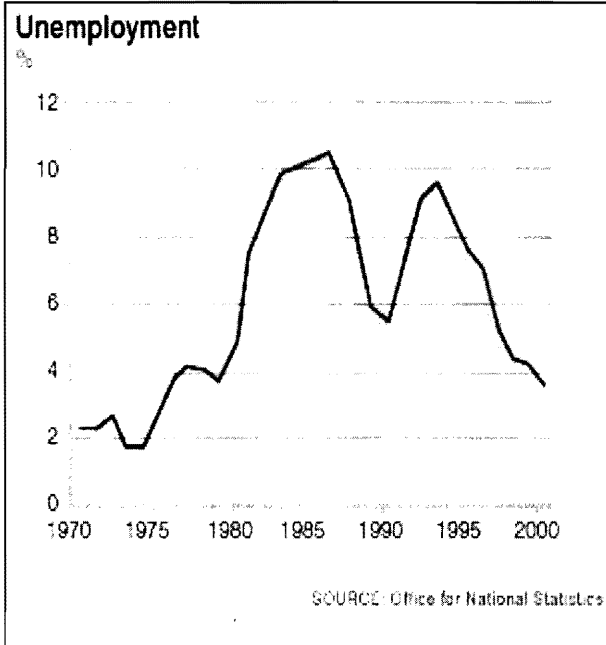
SOURCE: Bloomberg

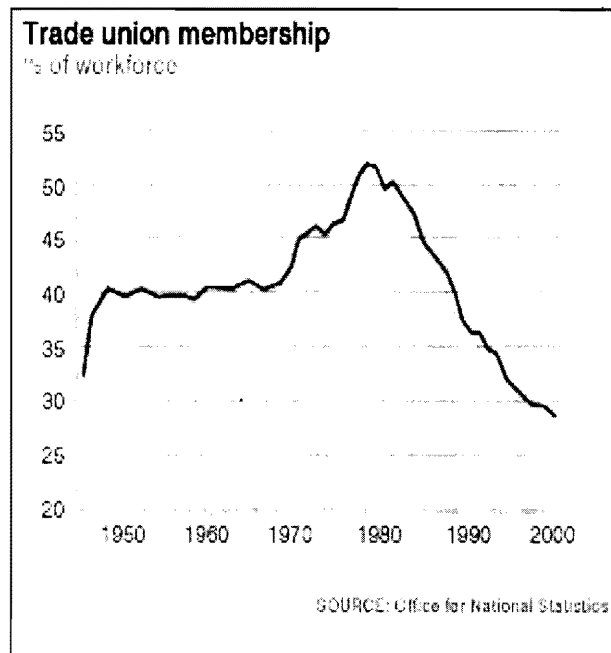
FTSE 100 index



SOURCE: Bloomberg







Positive Results

Beginning with GDP growth, the economy steadily grew thru the 1980s as evidenced in the first graph. GDP never boomed past 5 percent which was in fact a positive characteristic of this growth as it was steady rather than previous administrations with boom and bust economics. Until Thatcher allowed the pound to float freely on the market, it was highly overvalued. This created problems in maintaining output, until the pound was devalued. The pound has grown back to a sustainable value and has allowed investment and production. Pound values against the dollar are shown in the second graph. The third graph demonstrates the index of the London Stock Exchange. As the graph shows, the British stock market grew heavily through the 1980s with the exception of the 1987 crash. Even with the 1987 crash, the index grew over 150 percent during her administration. On top of the growth of the stock market was the growth in stock ownership. As discussed earlier, the idea of stock ownership became more common (especially

with the advent of privatization) and the amount of Britons owning stocks increased greatly under Thatcher.

Another market that was successful was housing. As indicated in the fourth graph, housing prices increased for the whole of the 1980s. The strength of the housing market complemented the rise of ownership in Britain. The number of homeowners in Britain increased, boosted by the success of council home sales. The fifth graph, Wages and prices, demonstrates the increase of real wages in Britain. The difference between wages and inflation grew in the 1980s. Salaries increased and spending capacity grew. Everyone became richer. However, real wages were only relevant to those with employment.

Negative Results

The stock market and housing market grew, and real wages grew, but unemployment was still endemic under Thatcher. The cause of the high unemployment rates is not as easy to see as the actual figures. A likely cause of the high unemployment rates can be attributed to the destruction of the unions, deregulation, privatization, and the monetary policy of Thatcher. Additional causes include the high oil prices as well as the overvalued pound. In addition, the seventh graph titled Top earners, demonstrates that the richest 10 percent of Britons earned a larger percent of total incomes in 1990 than in 1979. So while the status of the poorest was stagnant, the rich became richer. A cause of this was the massive tax cut on the top earners carried out by Thatcher.

Thatcher came into office after the Winter of Discontent, a period of massive labor union strikes. At this time in 1979, labor union membership was near its highest as in the eighth graph

titled Trade union membership. After Thatcher's anti union policies, only 35 percent of the workforce was unionized in 1990, a 15 percent drop. However, union strikes and unrest became uncommon which gave industry more stability.

Conclusion on Results

One main question is whether or not the policies of Thatcherism were necessary or not. As it has been demonstrated, reforms were as problematic as the challenges facing Britain in 1979. Thatcher managed to bring Britain back to viability. However, unemployment, income distribution and educational challenges were not solved when Thatcher left office, and inflation was wholly unchanged. Unemployment was high in Britain but it was only half the rate of other European countries at the time.³⁸ By labeling some of the conservatives as "wet" and some as "dry," Thatcher laid the seeds to tear apart the Conservative Party. The "wets," who challenged Thatcher and the "drys" that stood by her, split the party. After John Major's lackluster Tory administration, the party has not been able to bring together viable opposition to the power house of Blair's Labour Party. However, the Labour Party is now where the Conservatives were in the 1970s. Blair has had to accept the popularity of some of the Tory reforms and integrate them into Labour platform. Blair has not reversed privatization and has continued this policy. His "Third Way" is meant to continue find a bridge between socialism and conservatism. In addition, Britain has continued to sustain a growing economy with which the pound has hit a recent high at over \$2.00 to the pound.

Thatcherism was excessive. The Falklands Crisis, a crucial turning point for Thatcher was an excessive use of force. This two and a half month conflict in 1982 was absolutely irrelevant to British peace and security and was carried out solely to maintain British pride at the

³⁸ Rubinstein, *Twentieth Century Britain*, 333.

cost of several hundreds of lives.³⁹ While Thatcher and others complained of the excessive nature of state interference, Thatcherism created the “complaint of the ‘state’s neglect, its failure to undertake the tasks which properly its.”⁴⁰ Although she ruined the Conservative Party (to the delight of Labour and Liberals), Thatcher left lasting benefits for Britain by liberalizing the economy allowing economic prosperity, calming the overzealous trade unions, and bringing Britain back to international respect.⁴¹

V. Conclusion/Summary

Margaret Thatcher was successful. She revived the British economy. Since childhood, Thatcher has subscribed to hard work and individual responsibility. When Labour and the consensus period failed tremendously, Thatcher was able to lead the Conservatives to a majority in Parliament. Thatcher became first female Prime Minister in Britain as well as one of the top British leaders of the 20th century. When in office, she implemented policy known as Thatcherism. Thatcherism worked through three terms to free the economy from the government and to foster individualism in Britain. Thatcherism also renewed Britain as a military force. Although Thatcherism was harsh, it was necessary and effective. As the data sets and graphs demonstrate, the economy was on the rise, and these changes have been maintained. London is now a top financial capital in the world, as a result of the liberalization of the economy. The negative outcomes of Thatcherism can be put into perspective and the positive outcomes outweigh them. To this day the full results of Thatcherism are still being experienced. The current Labour Prime Minister continues Thatcherism policies as they are now accepted as part of British economic policy, because they worked.

³⁹ James, *British Politics since 1945*, 89.

⁴⁰ Dutton, *British Politics since 1945*, 143.

⁴¹ Ball, *Restoring Power*, 245.

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