



Leadership and Change: Prime Ministers in the Post-War World - Thatcher

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I don't preach to a text, but if I did, I would take something from Henry Kissinger: "What we want is not more secret knowledge but better the analysis of what we already know." That is what I shall try to do; I shall ask questions rather than re-tell in detail ten long years. The basic question is the question that affects all biographers: what did she actually do, as opposed to her Cabinet, her civil servants, her party, the great forces that move mankind; and what, if anything, does "Thatcherism" now mean in a very different world from the time when it started in the 1980s. I will divide that into a number of questions: what did she bring to the office of Prime Minister? what was the nature of her power to do things? and, in three aspects, what was she responsible for after 1979 – the economy, the structure of power in the state, world affairs and Europe?

Many of you may have known her. You will all feel differently about her, and you will no doubt all have different questions, that you would answer differently from me. The first one is: what was it that made her eligible to be Prime Minister? There was no memorable track record, like Lloyd George or Churchill. There was no loyal party or bureaucratic formation, like Attlee and Wilson. In some ways, she is more like Baldwin. There is an accidental element. But her political formation is well known - John Campbell's book gives us a blow by blow account in two volumes -and I need do no more than highlight a few points - and in the present tense - as it were a judgement from 1974.

We start with her small town upbringing, rising middle class aspirations, the influence of her father, Methodism – those are key notes – and then there is the reaction, as a young woman, when she discovers the world of London and ends up at Oxford. But that is not the Oxford of Waugh; this is hard work, reading always for a purpose by an ambitious woman, in a pre-feminist environment, with an intense dislike of snobbery (of which there was plenty in Oxford, at the time). This is a woman who discovers politics through the University Conservative Association, and discovers also the virtue of certainty.

She marries a wealthy businessman. The result is that her family lifestyle is, to some degree, absolved of the drudgery of motherhood. That is not meant as a snide remark; it is simply true. She is not smart, but she is well dressed. She is not an intellectual, and she has a rather narrow world view. She does not travel in foreign parts, she speaks no other languages. She spends a brief time studying law, and then she becomes a standard 1960s Tory back-bencher.

Her abilities are clear: she has a period in a junior job at Pensions, and she is excellent there in briefing herself for parliamentary performance. She becomes the statutory woman in the Shadow Cabinet with the post of Education. Already – and this is important – by 1968, she is linked to the Institute of Economic Affairs, to people like Arthur Seldon, Keith Joseph and Geoffrey Howe; but she is still, and perhaps always would be, a listener rather than a contributor.

Then, in the Heath Government, she does three and a half years as Minister at Education, showing a great deal of competence rather than brilliance. She was not a “milk snatcher” – that is an absurd taunt. It may well be that she saved the Open University from closure for financial ends. But she was excluded from the policy making core. Heath did not actually like her, but saw her usefulness. As a minister, she felt manipulated to some degree by her officials, and she developed future techniques to manage them, including sometimes roughing them up. As for policy, of course, as one would expect of a junior member of the Cabinet, she went along with the prices and incomes policy, and entry into the European Community in 1973. But one should note that she is already coalescing with a second generation of “new right” reformers who perhaps ought to be described as ideologues – people like Alfred Sherman, Alan Walters. If an alternative approach was needed to Heath, then the ideology existed and she was part of it, and had the support of a small group of like-minded enthusiasts.

One after the other the alternatives to Heath evaporated: Enoch Powell first. William Whitelaw waited perhaps for the second round; Keith Joseph dropped out at the last moment. As the alternative, she was accidental then only insofar as her test run against Heath became the real thing, intensified by her promotion by Airey Neave and Gordon Rees. The test run became the final run, and that was the reward for what one has to acknowledge was her sustained determination and courage in standing up alone.

So she became Leader of the Opposition. She was going to win in any case if Labour destroyed itself and of course, by 1979, the Labour Government had destroyed itself. Her distinctive part (and it was accentuated by Heath’s personal hostility towards her) was to convert the Party by degrees: firstly, to take control of the organisation, to take control of Central Office, and to downgrade the Research Department, to make really quite sure that there was no alternative theology. The second point was the formation of a political core: Whitelaw, Peter Thorneycroft, Lord Carrington, and a second rank: Humphrey Atkins, Airey Neave. These would be her stalwart supporters in the early years of government.

She began to develop strong links to the back benchers, and used the annual Conservative Conference brilliantly, aided of course by that gifted speech writer Ronald Miller. We find Norman Tebbit and Nicholas Ridley moving up on the inside track, among her private colleagues.

In public she demonstrated a blend of temperate public language on some issues, such as social and education policy. She was tough on the Cold War and the Soviet Union, and she found the “Iron Lady” brand very useful. In private, she was definitely part of the future policy planning process, and that fount of ideas, Keith Joseph’s Centre for Policy Studies stemming from the Institute of Economic Affairs. But she was still I think, in that respect, a pupil-observer rather than an originator of ideas. And she was cautious about the public impact: note that one of the more incisive new right documents of that period, *Stepping Stones*, written in 1979, was put aside as being too much for the public at that stage.

By the late ’70s, however, she had fully formed views, among them very clear convictions, first that the corporate state, as it had developed since the Second World War, was a failure and had become an intolerable burden; second, that there should be more space for ideals of individualism and individual morality and responsibility; third, that wealth creation was a good thing in its own right, implying that property aspirations were desirable in the mixed economy; finally, that the state should be seen as a benign regulator and no more.

Meanwhile, of course, the packaging went on: the voice changed, the accent changed, the hair changed and the hats changed. It was, if you like, an exercise in Saatchi branding, accompanied by the brilliant slogan – “Labour isn’t working” – for the 1979 Election. She had her own approach to the media by now. She did not make up to the BBC; she made up to ITV, and the tabloid newspapers rather than the broadsheets. There is, I have to say, an element of truth in Reginald Maudling’s snide remark that if you feed a grub royal jelly it will turn into a queen bee.

In sum, by 1979, she is in party terms a convinced Conservative. In terms of philosophy and outlook, she is a classical 19th Century liberal. It is not Methodism that drives her. The force is a much earlier one, but also, geographically from the same area that she came from – Grantham. This is Puritanism. This is Bunyan’s Pilgrim, on a long march, and on the march she carries in her handbag a copy of Weber’s Protestant Ethic and several books from the doyens of the 18th Century Scottish Enlightenment: Adam Smith, David Hume (but without his atheism), Adam Ferguson.

I have an image, a photograph, from 1979. It shows the Shadow Cabinet, sitting round a table in the House of Commons. They are all smiling - rather fixed, formal smiles. There is only one natural smile and that is hers, and she is showing very well-rounded rows of white teeth.

What were the sources of her power as Prime Minister: that’s the next question before we can argue what part was hers alone. Never ignore her damnable inheritance: the economic recession of 1980 to ’81. It was a bad time to introduce a new governing regime. Nevertheless, the boats were very soon burnt publicly, by which I mean the sort of crisis management modes of the ’60s and ’70s. These two years were the severest test of her whole decade, and the underlying question was: would a government, led by her, bend when the recession got to its worst or would it sail like Captain McWhirr in Conrad’s novel through the typhoon itself?

She had a supportive Cabinet core, and this was crucial in the early years: herself, Keith Joseph, Geoffrey Howe as Chancellor of the Exchequer. Jim Prior, most prominent of what she would later call the “wets”, was there for several reasons, but mainly because he could hold the labour market and the trades’ unions relatively quiet. Below Cabinet were the coming younger men like Nigel Lawson and Arthur Cockfield. Her Cabinet was actually more open than Heath’s, and real, in the sense that discussion did take place, (the phrase sofa-government would have been wholly inappropriate). But as PM. she reserved the right to demur, to divert or simply ignore disagreement, hoping that Whitelaw and Carrington would see her through. Of course - as all PMs are - she was very well briefed, but also over-worked herself. This quickly became habitual. She interfered restlessly, almost endlessly, to the eventual exhaustion of many of her colleagues. Everything had to go to Number 10, and she reserved the right, especially with the so-called wets, and later on with Lawson and Howe, to leak, to give unattributable briefings against her colleagues, and to use her press manager, Bernard Ingham, in ways which have since her day become both familiar and debased.

As for her colleagues, she inspired great loyalty, sometimes even love, but not, I think, friendship. Her mission was not to bring harmony, but enlightenment. Sometimes, a certain recklessness betrayed itself, an ability to stand aside, as if this were not her Government at all. There were casualties, of course; over the decade, some ministers dropped out, others were sacked, so that she became more isolated and lonely, and there is a parallel with Queen Elizabeth I in her latter years. She became more vulnerable to isolated but high-profile affairs like Heseltine’s management of the Westland helicopters affair, and in the very end, the question of entry to the Exchange Rate Mechanism in the late 1980s.

Party and Conference, in contrast were captured and stayed captured. Harold Watkinson was her chosen Party Chairman and he and his successors insured that the Party was held, right to the end. Every Conference, year on year, there were rhetorical triumphs. But the back benchers themselves and the Parliamentary party were eroded, so that her advisors feared at the very end to tell her that on the second ballot on the leadership she probably no longer had the majority.

Press and television, I have mentioned already. She benefitted from great skills of image projection – Ian Gowrie, Bernard Ingham, and Ronald Miller for the speeches. ITV and the tabloids and their proprietors were, on the whole, supportive – perhaps I might even use the word servile – not least because of course, in their own patch, their own trades’ unions, the print unions, needed to be demolished if they were to

restore power over the public mind.

For Whitehall, for the civil service, this was a complicated era. From the start, there was a new climate created: Treasury dominance over the spending departments, and there was a division made, almost a preacher's division – those for and those against the new regime of financial control. The friendly symbiosis of ministers and permanent secretaries from the 60s and 70s disappeared. It was a true sea change, and it governed promotion to the top jobs, and over the years, I think, it led to a transition, to a mechanistic view of officials' roles and duties. There were not to be enarques in the French mode, they were not to be advisors on policy, they were not to define the national interest - a thesis which has become deeply entrenched among her successors. From the start, there was a hard line approach: Raynor's Efficiency Unit, and a culture which led the former mandarin towards assent rather than consent. That was quite different from her attitude towards what I like to see as the State's guardians, the military and the intelligence services, and the Bank of England for whom she had great and continuing respect.

And what of the institutions of the post-war era, which some call the corporate state? The CBI, the Confederation of British Industry, had been close in her Opposition years, perhaps even a little too close. But the heads of industry, even though they still had access to Downing Street after 1979, were distanced from actual policy making. The City was not yet a player, not till the late '80s in the financial services boom under the single market and the year of Big Bang. But one has to remember the great influence of the Bank of England and that gifted governor, Gordon Richardson, in the evolution of economic management and monetary policy.

Trades' unions had no access at all, not even Len Murray, TUC General Secretary, who was desperately trying to hold out a role for the TUC, which would be different, against the momentum of the radical left in the public sector trades' unions and the National Union of Mineworkers. Really the best the TUC could do in those dismal years was to retain their link with Jim Prior, accept his temperate labour market policy, and let the NUM go down to its own folly.

Finally, when we are thinking of the sources of power, the public. There was not a lot of mileage in voting for the Labour Party during the wasted years after 1983-4, hence the rise and the popularity of the Alliance . Margaret Thatcher had two great advantages. She knew that the support of the white collar workers in the Midlands and the South-East was pretty certain. After all, fewer of them had voted Labour in 1979 than in any year since 1931. Secondly, there was a culture of enemies, at which she excelled, and which played extremely well in the popular press and elsewhere. Russia was an enemy, trades' unions were an enemy, the bureaucrats, the IRA, the Argentine generals...

How did she use this power? Personally, she could out-argue, out-manoeuver and dismiss, and sometimes, as with Geoffrey Howe at the end, dismiss with ignominy. After 1981, she no longer needed a tutorial education, even by Keith Joseph, and she barely needed advice, except on technical questions such as military matters. Remember that famous scene, before the Falklands War began; the House of Commons debate was about to take place and Admiral Sir Henry Leach came in, to a private meeting, in uniform, and she asked, "Can we do it?" He replied, "Yes, it will not be easy, but you can."

Power really seems to have sparked her. She could, and did, use her femininity and charm her colleagues backstage. But she had no desire for what we would now see as political sisterhood – it was 15 years too early for that! That, constant overwork, constant recourse to adrenaline rather than sleep, meant that power was an undiluted additive. So she was lonely, which made it vitally important that she had a husband waiting in Number 10.

She was vulnerable, but she could ignore the taunts, and often, as with the Iron Lady, turned them to advantage. Whether she actually looked at Scarfe's cartoons of her I do not know, nor whether she heard

that remark of Francois Mitterrand that she had the mouth of Marilyn Monroe but the eyes of Caligula.

Certainly, she said what she believed was true. That is very different from those, perhaps now, who believe that what they say must be true because they say it.

The first case that I want to look at, even if mundane, is the economy and the changes that transformed the period and apparently cut the trades' unions down to size. She and her Treasury core had concluded that not only was the post-war state wrongly constructed, with a mandate to run the macro economy on neo-Keynesian lines, but that it had been proved wrong by what had happened in the 1970s. There should be an end therefore of corporatism, the triangular attempts at policy-evolution by government, industry, labour and the financial sector. It should be replaced by the imposition of strict budgetary rules which would preclude such negotiation and prevent backsliding – and which pressure groups could not defeat. It would be hard, but Ministers – not just her – all assumed that it would be a short initial shock, followed by a rational public response, leading to a virtuous circle.

The problem was that in 1980-81, which was a very severe recession, the public response was variable rather than rational, and often very hostile. Even if the new enemies were clear enough – inflation, public sector costs, public sector pay – it was not a straightforward battlefield, and as time went on it became more like Tolstoy's account of the Battle of Borodino, a soldier's battle in the smoke; you could hardly see the enemy at all. Also, monetarism (as it was called at the time), was a theory not a rule, much in dispute among economists and it had only one instrument – interest rates, the old Bank rate at this time being called Minimum Lending Rate. Even Keith Joseph's closest allies had not been certain how it would work in practice and whether to define it as M1, M2, M3 or M0. As such complexities unravelled clarity, the wider Cabinet became uncertain and even appalled at the price. The theorists had already given way to the practical people who were now in charge. One did not find Hayek and Friedman advising; indeed, after it was over, Milton Friedman criticised the whole exercise.

So, fixed rule replaced macroeconomic management, allied to supply side reform, long charted by Keith Joseph, which was intended to encourage deregulation and real organic growth. But this was a vast scenario – like the battlefield – things were taking place all over the field, and the supply side reforms actually came last, despite Keith Joseph's best efforts. Meanwhile, Margaret Thatcher's work was focused on holding the Treasury core together and driving on. What followed was the converse of post-war crisis management, the antithesis especially of what was done in the Heath period, in '72 to '74. (But one should also remember that some of this passage had been prepared during the IMF crisis of 1976 when Denis Healey was Labour Chancellor.) What the PM gave was direction, a populist imagery, an implacable language in public, and she held to it literally as if there was no alternative.

The shock was already there in Geoffrey Howe's first budget, in March 1980, and the medium term financial strategy (MTFS), reinforced in his second and third budgets in successive years. Of course there was uncertainty whether she could get it through, but the wets, of whom Jim Prior was the ostensible head, had not prepared for the March 1980 budget, and they were dispersed as a potential force, primarily because they actually did not have their own alternative. The same went in Whitehall and in the Parliamentary Party. But the uncertainties remained about which rule and what were the limits of MLR. Gordon Richardson and the Bank of England were not in much sympathy with Margaret Thatcher's private advisors, like Alfred Sherman and Alan Walters, and very much like Prior they asked, from within the centre, the deep and pertinent question: what is the national interest? Do we have a national interest in the survival of industry and in something we could still call full employment?

Mrs Thatcher at this point, I think, should be seen to arbitrate rather than enforce. She was a little like Winston Churchill on the issue of return to the gold standard in 1925, when he did not know enough to understand the arguments and he asked a well known banker, and the reply was, "It will be hell, but you have to do it." Well, by the time that the Pound had reached \$2.44 and unemployment had reached 10%

and we still were not there, this was hell already, at least as far as the opponents could see it. And by 1981-82, they had the support of industry and the financial sector. So a moment of pragmatism seeped in. After all, there was a balance of power: once, when Nigel Lawson was asked about monetarism, and he replied, “The conditions for monetarism in Britain do not exist.” “What are they?” “Water cannon.”

Thatcher’s base from the Treasury alone was not enough against the second thoughts of some colleagues, combined with those of the CBI, the Bank of England, many permanent secretaries, even those who had initially welcomed the change – and of course Margaret Thatcher was not blind. She was not Captain McWhirr, to drive straight through the middle of the typhoon. One could argue that she went much closer to Lenin with his New Economic Policy. So long as the ideal was upheld, and believed in by the public, that was the core, that was the irreversible change, rather than the precise definition of method. What we find then was that the medium term financial strategy was actually re-based year on year, 1982 on ’81, 1983 on ’82, and this represented a slow but significant modification. The PM forbade David Howell to face up to a miners’ strike in 1981; she allowed Keith Joseph to bail out bankrupt but key companies. Most significantly perhaps, a CPRS report was binned in the summer of 1982, even though Geoffrey Howe has circulated it to the Cabinet. This had advocated real right wing policy – freezing state benefits, an insurance-based National Health Service, introduction of education vouchers and the abandonment of Trident the nuclear deterrent. Thatcher went on to tell the Conference, in October, “The NHS is safe with us,” and as a token, in November MLR was pushed down to 12%. So there was an element of flexibility but, equally, as in the Napoleonic War when Wellington was beset by Napoleon’s armies in Spain, there was a line of Torres Vedras, and the line was held not least because the critics inside the Cabinet were eventually dispersed and Prior, only conceivable leader of an internal opposition, was sent to Northern Ireland.

A new sort of agenda for public discourse had been set. I would make three points about that. The first is that the focus shifted to inflation and public spending and not, as in the post-war period, unemployment. Even if there was no final answer to the question of which monetary standard, and even if the exchange rate came in as possibly an alternative instrument, this shift of focus was established; it was only in the second half of the ’80s, when Nigel Lawson was shadowing the Deutschmark, that a fuller range of instruments was introduced.

The second point is that the state itself came into play. Some of the arguments that derived originally from the Scottish Enlightenment emerged to justify practical observation. The state is not a source of direction, neither is it the sum of benign targets; it is actually a target in itself, and the “Heath model” (because Heath had seen the state as a powerful instrument for creating both economic policy and European policy) became discredited in theory as well as practice.

The third point is the end of the post-war confidence about what the government and the state could actually do. There had been a huge amount of over-optimism in the 30 years since 1944 about what economic management could do. That had been disproved, and I think virtually all historians would agree that that was so. Instead, this government would go back to the debates of 1942-44, before the war was over, to the Treasury requirement of a ten-year balanced budget not deficit finance, and to an optimum level five per cent unemployment– not Beveridge’s three per cent or the actual 1.8% of the 1950s. The tides of argument changed (Keynes himself would probably have disagreed with much of what was done in his name after the war). This was I believe the single most decisive episode of her ten years as PM, even if the long term results were not what she had really intended.

Some of this might have happened anyway. But the price of doing it this way was high. GDP fell, in four years, from 1979, by 3.7%. Unemployment rose to 2.5 million. There was a deep fall in industrial investment. The capacity of the industrial base declined by 17%. One has to ask was this really capitalism’s creative destruction? Only some of it, I suspect. It also created an impetus towards a two-tier society, with a low-skilled base level, which was compounded by the introduction of VAT at 15%, a sales tax bearing on lower-income groups; and, as we all remember, riots in Toxteth and Southall. These were not racial. Perhaps not even Brixton was racial. There were of course real concessions. Perhaps the most

important was Lord Scarman's Inquiry into Brixton, and the sending of Michael Heseltine as Minister for Merseyside - not just palliatives; they were a real response to what had become seen as an intolerable consequence.

Long-term, summing up on this question from today's standpoint, the anti-inflation aim has become irreversible. For twenty-five years now we have lived in an anti-inflationary world. Employment has been restored, at a skilled level. The same thing that happened here happened – and this is I think important – in the Netherlands in 1982, it happened in Ireland in 1987, it happened in Finland in 1990, and the exceptions are those countries that we would call the Rhineland capitalist countries, like Germany and France and Italy. In this sense, what happened to the British economy made it part of a globalising process, a judgement which is to distance it a long way from Mrs Thatcher herself. She, in private, was a driving force, she established a public language to endorse it, she gave it certainty, allied to a certain flexibility, so long as the core was held and the regime did begin to work after 1983. The unfortunate thing was that recovery was not primarily via organic growth on the supply side, but through the benefices of North Sea oil, and through accrual from a swelling consumer boom, which was not that was not that different a result from Ronald Reagan's deficit budgeting, followed by an import surge, a huge trade deficit, and the Pound down to virtually one Dollar. That is a mordant paradox.

Three other paradoxes follow of this question. One is that privatisation had never been an oven-ready Conservative policy. It had no real history before 1980. The immediate cause, in the mid-'80s, was the need for more revenue (as today in France) and a way to revitalise management of those near-bankrupt industries, riddled with trades' union activity. But one has to point out that British Airways, British Steel and British Gas were all made profitable by determined new management before privatisation, and the question of national monopolies, such as water, was barely posed. British railways prime candidate were not modernised at all.

The second paradox was the management of Sterling . There was no future for UK trade with the Pound at one Dollar and MLR at 14%. You could not export in those circumstances, it was simply too severe. So Nigel Lawson, in the middle 1980s, searching for an exchange rate management instrument (Thatcher would not think of entering the ERM) tried for three years – she claimed without her knowledge – to shadow the Deutschmark. When it was actually the centre of the ERM and at 2.90 DM this worked, though not later.. But this did not curb the boom, neither did it affect the trade deficit much, before the bubble burst; and manufacturing activity did not get back to its 1973 level until 1988. That was little reward for Keith Joseph's very sensible, far-sighted supply side deregulation plans, and the patient work of NEDC (which Lawson despised).

The third paradox was that by the '80s, her personal position had changed. She was no longer quite at the centre. In Lawson's day as Chancellor, she was more distanced, preoccupied with external affairs, and she could only stop the final move into the ERM by recalling Alan Walters, to Lawson's dismay, and then sacking Lawson. Even so, finally she had to concede ERM entry, under Major as the new Chancellor, at the wrong time, in the wrong way, and at the wrong exchange rate. By then, she was older, more isolated and less flexible. It puts one in mind of Beowulf in the great saga: the last dragon always wins...

And the unions...of course the unions were not a peripheral matter. Their defeat was what most people now remember, but don't forget the wider trend: there was a European-wide decline in the membership of trades' unions and in their levels of action during these years and in the decades since. Also, it was not simply the defeat of trades' unions. It was the defeat of wrongful use of union power. I should pay tribute to Len Murray - nobody does much now – and his and the TUC's slow evolution of a more modern unionism, which had little to do with the political left in the car industry, the steelworkers and the miners, and whose lasting defeat was aided perhaps by the folly and arrogance of one or two of the union leaders themselves.

It was not a master plan. But the unions' defeat contributed to the new configuration of the state. The main

aim of policy was to end corporatism, not trades' unions power as such. The "post-war settlement era" of brokering the interests of the nation, under different triangular labels, ceased. Margaret Thatcher was in fact opposed to all closed corporations, all monopolies. This is a function of Scots Enlightenment thinking, after all, it was their political and economic status that was the target, not just simply their wages. The PSBR (the Public Sector Borrowing Requirement) and cash limits were weapons enough to pick off some elements, like local government (and of course, in the end, her government abolished the Greater London Council) and later to pick off the teachers' unions, to pick off the universities, and the BBC, to some degree – but significantly not then or later the lawyers and doctors: that was a little too difficult.

All those become the "Other" with a capital "O": the Other and the enemy, but this sequence had another less welcome consequence. The use of financial instruments, just as much as political ones, by bringing the Treasury into the forefront, centralised state power in one department, even if the state's actual geographical scope was being diminished, to the detriment not only of the spending departments but the state's other functions in society at large. Aided by cash limits, this can be seen in the shrinking Department of Trade and Industry, and the Department of Employment and Education, and Health. One of her ministers was heard to refer to what he called "the former welfare state" There may be a law here: the less functions the state has, the more power.

As a counter to that, I would like to ask, very briefly, about the effects on society; not to quote that much misinterpreted phrase that there is no such thing as society, in 1987; I think that is a distraction, even if it were true. She did think things through. She once replied to a question at a private gathering on the difference between public service and public spirit. A slightly suspicious look, but she gave what I think very few Prime Ministers would ever have given in the post-war period, an honest and careful answer: "Public service leads to the overblown state; public spirit is the key to the good society." This distinction was enhanced by the rancorous contrast with Heath, his strong state, his European vision, his one-nation post-war settlement, based on consensus.

She was not consensus-minded. She was also, and always, a successful, largely self-made, woman. Her creed was Puritanism rather than Methodism. That may have been old fashioned, certainly unfashionable, but it did not imply an aversion to society in the modern sense: rather a reliance on the just society, one of England's post-reformation historical staples. It is not exactly Michael Oakeshott's compassionate civil society and, in that sense, she was not a precursor of the present leadership of the Tory Party, and certainly not of Tony Blair. She was much tougher than either of them about the role and responsibility of individuals, and not afraid of the religious connotations, as her address to the General Assembly of the Church of Scotland demonstrated, when she put a novel interpretation on the story of the Good Samaritan. She never denied that civil society has to be underpinned by the state, but only as part in a list of priorities, of which upholding the law, national defence, wise regulation and the determinant of the national interest are other priorities as well.

To sum up: the pains of transition were assumed to be a sort of purgatory, preliminary to a virtuous circle, and the unfortunate effects at the lower end of an increasingly two-tier society, which New Labour was to call social exclusion, the decaying city centres, the pockets of rural poverty, the decline in options for the unskilled worker, were inevitable accompaniments of the cure. To demonise her personally, as if she had sought that, is absurd; more accurate to talk about unintended consequences of plans for a serious sustained emergency, at the start of a decade where she never really accepted that politics was the art of the possible.

It is sad for her, I think, that her genuine concern about the loss of anchorage in the family and the creation of social outsiders tends now to be ignored, and that her values of work, diligence and deferred gratification are remembered only as facets of a worship of mere accumulation. That is unjust. The Scarman Report's conclusions were not alien to her.

Less noticed at the time, perhaps more serious in the end for what she once referred to at a CPC meeting as “this new Thatcherite democracy”, was the almost irreversible decline of a mixed 20th Century polity with a system of checks and balances, which had been absorbed and enhanced after the First World War crisis of 1916-17. The 1980s endangered not just the subtle balances between local government, Whitehall, and the role played by the institutions and economic sectors, but the whole range of voluntarism left over from the 19th Century. Instead there grew up a polarisation of political society, an entrenching of a highly centralised governing process, and the installation of a managing governing elite, rather more cut off from what has become the mass public in the last 20 years, whose cultural evolution in turn, one has to say, has not exactly welcomed her puritan values.

The foreign affairs question falls at the end, because that is where all Prime Ministers end up: Margaret Thatcher and the outside world. It goes almost without saying that it was an English-speaking world where she was most at home, as was the case with Ronald Reagan whom she thought of as her friend. Their fundamental accord on the evils of the over-mighty state and of Communism, their coincidence at the turning point of the Cold War, underpinned their relations. It may be easy, from a British point of view, to poke a bit of fun at Reagan, to see him as laid-back, congenial and rather superficial. That ignores an acute perception of American long term interests, his understanding that to win two-thirds of the battle is success, to get three-quarters is exceptional, as well as his tolerance of her argumentativeness, and his generosity in letting Britain take more of the front-line role and credit than its weight probably justified.

She, in turn, understood from her youth and experience during the Second World War never to choose decisively between America and Europe, in that long pendulum swing whose oscillations have affected what Britain does ever since the 1890s. So long as Western Europe was held together in the shadow of the superpowers, so long as the Cold War went on, the British commitment to the European Community came second; but that was no longer true by the late 1980s. With the collapse of the Soviet Union, with the fall of the Berlin Wall, Western Europe was emancipated from fear, and former Eastern Europe from its prison and that was a hard point for her to come to terms with. I suspect she never wholly did.

So the first part of the story consists of standing up to the Soviet Union hand in hand with Reagan’s United States, and her realisation that, much as she might have understood and liked Gorbachev, the system that he represented and finally defended, had to be destroyed. It was less easy, because of American ambiguity, for Britain to stand up to the Argentine generals in the Falklands War which, in Wellington’s famous words, turned out to be “a damned fine run thing.” Both endeavours utterly absorbed her, brought out the best in her, and the most easily defined attributes of her leadership.

There are other instances. Do not forget the Commonwealth. It was not her scene, she did not share the Queen’s views about it, but she did not follow the right wing in backing Ian Smith in Rhodesia, she did not go along with the South African’s Apartheid leaders. Instead, she supported Robert Mugabe, who was a very different man then from what he is now, and she supported Samora Machel of Mozambique. Indeed, it may not be generally known, but she it was who decided that the SAS should be sent to train the Mozambican Army against that repellant Renamo force in the civil war, inspired by Rhodesia and South Africa.

She did not have any sentimental illusions about British influence. She did dislike and despise corrupt Third World leaders wherever they were, but in most cases it was not in Britain’s interests to do anything about it and she eschewed easy applause by merely denouncing them. Influence depended on arms, and that is why Trident was never in question, and it depended on allies, which is why the United States was never in question. She was able to criticise Reagan for the invasion of Grenada, even if it was perhaps in the American patch, but she was uncritical when basic principles appeared involved. Thus the Russian invasion of Afghanistan offered a chance to undermine the evil empire which in turn meant support for the guerrillas, the Mujahedin, the Jihadists, arms via Pakistan, not forgetting of course arms for Iraq in its struggle with Iran from as early as 1981. There are two long roots of our present discontents.

She really did believe that the British experience had something to teach the world, as it did to some extent, certainly, in Eastern Europe once the Wall came down and demonstrably in the 16 years since. She knew that Britain was not a world power, but it was a power in the world. So it was an agony for her at the last meeting at Camp David with the new President, George Bush (Senior), when he made it only too clear that German unification in 1990 was a primary interest of the United States and more important than Britain's own response to that epochal event. After such long affinity with Reagan, that was devastating.

Which leads, as the late Sir Roy Denman, that ardent European, fluent in at least three languages, tried to tell her for many years, to Europe .

It is unfortunate perhaps that Margaret Thatcher's perceptions of Europe were obscured by economic crisis in 1980-82, by her concentration on the British EU budget payment contribution, and by what she categorised as the unpleasant European leaders with whom she had to deal. Nevertheless, the waste of the British presidency in 1981 was largely her fault, and symptom both of a deep misunderstanding of European perspectives and a lack of affinity for other national leaders - her putative EU colleagues.

On the other hand, she did fully understand, as all these leaders also did, the vast threats to European industry and to financial survival from American and Japanese industries and banks and their higher levels of global competitiveness; above all electronics, electrical goods, cars, steel, chemicals. In that awareness lay the multiple sources of the Single Market. Her problem was that there was no one like Ronald Reagan with whom to collaborate, no ideological partner. Instead, her outlook was prejudiced by a profound suspicion of European Socialism, and this was doubled, if anything, when Francois Mitterrand set off on his "socialism in one country" project with widespread nationalisation in 1981. She had an equally deep suspicion of Christian Democracy in Italy, and perhaps also Germany . All this made the first two years a rebarbative period. There was a futile attempt, at bilateral relations with both France and Germany, but such a strategy was long out of date. After all, the Franco-German understanding was still the European engine house. Geoffrey Howe was defeated in May 1982, in the EU Council, trying as a single foreign minister to amend the Common Agricultural Policy and reform the EU budget.

At that stage, there are only a few leaders of British industry and perhaps the Bank of England who were pushing for what became the Single Market. It took two years to get anywhere, and the drivers did not emanate from London . Preparations were from mostly from outside Mrs Thatcher's ambit - the work of the Commission, the work of EU committees, of many trade associations and pressure groups - all striving to demonstrate the virtues of a single market as the evidence of American and Japanese competitiveness built up. Then, as the early 80s recession lifted, and accompanied by Mitterrand's reversal to a more market-oriented France in 1983, with the help of Jacques Delors, the fundamentals came together.

At the summit meeting in June 1984, three things were done: first, after arguments which had tried everybody's patience almost beyond endurance, a settlement was reached to give a rebate on the British budget, second, France at last agreed, after seven years' utterly unjustified obstruction, to admit Spain and Portugal as members; and third, Jacques Delors became the EU's President and Arthur Cockfield was put in charge of the single market. Mrs Thatcher only effected the latter. She voted for Delors, whose qualities I think she did admire at that point but she absolutely insisted on Cockfield. Thus by 1984 she was thoroughly engaged in the single market project. Of course, in the nature of such things, Mitterrand got the glory, the Germans paid, and Spain began its remarkable post-Franco recovery.

To complete that astonishing year, in March 1985, Gorbachev came to power. These were also, one should add, the best years of the ERM as a Deutschmark zone.

Thatcher's approach was far more complex than her memoirs suggest. The insistence on Cockfield, who had once been her advisor, and her opposition to the other side of the reform coin "Social Europe" as

defined by Delors, demonstrate the manichean nature of her political philosophy. Put simply, she saw Britain's role as instituting financial discipline and good economic practice in the pursuit of freer trade, and in opposition to protectionism laced with socialism. So she played her part in realigning the Conservative Party in favour of the single European Act helped by the fact that, in due course, the City institutions woke up to what was in it for them once financial services (in which Britain excelled, as it still does in Europe) became part of the single market. She wanted a market-led assault on every barrier to trade, leading to a smaller political role for the member states themselves. Cockfield wisely advised a narrower definition, knowing better what might actually be possible. Even then, the Single European Act had 285 enactments by the time it was finished. Cockfield significantly excluded tax harmonisation – that was too difficult – and certainly not European monetary union.

Realistically, Thatcher came to accept that there were trade-offs that to be made for the Single Market including qualified majority voting in Council, and that the process to it should be by Inter-Governmental Conferences rather than by bargaining in the Council of Ministers itself. So here she is being enmeshed; she begins to see herself, especially at the Milan meeting, as being out-manoeuvred; not trapped by the French and Germans, but subject to a more restricted margin of manoeuvre precisely by what she wished to achieve.

Cockfield's empirical strategy was built from the bottom upwards. There were three immediate barriers to bring down: frontier barriers, fiscal barriers and technical barriers. What we are today familiar with as competition law, was largely implicit, kept for the future. But Thatcher had grasped the long-term implications, and the main activity it would build up. So she could ignore what Delors was doing, the other side of the coin – social cohesion and monetary union - as contingent matters. These are the questions which we still argue about 20 years later.

Of course the Single Act needed much more than that. It needed the subtle diplomacy of Luxembourg leading towards the first IGC. It needed the linkage of the single European Act with the principle of monetary union, which drew together Cockfield and Delors (and eventually this led to her thinking that Cockfield had gone native). These led on to Maastricht. But the genius of the single European act was that it offered something for all 12 member states, and for that reason Britain conceded a lot – QMV, the European Central Bank, detailed stages to EMU – which was irreversible, as Thatcher ought to have known, and I suspect did know, but did not wish to know. Meanwhile the degree of German leadership was shown very clearly at the Hannover summit in June 1988, without which the nascent single market probably could not have been held together.

In the end, Cockfield's 285 enactments were completed on the 1st of January 1993 after her fall. Afterwards she claimed to have been misinformed. In fact, after the decisive moment at Hannover in 1988, she seems to have been in slow retreat, rather like Napoleon's campaign of 1814 – winning tactical battles but in her own retrospective view, losing the war.

However, for that brief period, she had had the vision, and if not for that, what I personally see as the greatest single achievement of the European Union, as it became, might have been missed or botched. Her assent, not necessarily her consent, but her assent ensured that the Commission would acquire its full and proper role, and it should be realigned with the Council of Ministers, that the European Parliament would develop, and that the entrants, first of all the Nordic countries and Austria, and then the countries of Eastern Europe would become full members. Even if in a slightly negative way, by acceptance of compromise to gain a greater good, she contributed something massively important.

The negative side was that afterwards she went into reverse gear; prejudice came to the top, of which the high mark was probably her speech at Bruges in September 1988, when she declared that there was "no substitute for the nation state". What she did not realise also was that the other European leaders represented their nation states. Helmut Kohl, Francois Mitterrand, even Giulio Andreotti, defended their

own national interests and had their own vision of the nation state, albeit in a different way and albeit conditioned by their own very different histories since World War II. Her stereotypes, deployed at Bruges, were just that, stereotypes – they did not fit the facts, as facts were seen from twelve different capital cities. They did not even fit the facts in London .

Briefly, four damaging legacies to her Conservative successors. The first was a failure to use existing European instruments to give British policy weight within the Commission. Even by 1994, the UK had only three per cent. of top appointments in Brussels, as opposed to five per cent. held by France and Germany, and theirs more senior than ours. It levelled in the end, but she was not the one who gave it a push. And, as most Prime Ministers have done since, she regarded MEPs, Members of the European Parliament, as a somewhat inferior species – which in post-1990 conditions was a waste of a useful asset.

The second malign legacy concerned German unification. Her world view imagined that the postwar four-power containment of Germany, together with bilateral relations, and NATO, and the CFSP, would govern the unification of Germany . But for that to have any chance required the support of the Americans and the French. Mitterrand would not play, and in due course he took the credit for claiming that German unity was a “natural function” of European union. Worse, the United States undermined her too; it being in American higher interests that German unity came about as it did.

The third legacy, a sad point, contrinuted to her own downfall. The other heads of member states had a lot of revenge stoked up by 1989/90. I am not necessarily saying there was a conspiracy to do her down, but by the Madrid summit in 1989 (when she was coerced by Howe and Lawson into accepting that the ERM would happen) revealed to outsiders that she no longer controlled her Cabinet, as she had done for nearly ten years. She had tried, as Howe said later, in his resignation speech, to be her own Foreign Secretary, and yet she remained isolated and this weakened her in European circles. She never got on with Mitterrand and barely tried, after German unification. When Helmut Kohl made an attempt to conciliate, in December 1988, she rebuffed him. In the last 18 months, she acquired a dangerous obsession about a Christian Democrat-Socialist conspiracy aiming at Brussels domination – hence the criticism of her Bruges speech, “not a policy but a spasm”.

By the Dublin summit, she was in a minority of one to 11, and she may well have been manipulated at the final October 1990 IGC meeting in Rome, by Andreotti and others, into committment to monetary union. But if it were so, it is also true to say that she had isolated herself even from her own colleagues. Certainly, after she had gone, as one Conservative journalist remarked, “a mood of soulagement spread across the EU.” John Major won Britain ’s opt-out from monetary union at Maastricht at least partly because he was not Margaret Thatcher.

The last mordant element of her legacy was the war inside her own party, which can perhaps be traced back to Joseph Chamberlain in the 1900s, but which had been contained for nearly a hundred years. Now, as the Single Act blended with monetary union and “social Europe”, a deep clash developed between the pragmatists (including Lawson, Howe and Hurd) who accepted a confederal ideal but not a federal one, and those for whom the EU was already a dangerously federal state whose pretentions threatened the UK itself. Civil war was breaking out even before she went, and Major’s time, and retreat from the ERM, made it worse. It is still endemic, and has blighted the careers of three Tory leaders who followed Major. It has emasculated the party itself.

Yet what did she think the EU was: a close conspiracy or a single market of consenting nation states? One might ask did she ever ask the queston, was not European Union what the Germans call a Staatenverbund, an association of nation states each for their own and for the greater good? Its diversity can be gauged from the different answers one gets across the whole European sub-continent. Did she also ever reflect that those she always called “they” rather than “we” (by which she meant Wales and Scotland), that the Scots and the Welsh did better from EU regional aid between 1975 and 1987 than any other region

in the whole of Europe, except parts of Italy's south?

There is no simple conclusion and I am not even going to try to give you one. Take that great book by Pieter Geyl, "Napoleon – For and Against" – maybe it is not possible to achieve a synthesis. What Thatcherism meant back in 1981 is now so diversly interpreted and so stereotyped that it resembles Geoffrey Howe's definition of the Stuttgart Declaration: "It is like hanging baubles on a moving Christmas tree." Thatcherism, in my opinion, was quite simply what she believed. We do not require political leaders to be original thinkers. She drew eclectically on many sources – Puritan, Scottish Enlightenment – as well as Hayek and Friedman. We do expect political leaders to declare and implement what they believe with conviction, if elected, and she did. So I will make five very brief concluding points.

She contributed to an enduring change of outlook about the modern industrial state, and the limits of what government can do, and what priorities and resources should be, in a middle range nation.

Secondly, counter-inflation should be a strategic aim of the modern industrial state, with an orientation towards financial discipline, across the whole of economic life and organisation, not just the political domain. What Denis Healey began in 1976, she took up and substantiated, leading to a fundamental cost/benefit approach to the state and its duties.

A third point: with America, she helped to capture change as the Soviet Union fell apart, and in Eastern Europe as rebuilding began. If you go around Eastern Europe, today you will find much praise for Mrs Thatcher. For a brief but vital point in the evolution of the European Union as we now know it, she influenced events; but of course things have evolved in ways of which she did not later approve.

She herself was an executor of great determination, rather than an originator in the sense that Keith Joseph was an originator. That ought to have united her governments, even if at the price of successions of colleagues. But her convictions overrode her judgements especially in the later years: she was almost reckless at the end. She divided – she did not unite her party.

Finally, she was driven from within. Rather lonely, she lived for her work, she was argumentative, she led from the front. She was adrift after 1990. She would have laughed at the comment about Ledru-Rollin, a French Minister in one of the revolutions of the 19th Century, found at the back of the crowd in the streets, and they said, "What are you doing here?" He said "Je suis leur chef, il faut que je les suive." Not her. She knew her mind. She had no need for focus groups to tell her what to think. She exposed differences. She inflamed debate. She outstayed her time. But then so did Roosevelt and Nehru. She was not Mr Jefferson, to retire to Monticello, her political work done. But if I can adapt a line from Stephen Spender, "she left the vivid air signed with her brightness".

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