



## **Britain in the 20th Century: Thatcherism, 1979-1990**

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**24 April 2012**

Margaret Thatcher was elected Leader of the Conservative Party in February 1975, much to the surprise of many leading Conservatives. Reginald Maudling, who had been Chancellor and Home Secretary in previous Conservative Governments, said that the Party had taken leave of its senses. Lord Carrington, who was to be Foreign Secretary in Margaret Thatcher's Government, said that she would be out of the leadership by Christmas. However, she was Leader of the Conservative Party for 15 years and Prime Minister for 11.75 years, which is the longest continuous time of any Prime Minister since the Napoleonic Wars (Lord Liverpool 1812-1827).

Furthermore, she gave her name to an ideology: Thatcherism. She is the only Prime Minister of the twentieth century who did that. We do talk, it is true, about someone being Churchillian, but I think by that we mean a style rather than a set of ideas. But Thatcherism, is a set of ideas, and in this lecture I intend to describe what these ideas were.

Now, Margaret Thatcher was very different from most of her predecessors, apart from, ironically, the man she supplanted, Edward Heath, with whom she had I think something in common.

The four Prime Ministers of Conservative Governments in 1951 to 1964 were Churchill, Anthony Eden, Harold Macmillan, and Sir Alec Douglas-Home. Churchill was the grandson of a duke; Eden was the son of a baronet; Harold Macmillan was the son-in-law of a duke; and Sir Alec Douglas-Home had been a 14th Earl before he renounced his title. The last three, all except Churchill, had been to Eton. Churchill did not go to Eton – he went to Harrow.

Now, these four Leaders were succeeded in the Conservative Party by Edward Heath, who was the son of a builder and a lady's maid. Margaret Thatcher was succeeded by John Major, who was the son of a trapeze artist who, in retirement, sold garden furniture. These three Leaders did not go to public school, they went to state grammar schools.

Margaret Thatcher, as is well known, was born in Grantham. She was the daughter of a grocer. In her first Government, she was one of just three people who had not been to public school; by the end of her Government, the public school numbers were going down and there was just one old Etonian left in the Cabinet, and she was succeeded by John Major. Perhaps the pendulum has swung back again with David Cameron.

Thatcher often stressed her humble origins and said that her upbringing in difficult circumstances had given her many lessons in sound housekeeping, and living within a budget in particular, which was of great value in government.

But her background was not quite as humble as she suggested. Her father, in fact, owned two grocery stores and employed several people, and he was a local dignitary. He was a councillor, then an alderman, and then Mayor of Grantham, and he was also Chairman of the Governors of the girls' grammar school which Margaret Thatcher attended.

The father had entered local government, interestingly enough, not as a Conservative but as a Liberal. He was a Methodist and, like most non-conformists, he became a Liberal, and then an Independent, which meant in effect a Conservative in local government. When he spoke for Margaret Thatcher in her first electoral outing, in Dartford in 1949, he said that by tradition his family were Liberal, but the Conservative Party stood for very much the same things now as the Liberal Party did in his young days. Margaret

Thatcher later said that if Gladstone was alive, he would be a paid member of the modern Conservative Party.

Thatcher's father was well-off enough to pay for her to go to grammar school before the 1944 Education Act, when getting in depended on paying a fee. She could not have gone without the fees being paid. Her father also paid for her to go to Oxford, so she was not as poor as she sometimes suggested.

In any case, although she spoke a lot about her roots in Grantham, she left as soon as she could and went to Oxford, and after that, she came back very rarely. She married a wealthy businessman, lived in London, and sought a safe constituency in the Home Counties. She did not want to represent anywhere in the North of England.

I think the difficulty she faced in the Conservative Party was not so much due to her origins (though it was a problem - the Conservatives were then still dominated, to some extent, by old money and connections) but her gender.

In the 1945 General Election, amongst Conservative MPs, there was just one female. It was a man's world then. Most of her competitors in selection committees had very good war records and sold themselves to constituencies on that basis. It was extremely difficult to get a Conservative seat for many years after the War unless you had a good War record.

But the emphasis on her origins, though exaggerated, was not entirely mythical, and it was of some importance. Despite her relatively wealthy lifestyle after her marriage, Thatcher did not identify with the very rich but with what she called "her people": shopkeepers, like her father, the lower middle class, and the self-employed. They formed the backbone of the Conservative Party.

A great deal has been written about the working class and the Labour Party. It is certainly the case that if in the twentieth century the working class had voted solidly for Labour, Labour would have been in power all the time because the majority of people were defined as working class. However, around a third of the working class normally voted Conservative, and under Margaret Thatcher this was a much greater percentage. In the 1987 Election, a majority of the skilled working class seemed to have voted Conservative, so people exaggerate class consciousness within that class. But the middle classes, Margaret Thatcher's people, are much more class conscious. Of the small shopkeepers and the self-employed, around 90% vote Conservative, much more solidly than members of the professional or managerial classes or the very rich. These are the people whom the Conservative Party represents, even more than the Labour Party represented the working class.

Margaret Thatcher was often accused of representing and fighting for outdated middle class values. When she stood for the Conservative Leadership in 1975, she met that accusation head-on: "If middle class values include the encouragement of variety and individual choice, the provision of fair incentives and rewards for skill and hard work, the maintenance of effective barriers against the excessive power of the State, and a belief in the wide distribution of individual private property, then they are certainly what I am trying to defend." She said that these were the values of what she called "our people".

But she also said that they were the values of many people who wanted to become middle class - the aspiring working class or C2s in sociological jargon - and these formed the backbone of her electoral support. Some people called them, rather slightly, "Essex man" and "Essex woman"; there was, in the 1980s, a tremendous swing to the Conservatives, not only in Essex, but in the whole of the North East pocket outside London: Bedfordshire, Huntingdonshire (John Major's seat), Cambridgeshire, and so on. Many of those areas had an overspill from East London, and they were aspiring working class people attracted by Thatcher's appeal to middle class values.

After leaving office, in 1996, Thatcher was rather disenchanted with John Major's Government and gave an interview in which she said the Conservatives were now failing, "since we are unpopular above all because the middle classes and those who aspire to join the middle classes feel they no longer have the incentives and opportunities they expect from a Conservative Government." This was the social grouping she represented, the backbone of the Conservative Party.

But they tended to be taken for granted and perhaps ignored by Conservative Leaders in the immediate post-War years. The main concern of Leaders like Harold Macmillan and Edward Heath was the organised working class and, in particular, the unemployment of the inter-War years. They believed the way to ensure that this unemployment would not return was to accommodate the trade unions, to work out policies with the trade unions, to ensure full employment and improve working class living standards. Do not make the

mistake, they said, made by the Conservatives of the 1920s, of confrontation, the General Strike and all that, of dividing the country into two nations. They wanted one nation, which meant making concessions to the unions in terms of wages and so avoiding industrial strife.

Now, what about those who did not belong to trade unions – those on fixed incomes, the self-employed, the small shopkeepers, pensioners? These people, who could not protect themselves against inflation and who had no organised group to represent them, were often the backbone of Conservative constituency associations, but the Leaders took no notice of them.

This perhaps did not matter too much in the 1950s and 1960s, a period of high economic growth. When you had affluence, there was enough for everyone, and living standards could improve for all. But it did matter as inflation started to increase and growth started to fall, and Margaret Thatcher represented the victims of that economic process.

A lot of the analysis of the 1960s and the 1970s concentrated on the resentments from the left towards the post-War settlement: the student revolt in the late 1960s; trade union militancy; Tony Benn. That threatened, it was thought, the post-War settlement. But the real threat, because it was much more powerful sociologically, was coming from the right; there was a much greater sense of alienation from the right than from the left. From that point of view, I think Margaret Thatcher can be seen as a much greater revolutionary figure than Tony Benn.

Together with the economic revolt that I have just mentioned, there was also what one might call a cultural revolt, a revolt against the permissive society reforms of the 1960s, which were most strongly represented by Mary Whitehouse. Margaret Thatcher pretended, I think, to support that. In fact, she was remarkably liberal in her voting behaviour. She voted in favour of abortion law reform in the 1960s and homosexual law reform in the 1960s, though she voted in favour of the retention of capital punishment, and the only time in her career she ever broke a Tory three-line whip was to vote in favour of retaining birching for young offenders. However, on homosexual and abortion law reform, she was not on the side of Mary Whitehouse.

The cultural revolt was also against new trends in education - progressive teaching, comprehensive schools, rebels in the universities - and also a revolt against the view that Britain was no longer a great power. This manifested itself in a revolt against Europe, the growth of Euro-scepticism, hostility to mass immigration but, above all, fear of inflation and fear of trade union power. You will remember that, in February 1974, Edward Heath called an election on the issue of trade union power, in which he asked the question "Who governed?". The answer was very clearly "Not you!" but it led to a Hung Parliament in which it was not clear who governed, as well as a rise in nationalism and protest parties. People argued not perhaps who governed but whether Britain could be governed at all – was Britain governable, and in particular, was Britain governable against the wishes of the trade union leaders? In 1979, The Daily Telegraph published an election cartoon, with James Callaghan, the Prime Minister, and a trade unionist behind him, with the caption: "Vote Labour – or else!" In other words, could the country be governed against the wishes of the trade union leaders?

So, people were worried about political decline as well as economic decline. Some people felt in the '70s, particularly at the time of the Winter of Discontent in '78/'79, but also in '74, that they were looking into an abyss, that there was something very wrong with the country. Thatcherism was born out of that. It is a British equivalent of Gaullism in France, born out of economic and political decline.

Having mentioned France, there were similar developments in other countries. Indeed, in Britain, the vote was given to 18-year-olds in 1969 (they voted for the first time in 1970), and it was assumed this was a vote for the permissive generation - but people were thinking only of the small minority at universities. Studies of 18- to 21-year-olds showed, for example, that they were much more in favour of capital punishment than their elders.

In 1970, they voted disproportionately for Edward Heath, against Wilson, and in America, when the voting age was lowered, they voted disproportionately for Richard Nixon in 1972. Nixon spoke of the "silent majority" and that was a similar phenomenon in Britain, so it is a manifestation of a new social mood which was very different from that of traditional Conservatives. Traditional Conservatives wanted to preserve, but the new mood wanted to change, to put the clock back but alter things. This new mood believed that society had gone too far down the road to perdition. They wanted less inflation, less power for the trade unions, less immigration, less cowering to other countries, back to basics in education and morality. A Conservatism which had become an elite philosophy was now becoming a popular philosophy whose aim was not to defend the status quo but to subvert it: a radical form of Conservatism. Margaret Thatcher was

very much in tune with that, far more than her Conservative predecessors.

Nigel Lawson, Thatcher's Chancellor from 1983 to 1989, said: "Harold Macmillan had a contempt for the Party; Alec Home tolerated it; Ted Heath loathed it! Margaret genuinely liked it – she felt a communion with it."

Harold Macmillan himself agreed with that estimate. He said, musing in the mid-1980s: "We used to sit listening to these extraordinary speeches at Conservative Conferences, urging us to birch or hang them all, or other such strange things. We used to sit quietly, nodding our heads, and when we came to make our speeches, we did not refer to what had been said at all. But watching her, I think she agrees with them!"

Now, this mood I am talking about may not have come to the surface if elite Conservatism, or One-Nation Conservatism, or even the moderate social democracy of Wilson and Callaghan, had worked. However, they were not very successful. In about 1960, politicians got worried about the low rate of growth of the British economy, compared with other countries, and said they must do something about it, but they were not very successful. They wanted to implement a much greater degree of government planning, more state control, government intervention in the economy in pay bargaining, through incomes policies - sometimes called corporatism.

This was pushed to its limits by the incomes policy of Edward Heath, which was really a last desperate attempt to preserve the post-War settlement. Perhaps it might have succeeded if it was not for bad luck. The Arab-Israeli War of 1973 and the four-fold increase in oil prices to which it led put huge strains on every economy in the West, with a combination of high inflation and high unemployment. This really ruined the attempt to secure corporate planning because there simply was not enough money to pay off the trade unions to keep them happy, so you came up against a brick wall.

The power of the unions, meantime, seemed to have grown too great, particularly under the governments which succeeded Heath, the Labour Governments of Wilson and Callaghan. One of Margaret Thatcher's closest allies, Sir Keith Joseph, said, in a paper he wrote for the Shadow Cabinet in May 1976, "The negotiation of an incomes policy gives the trade unions political power, extra power. It leads to bargaining on a far wider basis than incomes policy or economic policy generally. It becomes political, and the resulting package invades the sphere of many other interests and of Parliament." He called the so-called "social contract" of the Labour Government with the unions "a devil's bargain" because it gave the unions tremendous power over all sorts of political decisions, and it led, the Conservatives believed, to a kind of blockage, an iron cage, where you could not do anything against the wishes of the unions.

In 1974, Heath lost the "Who governs?" election in February, and lost the second election in October of 1974. The Conservative approach appeared to have hit the buffers. What should be done?

Heath and the Conservative leadership noted the large Liberal vote in these two elections, six million votes in February and five million votes in October 1974. They said that they had to win over the centre vote - no need for a fundamental rethink, but only make the Conservatives more attractive to the centrist vote.

As you will have predicted, this was exactly the wrong approach, Margaret Thatcher thought. She thought Conservatism must speak loudly and clearly for genuine Conservative policies, and in particular, to meet the danger of decline.

The alternative argument was first presented by Thatcher's ally, Sir Keith Joseph, in a series of speeches against Heath in 1974, and his argument was quite different from Heath's. He said that the problem was not just Labour Governments, but that Conservative Governments were equally guilty of serious policy errors, and indeed the whole post-War settlement had run into the sand – the framework was collapsing, and it was a mistake to think it was just the fault of the Labour Party. It was the Conservative Party as well – they had failed.

Margaret Thatcher adopted that approach and, in 1975, in an article she wrote for The Daily Telegraph when standing for the leadership, she said: "People believe too many Conservatives have become socialists already. Britain's progress towards socialism has been an alternation of two steps forward with half a step back. If every Labour Government is prepared to reverse every Tory measure, while Conservative Governments accept nearly all socialist measures as being the will of the people, the end result is only too plain, and why should anyone support a Party that seems to have the courage of no convictions?"

In a speech he made in September 1974, at Utminster, Sir Keith Joseph said: “This is no time to be mealy-mouthed. Since the end of the Second World War, we have had altogether too much socialism. There is no point in my trying to evade what everybody knows. For half of the 30 years, Conservative Governments, for understandable reasons, did not consider it practicable to reverse the vast bulk of the accumulating detritus of socialism which on each occasion they found when they returned to office. So we tried to build on its uncertain foundations instead.” With a characteristic bit of self-laceration, he ended by saying, “I must take my share of the blame for following too many of the fashions.”

In another speech he made at Preston, shortly afterward, he said that “inflation is beginning to destroy our society” and that we were not dealing with it because of the “bogus fear of mass unemployment.” He said: “Our post-War boom began under the shadow of the 1930s. We were haunted by the fear of long-term mass unemployment, the grim hopeless dole queues and towns which died. We talked ourselves into believing that these gaunt, tight-lipped men in caps and mufflers were round the corner, and tailored our policy to match these imaginary conditions, for imagining what they were.”

In a third speech, delivered in Luton at the beginning of October 1974, very shortly before the second election of that year, he linked the economic critique with a social critique. He said the post-War consensus had not only impoverished Britain but it was also destroying the moral foundations of society. “It was not so long ago we thought we had utopia within reach. What has happened to all this optimism? Has it really crumbled under the weight of rising crime, social decay and the decline of traditional values? Have we really become a nation of hooligans and vandals, bullies and child batterers, criminals and inadequacies? Our loud talk about the community overlies the fact that we have no community. We talk about neighbourhoods and all to happen we have no neighbours. We go on about the home when we only have dwelling places containing television sets.” (He actually asked an entrepreneur, when visiting a factory later in the 1980s as Secretary for Industry, whether he thought that television had really come to stay!) “It is the absence of a frame of rules and community, place and belonging, responsibility and neighbourliness, that makes it possible for people to be more lonely than in any previous stage in our history. Vast factories, huge schools, sprawling estates, skycraping apartment blocks, all these work against our community and our common involvement one with another.”

This is highly significant and made Thatcher possible because, for the first time, a senior Conservative Minister was saying that both parties were responsible for Britain’s decline relative to her neighbours – both parties were responsible for the interventionist policies which had led to the crisis. It was a fundamental attack on the post-War settlement, which seemed, until perhaps shortly before, to have brought full employment and rising standards of welfare.

Interestingly enough, a few years later, in 1981, Keith Joseph met Tony Benn on a train, and they both agreed the past 35 years had been a disaster. They gave different reasons, of course, but they both wanted to break the consensus – it had not been a Golden Age, as many would think, but a disaster. The left said it was a disaster because the post-War economy was too capitalist, and the right said it was a disaster because it was too socialist. But, for the moment, it was the right that was in charge, and Joseph was saying a different approach was needed, one relying on the market.

This idea was supported by the fact that some of the Joseph ‘recipe’ was adopted by the Callaghan Labour Government. In the autumn of 1976, shortly before Britain had to call in the IMF to deal with the budget deficit, Callaghan made a very important speech at the Labour Party Conference, said to have been written by his son-in-law, Peter Jay.

He said this, which Joseph would have agreed with: “We used to think that you could spend your way out of a recession and increase employment by cutting taxes and boosting government spending. I tell you, in all candour, that that option no longer exists and that, insofar as it ever did exist, it only worked on each occasion since the War by injecting a bigger dose of inflation into the economy, followed by a higher level of unemployment as the next step. Higher inflation, followed by higher unemployment, that is the history of the last 20 years.”

Joseph and Thatcher believed that a new settlement was needed, one based on the State’s withdrawing from the management of the economy. They argued that the main task of the State was simply to provide the framework, through achieving sound money, ending inflation, an environment in which businessmen can prosper; the Aladdin’s lamp was held not by government but by entrepreneurs. Joseph said: “The character who works the magic is the entrepreneur.” He is the Aladdin who creates the jobs.

Keith Joseph gave the Conservatives something they had not had since the beginning of the century and which was fundamental to Margaret Thatcher's period of office: a degree of intellectual self-confidence. For the first time, there was a counter-ideology to socialism and social democracy, a conviction that the left could be defeated on the battleground of ideas.

Margaret Thatcher said of Joseph, "He gave us back our intellectual self-confidence. It was Keith who really began to turn the intellectual tide back against socialism. If Keith hadn't been doing all that work with the intellectuals, all the rest of our work would probably never have resulted in success."

When she stood against Edward Heath for the leadership in 1975, she told her constituents in Finchley: "I'm trying to represent the deep feelings of the many thousands of rank and file Tories in the country, and potential Conservative voters too, who feel let down by our Party and find themselves unrepresented in a political vacuum... If the Party stood up for true Conservative values, we shall not have to convert people to our principles – they will simply rally to those that are truly their own."

When she stood for election, she met a lot of prejudice. In her memoirs, she writes, "In the eyes of the wet Tory establishment, I was not only a woman, but "that woman", someone not just of a different sex but of a different class, a person with an alarming conviction that the values and virtues of middle England should be brought to bear on the problems which the establishment consensus has created." She was known in Conservative Central Office, for some time after her election, as "that bloody woman", and when Thatcher first received papers with the initials TBW on them, she thought it was the title of a TV station and did not realise it referred to her.

Thatcher came to power in 1979, after the Winter of Discontent and a decade of public sector strikes. The 1970s seemed to be a decade of confusion, decline and economic failure, taking the country to the brink of collapse. Thatcher's victory closes one chapter of post-War British history, which had included the Attlee Government's social reforms, the independence of the colonies, One-Nation Conservatism, our entry into Europe. To everyone's surprise, 1979 heralded a period of ten or more years of political stability, after the instability of the 1970s.

Now, what was Thatcherism? Perhaps the best way to answer that question is to go to the source herself, Margaret Thatcher. She was asked by Robin Day in 1987 what it was. She said: "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."

I think one can divide the long period of Thatcher's time in office into four different phases.

In the first phase, from 1979 roughly to 1983, she succeeded in clearing away two main obstacles to the achievement of her aims: high inflation and the power of the trade unions.

She abandoned the idea of incomes policies, which every Government since Harold Macmillan's in the 1960s had put forward, and said the Government cannot help secure a level of employment – that depends on decisions made by employers and by trade unionists. All the Government can do is produce some money through control of money supply, and the great mistake of post-War demand management was to react to rising unemployment by injecting more money into the system, which, as Callaghan had said after all, just caused inflation. If you want to get high employment, you must become more efficient, encourage competition, remove Government controls, and make individuals more responsible for their choices. The level of unemployment depends upon the free decisions of individuals in the industrial system – employers, but particularly trade unions – and does not depend on Government. The consequence of all that was a very rapid rise in unemployment, which reached three million in 1983 and did not drop much until 1986.

It had previously been thought that Governments could not win elections with that high level of unemployment, and indeed there were riots on the streets in 1981 in many inner city areas. But people forgot that most of the unemployed, at that time in any rate, lived in areas of safe Labour seats, and in any case, the unemployed often did not vote. That had also been true in the inter-War years when mass unemployment was not incompatible with very large Conservative majorities.

But, to some extent, the result of that was the growth of two nations: the areas where unemployment was high, in the old industrial areas of the North, Scotland, South Wales; and then the South of England, which was comparatively prosperous ("Essex Man"). From this point of view, Thatcherism was as much a symptom of changes as it was a cause.

Voters continually said throughout the 1980s in opinion polls that they thought unemployment was a more serious problem than inflation, but when they were asked “What threatens you and your family most?” they said rising prices – this was what really influenced them in voting.

To deal with the trade unions, she introduced a series of Acts: limiting secondary picketing; requiring ballots before strikes; and also requiring unions to contract-in if they wished to pay to political parties. More importantly, there was an end to the process of consultation and negotiation with trade unions, which had been Ernest Bevin’s key theme from the time he became Minister of Labour and National Service in 1940.

So, two pillars of the post-War settlement were crumbling: the first was the commitment to full employment; and the second was the commitment to negotiations and consultations with the trade unions, which had given rise to the trade union veto. It could be argued that this veto had brought down the previous three Governments: the Callaghan Government in the Winter of Discontent, the Heath Government in the “Who Governs?” election, and the Wilson Government in 1970 after it had failed to secure trade union reform.

John Smith, the Labour Shadow Chancellor in the mid-1980s, told one of Thatcher’s colleagues that the Labour Party owed a big debt to Thatcher for having tamed the unions. This colleague then went to see Margaret Thatcher and said that she had “shifted the centre of politics about two hundred miles to the right”. Margaret Thatcher said, “Yes, but not far enough!” There were more dragons to slay.

In the second phase of her premiership, she faced two challenges, either of which could have destroyed it: the Falklands and the miners’ strike, under Arthur Scargill, from 1984-5.

There is a great paradox about the Falklands, that her great success, which established her reputation as a Leader of determination and strength, came out of failure. Argentina, as is well-known, laid claim to the Falkland Islands, which were 8,000 miles from Britain and only 400 from Argentina. The Falklands depended on Argentina for supplies and food. British Governments, for some years, had been trying to find a compromise solution to resolve the difficulties.

In the late 1970s, there was some talk of an Argentinean invasion, at the time of the Callaghan Government, when David Owen was Foreign Secretary. The Labour Government then reinforced the Falklands by sending a nuclear-powered ship, HMS Endurance, and there was no invasion. Now, it is not clear whether Argentina knew about the despatch of this ship, so it is not clear whether it was deterred or not, but if they did, it was a triumph for the Government. Of course, it could not absolutely say so and therefore got no credit for it.

Margaret Thatcher was cutting public expenditure and therefore decided to cut naval expenditure. One of the ways it could do this was to withdraw HMS Endurance from the Falklands, which the Argentineans, mistakenly, took as a signal that Britain would not defend them. At the same time, the British Nationality Act deprived the Argentineans of their citizenship of Britain and gave them just right of abode. This was, again mistakenly, interpreted by the Argentineans as an indication that Britain did not care about the Falklands.

The Franks Review of the Falklands after the British victory said it was “inadvisable for the Government to announce a decision to withdraw HMS Endurance” and that “in the light of the developing situation in the second half of 1981, they should have rescinded their decision”. It declared that it was a misjudgement.

The Thatcher Government inherited this hot potato. It decided that the best solution was to hand the islands over to Argentina, who would then lease them back to Britain for a long period. In practice, the British people there could remain and there would be no real alteration, satisfying Argentinean interests.

A strongly Thatcherite junior Minister at the Foreign Office, Nicholas Ridley, proposed that solution in the House of Commons in December 1980 as Government policy, but he was met with a huge wave of backbench opposition - not just from Conservatives but also from Labour Party MPs. Peter Shore almost evoked John of Gaunt in saying “How can you betray this sceptered isle, this silver sea?” The Government had to back down on the lease-back policy. The backbench hostility was great, but I do not think the backbenchers ever asked themselves what the alternative was and whether it might not cause a war if no solution was reached. After the lease-back proposal was defeated, the Government really had no policy, except to keep talking to the Argentineans and hope the matter would go away.

Ironically, Lord Carrington, the Foreign Secretary, sent a number of notes to Margaret Thatcher warning her that this would not work, that the Argentineans would see through all this, but she did not take any notice of it. Lord Carrington turned out to be the victim – he resigned after the invasion.

At any rate, as we know, the invasion did not succeed and British success exorcised the ghost of Suez - partly because the Americans were on our side this time. Ronald Reagan wrote to Margaret Thatcher after the invasion: "We have a policy of neutrality on the sovereignty issue, but we cannot be neutral on the issue involving Argentine use of military force."

Victory in the war had fundamental effects, and confirmed for the first time in the general public mind the idea that Margaret Thatcher was a leader of patriotism, determination and even obstinacy. This prevented Conservative defections to the new Party, the Social Democrats, the SDP, under Roy Jenkins. There had been a danger of a Tory split and revolt, but this did not happen. More importantly, the generation that had administered the post-War settlement was now going out of politics and a new generation was clearly taking over. The generation that had administered the post-War settlement – Roy Jenkins, Shirley Williams, Dennis Healey, Michael Foot, Lord Carrington, Francis Pym – were now leaders of the past, and you had a new political generation with different moods.

The left wing historian, Eric Hobsbawm, said of the war: "The war had mobilised a public sentiment which could actually be felt, because anyone of the left who was not aware of this grassroots' feeling ought seriously to reconsider his or her capacity to assess politics."

Before the Falklands War, in 1981, Margaret Thatcher had the lowest rating of any Prime Minister since the War, because of high unemployment. After the conflict, she was the warrior queen, and people said Britain had found herself. She said the same spirit could defeat Arthur Scargill and the miners; in 1984, she told the Conservative backbench committee that "the Falklands were the enemy without, but the miners were the enemy within, more difficult to fight, but just as dangerous to liberty." In her memoirs, she calls Arthur Scargill and his colleagues "the fascist left". The defeat of the Miners' Strike confirmed the end of the trade union veto.

She fought on very good ground because the miners were not supported by the other trade unions, who did not care much for Arthur Scargill. Indeed one trade union leader said to a civil servant at the time that if the Government did not destroy Scargill, he would never forgive them. The leader of the electricians said at the Labour Party Conference of 1984 that the miners were "lions led by donkeys".

The strike also showed that the working class solidarity that had sustained the Labour Party was much weaker than it had been compared with the General Strike in the 1920s and even with the strikes in the 1970s. The solidarity that had sustained Labour was gradually weakening, a solidarity that even the older One Nation Conservatives had rather admired.

Harold Macmillan said to the House of Lords in 1984: "It breaks my heart to see what is happening to our country. This terrible strike, with the best men in the world, who beat the Kaiser and who beat Hitler too, who never gave in, pointless, endless – we cannot afford that."

Contrast that with what Margaret Thatcher said in her memoirs: "By the 1970s, the coalmining industry had come to symbolise everything that was wrong with Britain."

The strike led to the collapse of the National Union of Mineworkers. Their membership, which had been 253,000 in 1979, was only 53,000 in 1990, and now there are hardly any mines open at all and no miners.

In 1978, before Margaret Thatcher came to office, 78% felt the unions were too strong. In 1990, just 17% thought that, signifying a massive change in popular opinion. This was combined with a fall in the membership of the labour force in the older industries.

As I say, this was not entirely due to Margaret Thatcher, it was partly a symptom of the decline in the proportion working in manufacturing industry. From that point of view, as so often in the history of the unions and the Labour Party, the miners were far from being a radicalising force. They were conservative with a small "c", intent on keeping the mines open and retaining their traditions.

All this made for the third phase of Thatcherism, what you might call "Thatcherism triumphant", from roughly 1983 to 1987. This period is marked by the economic programme of Thatcherism, privatisation, the sale of council houses, and deregulation of the City.

Before the 'big bang' of deregulation in the City, in 1984, it was rather stuffy, run by many old families and not very bright people. Lord Carrington said that his Eton master told him that stockbroking, together with farming and the Army, were suitable for a really stupid boy. There were a number of restrictive practices. It was an old-boy network. Indeed, women were not admitted to the Stock Exchange until 1973.



Interestingly, while Edward Heath was looking for a Conservative seat in the late 1940s, he had two jobs: one was news editor of The Church Times and the second was a merchant banker. The first was then paid more than the second.

The average income of the directors of Morgan Grenfell in 1979 was £40,000 a year. By 1986, it was £225,000 a year, so things changed radically through the deregulation of the City.

Privatisation was not much referred to in the first Conservative Manifesto of 1979, but the 1983 Manifesto said: "Our goal is a capital-owning democracy." That was only possible when people did not fear the return of Labour, because people were not going to take shares in private industries if they thought they could be re-nationalised. The landslide victory in 1983 meant there was no fear of Labour coming back, so you could de-nationalise. Some industries were under-priced when they were sold to the public. Nigel Lawson said that this was not a wholly bad thing because it meant large profits for the shareholders and therefore convinced many people that privatisation was a good thing and that they should buy shares. By 1990, most of the public utilities nationalised by the Attlee Government had been de-nationalised. The major utilities that remained state-owned were the railways and the mines, but the railways were later privatised.

Now, privatisation was not aimed merely at increasing economic efficiency. If that had been the only aim, it would have been better to sell the state assets to existing companies and private operators. The idea, however, was to spread share ownership.

When the industries were nationalised in the 1940s, this was equated with public ownership. When the mines were nationalised, a poster was put up that read: "These mines are now owned by the people". But the people did not feel like they owned the mines or the other nationalised industries.

Margaret Thatcher said: "Ownership by the state is not the same as ownership by the people – it is the very opposite." What she wanted was what she called "popular capitalism".

By the end of the 1980s, there were more shareholders in Britain than there were trade unionists. There were ten million shareholders and about nine million trade unionists.

Also, owner-occupiers now exceeded council tenants by around two to one in the working class because, combined with privatisation, you had a policy of selling council houses to existing tenants, thereby creating a capital-owning country. The idea was to diffuse ownership of property and capital.

In the 1920s, the Conservatives had put forward the ideal of a property-owning democracy and added to that now was an ideal of a capital-owning democracy. So, you had a new Conservative electorate: the self-employed, the shopkeepers, the skilled workers. Those that wanted to better themselves could become middle class, gradually, by owning houses, by owning capital. The argument was, if you want to get on in life, the Conservatives are on your side, and people who never expected to do so were now owning houses and shares.

The Labour Party opposed these policies and this identified Labour, until the time of Tony Blair, as a block on popular aspirations: if you want to get on in life, people thought, the Labour Party or the trade unions will block you. The Labour Council will not allow you to buy your council house. The Labour Council will not give you a choice of school – your child will have to go to a neighbourhood comprehensive and it may not be any good. If you want to work longer hours to improve your position, the trade unions will block you, and a Labour Government will tax you to the limit on any extra income you earn.

The fourth phase of Thatcherism was its downfall, which came out of its triumphs. To encourage all this ownership, interest rates were lowered, and remained low for too long. They were paid for by borrowing. In late 1988, property prices started falling, and many people who owned houses found themselves in negative equity: their houses were worth less than they had paid for them. They were suffering the consequences of easy money – perhaps we still face these consequences today. Easy borrowing was unsustainable, and that was one prime factor in the downfall of Thatcherism.

The second was Europe, to which Margaret Thatcher seemed, to many Conservatives, to be too hostile. This led to the resignation of her Foreign Secretary, Sir Geoffrey Howe, in 1990, and to Michael Heseltine's leadership challenge.

The third was the poll tax, which proved grossly unpopular.

But she was probably not overthrown because of her policies. Most Conservatives, certainly in the country, were as sceptical as she was about a federal Europe. However, she had probably been there too long. She was a victim of her success. There were no more dragons to slay.

In a Shadow Cabinet discussion about trade union reform in the late 1970s, Lord Hailsham made the note: “Margaret wants to fight, but about what?!” There was nothing left to fight. Time, perhaps, for a little relaxation, hence John Major’s slogan of “A Britain at ease with itself”. Perhaps she had created a new consensus, a new settlement, and was no longer needed; perhaps it was now time for others to administer that settlement.

What kind of verdict can be made about Thatcherism?

The left said it was an accident, that Margaret Thatcher was lucky in her enemies - Galtieri (the dictator of Argentina) and Arthur Scargill - and the split in the left - Michael Foot becoming Leader of the Labour Party, the struggles with Tony Benn, division in the left wing vote when the SDP was formed. But all that is misleading because, without the split in the left, a lot of SDP voters would have voted Conservative rather than the Labour Party of Foot, Benn and Kinnock.

Thatcherism, as I have tried to show, was not just the product of one woman’s brain. Indeed, one of her closest advisors, Sir Alfred Sherman, said: “In the eight years that we worked closely together, I’ve never heard her express an original idea or even ask an insightful question.”

Certain conditions gave rise to Thatcherism, and probably any Conservative Leader would have had to express it to some extent, perhaps even a Labour Leader. No Labour Leader elected in 1979 could continue with incomes policies. Any Labour Leader would have had to resist Arthur Scargill or fight in the Falklands. A lot of the things done by Margaret Thatcher were done by governments of the left in other countries, like Australia and New Zealand. To some extent, her policies were inevitable in a period of globalisation – they were dictated by the markets.

Nevertheless, their effects were considerable. One important consequence was the creation of New Labour, the abolition of Clause IV in the Labour Party’s constitution by Tony Blair in 1995. Priority of controlling inflation, stressing the role of competition, a smaller state sector, lower taxation, less of a role for the trade unions... The Blair Government, in fact, took a smaller share of national income in tax than Margaret Thatcher at any time, even including borrowing: Margaret Thatcher took 45.4% of national income in tax; Tony Blair, 39.7%.

1997 was the first General Election since the Labour Party was formed where nationalisation was not on the agenda. Indeed, the question for most people was not which industries would Labour nationalise, but which industries will it privatise. Douglas Herd said in 1997: “The Conservatives lost the Election, having won the arguments.” No one any longer thought Britain was ungovernable, as they had in the 1970s. The only question was: which Party should govern?

No one on the left now seriously thinks of saying that inflation is not important, that a Government can, on its own, achieve full employment, that governments should adopt incomes policies, the state sector should be expanded, trade unions should have a larger role, taxation should be raised, Clause IV restored, that nationalisation should be a Labour Party’s main aim. But even more than this, Labour recognised the importance of the role of the entrepreneur. You may remember Peter Mandelson saying he did not mind people becoming filthy rich, as long as they paid their taxes. Emphasis in the Labour Party was on raising school standards, welfare to work programmes, prudence – during Gordon Brown’s first term as Chancellor in 1997, he was nicknamed Prudence for his very careful policies.

So, Thatcher made possible the economic success of New Labour. She broke through the constraints of the post-War Attlee settlement. She broke the mould of the commitment to full employment, the commitment to the mixed economy, and the commitment to trade unions being an estate of the realm. She helped create a new economic order.

However, she did not spectacularly increase the growth rate. It was actually lower, not only than the 1950s and 1960s, but even in the despised 1970s. That was, in part, due to mass unemployment. Now, it is fair to say, the growth rate everywhere in the 1980s was lower than it had been, in almost all countries, so perhaps you cannot blame her for that, but we must not forget that we had the benefit of North Sea oil. We were self-sufficient in fuel supplies in the early ‘80s, and you may say this gave us a unique chance to outperform other countries, something that we did not achieve. You may say that this was a long-term failure. Of course, you might also say that there was a long-term success in more flexible labour markets, with the weakening of the trade unions, and that was important for the future. Perhaps that is one reason now why unemployment is not as high as it was in previous slumps because the labour market is more flexible. This shows that some of the consequences of Thatcherism are long-term.

She created a new economic order, as well as a new social order, in which the whole corporate structure was dismantled, in which politics seemed to be sticky and not fluid. There have been changes in behaviour; we live in a much more individualistic age, which David Cameron has called a “post-bureaucratic age”. The essence of society now is much greater fluidity, much greater scope for the individual - a new individualism, if you like.

But there is also a downside to Thatcherism, and its main weakness was this. Traditionally, Conservatives had been deeply concerned with the nature of society, the community solidarity that Harold Macmillan spoke of. The capitalism unleashed by Margaret Thatcher undermined that stability.

Sir Keith Joseph ran a body called the Mulberry Trust to provide housing for deprived people. He noticed, rather sadly, that the divorce rate was higher amongst people who lived in the Mulberry Trust houses than amongst those on the waiting lists. In other words, the long-desired security of the home gave couples the chance to re-appraise their relationships. So prosperity does not necessarily lead to a more stable society – it can lead to a more volatile one.

Are the entrepreneurs created by the City and 1980s yuppie culture the heroes of Thatcherite ideology or did they help to undermine the sense of social responsibility?

The Conservatives accepted that a moral framework was needed if markets were to work. Keith Joseph himself said that in 1975: “It is characteristic of the past two decades that almost exclusive obsessions with economics by governments and competitive claims to usher in utopia have coincided with economic failure. A healthy economy is possible only in a healthy body politic, with self-reliance, thrift, respect for laws, and confidence in the system of rewards and sanctions.” But did the get-rich-quick ethic really encourage those virtues? Was not Thatcherism originally meant to be about living within one’s means? What about the Grantham ethic: saving, individual responsibility, rewards for skill and hard work? Margaret Thatcher said her father had seen buying shares as a form of gambling. Market liberalism appealed in a way to the 1960s, to ideas of free choice, of the consumer as king. But if a market order relies on thrift and prudence, they are not easily compatible, and we are perhaps now seeing the drawn-out social consequences in arguments about bankers’ bonuses and a sense of responsibility in society. Perhaps that is another long-term consequence of Thatcherism, and this is a dilemma: if you want successful capitalism, you have to engineer a certain sort of society in which these virtues of thrift and self-reliance are prominent – but how do you do it? It is a problem the Conservatives did not resolve. It is fair to say it is a problem that neither Tony Blair nor Gordon Brown resolved, and perhaps Margaret Thatcher therefore did not alter our values as much as she thought.

Michael Foot caricatured Keith Joseph when he compared him to “a conjurer at the fair... He takes your watch, he wraps it in a handkerchief, and he smashes it with a hammer, and then he says, “Oh dear, I’ve forgotten the second half of the trick!”

But let me not end on a negative note. Keith Joseph was fond of quoting these lines, from a now-forgotten poet, Alfred O’Shaughnessy:

*One man with a dream, at pleasure  
Shall go forth and conquer a crown,  
And three with a new song’s measure  
Can trample a kingdom down.*

You can argue that Margaret Thatcher trampled a kingdom down - the kingdom of statism inherited from the War years - and conquered a crown by helping to create a society based on the tenets of economic liberalism. She helped create a new consensus, which the rise of New Labour validated, a new common ground based on the market economy, and so her heirs are not only John Major and David Cameron, but also Tony Blair and Gordon Brown. New Labour sought, as Joseph had done and Margaret Thatcher had done, to marry economic efficiency with social compassion. However, they did not resolve the conundrum and perhaps there is no solution; perhaps we just have to live with social dislocation.

Let me end on this note, and it relates to something Tony Benn once said. When Margaret Thatcher was defeated, he produced an omni-purpose bill in Parliament, which would have the effect of abrogating immediately every piece of legislation passed by Margaret. However, he said that, even if it had passed, which of course it would not, it would not have had much effect because Margaret Thatcher was a great

teacher. He said that was her influence - not her specific legislation. He said, "The left hasn't had a great teacher since Aneurin Bevan". This was the great effect of Thatcher, summed up by one of her great opponents, who perhaps had more in common with her than either would be willing to admit. What cannot be disputed is that we inhabit a world largely created by Margaret Thatcher and we shall probably continue to do so for a long time to come.

Thank you.

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