

COMMANDING HEIGHTS

Margaret Thatcher

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(b. 1925)

Margaret Thatcher, England's first woman prime minister, led the country from 1979-1990. She is known for her conservative economic policies—such as the privatization of state-owned industries—and the social tensions those reforms engendered.

Excerpt from *The Commanding Heights* by Daniel Yergin and Joseph Stanislaw, 1998 ed., pp. 105-113.

She was born Margaret Roberts in 1925, and the roots of both her political career and her fundamental ideas went back to her childhood. "At heart, Margaret Thatcher was an extremely bright, lower middle class girl from the Midlands," explained one of her Cabinet ministers. "She believed in hard work, achievement, and that everything had to be paid for. If you don't have the money, you don't get it." She was the daughter of a grocery store owner and local political activist in the Midlands town of Grantham. Alfred Roberts had wanted to be a teacher, but owing to the modest finances of his family, he had been forced to leave school at age thirteen to go to work. He saved his pennies and in due course graduated to owning two grocery stores. He was an autodidact, very much self-taught, and one of the very best customers of the local public library. He also was much more interested in local politics than in groceries.

Alfred Roberts was the most important influence on his daughter. "I owe almost everything to my father," she said. Later, she added that she owed him "integrity. He taught me that you first sort out what you believe in. You then apply it. You don't compromise on things that matter." It was he who imparted to her the homilies and examples—about hard work, self-reliance, thrift, duty, and standing by your convictions even when in a minority—that she was proud to cite when prime minister. He told her that it was not enough to be a "starter." You also had to be a "sticker" and "see it through." "Some say I preach merely the homilies of housekeeping or the parables of the parlour," she said in 1982. "But I do not repent. Those parables would have saved many a financier from failure and many a country from crisis." She was also shaped by the family's commitment to Methodism. On Sundays, she was in church two or three times a day. The family's life was simple, even spare. There were few toys, and they lived above the shop. Politics, she would observe, was the best and most exciting part of her father's life, and politics was what Alfred Roberts talked about with his daughter. Along

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with the homilies, he also imparted to her the lasting passion for politics. The first time she worked in a campaign was when she was ten.

Her university years were during World War II, and she came to maturity with an unembarrassed, unabashed patriotism that never left her. The war, not the Depression, was her formative experience.

She went up to Oxford University, where she studied chemistry, although without much conviction. Politics was what compelled her. She ended up president of the Oxford University Conservative Association (although she did not debate in the Oxford Union because women were not yet permitted to join). She had settled on politics as her career. In 1945, she went back to Grantham to campaign for the conservative candidate....

After graduating, she took a job as a research chemist in a plastics factory and then in the research department of the J. Lyons food company, testing cake fillings and ice creams. She had no great interest in being a scientist, but she was determined to support herself away from home. What she really wanted was to be adopted by a parliamentary constituency.

She was given a constituency in the southeast of England that traditionally voted a strong Labor majority. She lost. No one had expected otherwise, and she was very pleased to have had her first shot at Parliament. On the night of her adoption for the seat, she happened to meet a businessman named Denis Thatcher, who ran a family paint and chemical company. They were both interested in politics. And, as she put it, "his professional interest in paint and mine in plastics" gave them further topics of conversation, as "unromantic" a foundation as that might have seemed.

They were married in 1951. Having had her fill of chemistry and cake fillings, she studied for the bar and became a lawyer, specializing in patents and tax. She had already achieved some prominence. As a young Tory woman in 1952, she wrote an article for a Sunday newspaper saying that women should not necessarily feel that they had to stay at home. They could pursue careers—including in Parliament, where there were only seventeen female MPs out of 625. And there was no reason not to shoot high, even in Parliament. "Should a woman arise equal to the task, I say let her have an equal chance with the men for the leading Cabinet

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posts. Why not a woman Chancellor? Or Foreign Secretary?" In 1959, she was elected to Parliament. She had reached the first rung.

"The natural path to promotion and success at this time," she was to recall, "lay in the center of politics and on the left of the Conservative Party. Above all, the up-and-coming Tory politician had to avoid being 'reactionary.'" Prime Minister Harold Macmillan epitomized it all... Described as a kind of "New Deal Conservative," he had seen it as his duty to embed the Tory Party firmly in the postwar consensus; and he embraced the welfare state, full employment, and planning—all of which he saw as the "middle way" between the old liberalism, on one side, and socialism and totalitarianism, on the other. His family firm, Macmillans, had published Keynes' most important works... and Macmillan was strongly influenced by Keynes throughout his political career.

Margaret Thatcher subscribed to what she called "the prevailing orthodoxy" and moved further up the rungs. In 1961, Macmillan made her a junior minister, and she dutifully followed him as well as his successor, Alec Douglas-Home.... Then, as part of Edward Heath's team, she became education minister when he led the Conservative Party to victory in 1970. It was only in 1974 that she and Keith Joseph broke with Heath and the mainstream—amid the economic and social crises, electoral defeat, and the struggle over the leadership. But she had already been much influenced by the Institute of Economic Affairs, with which she had worked since the 1960s.

As Leader of the Opposition from 1974 onward, she left no doubt that she was also one of the Conservative Party's most committed free marketers. In the mid-1970s, not long after becoming Leader, she visited the Conservative Party's research department.... She reached into her briefcase and pulled out a book. It was Hayek's *The Constitution of Liberty*. She held it up for all to see. "This," she said sternly, "is what we believe." She slammed it down on the table and then proceeded to deliver a monologue on the ills of the British economy.

[By] 1979, just half a decade after the electoral debacle and her rupture with Heath and traditionalist conservatism, she was prime minister. One of the first things she did was elevate Ralph Harris, the director of the Institute of Economic Affairs, to the House of Lords. "It was

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primarily your foundation work," she wrote him, "which enabled us to rebuild the philosophy upon which our Party succeeded."

... Margaret Thatcher knew exactly what she thought. Government was doing too much. "We should not expect the state," she declared not long after taking office, "to appear in the guise of an extravagant good fairy at every christening, a loquacious companion at every stage of life's journey, and the unknown mourner at every funeral." She wanted to replace what she called the "Nanny State" and its cradle-to-grave "coddling" with the much more bracing risks and rewards of the "enterprise culture." She liked Edmund Burke's quote that politics was "philosophy in action." But ideas were one thing. Putting them ... into action, translating them into policy amid the immense complexities and contentions of modern government and society—all that was something else. And if judged only by its first three years, the Thatcherite revolution might have been deemed a failure....

The new Tory government that took power in 1979 discovered that it had inherited an even more dire economic situation from Labor than it had anticipated.... Interest rates were 16 percent; inflation was programmed to rise to 20 percent; the government deficit was destined to swell. Enormous pay increases were promised to public-sector workers, a sort of postdated check left behind by the Labor government that would guarantee still-higher inflation. The state-owned companies were insatiably draining money out of the Treasury. To make matters more difficult, Keith Joseph's hopes to convert the Tory Party had been only partly fulfilled. Thatcher was a minority within her own government and did not have control over her Cabinet... but Thatcher knew what she wanted to go after, right from the beginning. "The two great problems of the British economy," she declaimed, "are the monopoly nationalized industries and the monopoly trade unions." To conquer them, she would have to declare war.

Coming to office in the wake of endless strikes, she was forced to focus on the powerful trade unions. Unless the unions could be curbed and a more level playing field instituted' nothing of substance could be accomplished. The government dug itself in, to varying degrees, on a series of strikes. It also got critical legislation through Parliament limiting the ability of unions, sometimes battling among themselves for power, to turn every disagreement into a class war.

"The Lady's Not for Turning"

At the same time, the government also got busy trying to displace Keynesianism with monetarism. Instead of intervening with fiscal policy, the Tory government believed that its main economic job was to ensure a steady growth in the money supply that would be commensurate with economic growth. The traditional Keynesian measures of economic management—employment and output targets—were abandoned in government budgetary documents, in favor of targeting the growth in money circulation in the economy. Huge and immensely controversial cuts were made in government spending, certainly reversing the trend of almost four decades. Yet the immediate results were not economic regeneration. Inflation, already deeply entrenched, was made worse by the oil-price shock of 1979 and the programmed public-sector pay hikes. Unemployment also continued to increase. Joseph's vision did not exactly seem to be working out as he had promised; many more bankrupts than millionaires were being created.

Some of the harshest criticism came from within Thatcher's Cabinet. One of her ministers denounced the entire intellectual agenda, warning that "economic liberalism a la Professor Hayek, because of its starkness and its failure to create a sense of community, is not a safeguard of political freedom but a threat to it."

... Other politicians might well have compromised. Not Thatcher. She was determined.... "I am the rebel head of an establishment government," she said proudly....

Yet the clamor for a U-turn, away from the body of ideas that Joseph and she had propounded in the 1970s, grew stronger and stronger. But she would not be budged. At the annual Conservative Party conference in 1980, where many did want a U-turn, Thatcher drew the line. "Turn if you like," she declared. "The lady's not for turning." It would be her most memorable line....

But the economic pain continued to mount. And as it did, her popularity declined. What her supporters saw as her resoluteness, commitment to traditional values, and willingness to speak the truth, her critics viewed as elements of a domineering, adversarial, and sometimes gratuitously uncaring personality....

The Tories' support in the polls [fell] to 30 percent, and hers, even worse, to 23 percent—she was as unpopular as any prime minister since the start of polling.

Then, on April 2, 1982. Argentinian troops invaded the Falkland Islands in the south Atlantic, some two hundred miles off Argentina's coast. Britain had ruled the rugged islands for 149 years; and something less than two thousand Britons lived there. Argentina had long claimed this bare, uninviting piece of real estate; the brutal military junta that ruled Argentina wanted it back and hardly expected significant resistance. But Thatcher decided that Argentinian aggression could not be allowed to stand. Despite very considerable risks, she dispatched an armada to retake the islands. "I didn't believe in appeasement, and I would not have our people taken over by dictatorship, " she later said.... "Yet had I fed all the factors in a computer—8,000 miles away, winter, problems of supply, their air cover 400 miles away, we had only two aircraft carriers and if one were sunk, three to four weeks after loading soldiers before they could land—the computer would have said don't do it. But we are people of belief."

After several naval battles, a full-scale landing, and three weeks of tough fighting, the Argentinians surrendered. One result was the collapse of the military government in Buenos Aires. The victory also transformed Margaret Thatcher's position at home... and helped set the scene for the Thatcher Revolution. Thatcher herself was no longer an unpopular, almost sectarian figure. She had also ... proved that a woman could be prime minister. But the true test would come with the general election of 1983.... She won with a huge landslide—a 144-seat majority—the largest since the Labor victory that ushered in the "New Jerusalem" in the summer of 1945.

The Decisive Battle

The two victories—in the Falklands and at the polls—now gave Thatcher the opportunity to fight the next war.... The confrontation took the form of a standoff with the National Union of Miners, led by a Marxist militant named Arthur Scargill.

The coal industry, nationalized in 1947, was losing money at a horrendous rate; the government subsidy had risen to \$1.3 billion a year. The industry desperately required rationalization; mines had to be closed and the workforce shrunk if there was to be any hope

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of revival. Scargill and his militants were unwilling to compromise. Mine pits could not be closed they said, no matter how large the losses. For them, it was not a battle over modernization but a class war.

Thatcher and her colleagues knew, from personal bitter experience, how a coal strike had precipitated the downfall of the Heath government almost exactly a decade earlier.... In preparation for the campaign, Thatcher's generals made certain that the Central Electricity Generating Board began, quite early, to stockpile coal inventories to see itself through a cutoff of new production. There was to be no repetition of the blackouts and power cuts of 1974.

The strike began in March 1984. It was angry and sometimes violent —thousands were arrested during its course. Not only miners who wanted to continue working but also their families were subject to constant intimidation. Police employed mounted cavalry charges to break up mass demonstrations. The strike became an international cause celebre. Social democrats in Western Europe collected money on street corners to support the striking workers. The National Union of Miners solicited funds from Libya's Colonel Qaddafi and received money from the "trade unions" of Soviet-controlled Afghanistan and, apparently, from the Soviet Union itself. Despite the intense pressure and the disruption, the National Coal Board and the government held firm. It took a year, but the strike finally petered out, and in stark contrast to 1974, this time the miners' union capitulated. The government had won. The outcome meant a new era in the basic relationship of labor, management, and government—in short, in how Britain fundamentally worked. The decades of labor protectionism—which had cost the British economy heavily in terms of inflexibility, red ink, and lost economic growth —were over....

The most decisive element of Thatcherism, and the one—along with the philosophy itself—that would have the greatest impact around the world was what was became known as privatization. It represented the sharpest break with the postwar Attlee consensus....

Margaret Thatcher and Keith Joseph... wanted to get the government out of business. To do so, they had to invent a new kind of business, for there were no guidelines in either the developed or the developing world for what they intended.

... In the late 1960s, a young conservative politician named David Howell [had been] charged with working out a plan, as he put it, "to unravel Britain's huge state sector and at the same time widen capital ownership in British society." Scouring the United States for ideas, he ran across the word privatization in the work of the economic and social theorist Peter Drucker. and he deployed it in a 1969 pamphlet, "A New Style of Government." But then, as Howell put it, the idea lay "dormant," until Joseph and Thatcher picked it up....

Thatcher adopted the concept, because she saw in it something much more than a means to raise revenue for the Treasury or rein in the unions. It was about changing the balance in society. "I wanted to use privatization to achieve my ambition of a capital-owning democracy. This is a state in which people own houses, shares, and have a stake in society, and in which they have wealth to pass on to future generations." Out of that ambition came her fervor....

Ultimately, the Thatcher government was able to carry out a privatization program far bigger than anyone would have expected at the start, and one that pushed back the frontiers of the state. In 1982 and 1984, the government's ownership share in North Sea oil and gas was privatized' creating among other things Enterprise Oil, today one of the world's largest independent oil companies. The government disposed of its share in British Petroleum—acquired by Winston Churchill on the eve of the first world war. Ports and airports were privatized. Heathrow and other airports are now owned and operated by a private company, BAA, which also operates airports in the United States.

The first truly massive privatization was the hiving off of the state telephone system into British Telecom.... British Gas, British Airways, and British Steel followed. Later came British Coal and British Rail. The state-owned water system was privatized in the form of a series of regional water companies. Most massive of all was the breakup of the state-owned electric power monopoly into twelve regional distribution companies,* three generating companies, and one open-access grid company....

Margaret Thatcher's third electoral victory, in 1987, confirmed that Thatcherism was not an aberration but a change of direction.... But the 1987 victory was also the beginning of the end of an era. The Tory government created a domestic furor by "bashing on" to make a radical change in local taxation in the form of the poll tax. And Thatcher became increasingly

nationalistic and angry in her attacks on the moves to strengthen the European Community. She reviled what she saw as a new bureaucratic monster rising up in Brussels that would drain sovereignty away from Westminster. She was particularly enraged about plans to create a single European currency, which, she was convinced, would lead to German hegemony over Europe.

Her strident stance did more than anything else to alienate some of those who had been her most important allies in creating the Thatcherite revolution. They were convinced that Britain should be inside Europe helping to shape it, not sitting outside and attacking it. All of this was made worse by the style of Thatcher's leadership. She appeared to have become increasingly confident of her own opinions, increasingly isolated from other points of view. She showed little willingness to brook opposition, and she humiliated even those who had been closest to her. She had become a divisive figure, not only in national politics but within her own party.

One of Thatcher's closest allies over the years had been Geoffrey Howe, who had served as chancellor in the first four years of her government and as foreign secretary for the next six. Deciding that he was not sufficiently anti-European, she forced him out as foreign secretary, consoling him with the posts of leader of the House of Commons and deputy prime minister. After a little more than a year, he had had enough. He could no longer tolerate Thatcher's domineering leadership or what he saw as her crudely nationalistic opposition to the European Community. His resignation speech in November 1990 regretfully but clearly laid out his disagreements.

The speech precipitated a contest for the leadership of the Conservative Party. Thatcher was in Paris when she learned that she had come out at the top of the first ballot but without the required majority.... Warned that she would eventually lose, and anticipating the humiliation that would follow, she withdrew her name from the second ballot. A few days later the new leader of the Conservative Party, John Major, son of a vaudeville entertainer-turned-businessman, succeeded her as prime minister.

The Thatcher era was over. She did not go out amid a great outpouring of sentimentality. Her unpopularity extended right across the political spectrum and into a large segment of her own party. She was seen as self-righteous, rigid, and uncaring. Her strength—her convictions—had

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also been her downfall. She was, Geoffrey Howe said afterward, "a great prime minister." But, in his view, "her tragedy" was "the recklessness with which she later sought to impose her own increasingly uncompromising views. For Margaret Thatcher in her final years, there was no distinction to be drawn between person, government, party, and nation.... The insistence on the undivided sovereignty of her own opinion dressed up as the nation's sovereignty was her own undoing."

Yet her legacy proved powerful and lasting in a way that eludes most politicians. She recast attitudes toward state and market, withdrew government from business, and dimmed the confidence in government knowledge. Thatcherism shifted the emphasis from state responsibility to individual responsibility, and sought to give first priority to initiative, incentives, and wealth generation rather than redistribution and equality. It celebrated entrepreneurship. Privatization became commonplace. Labor unrest no longer continually disrupted the economy. For a number of years Thatcherism seemed anathema almost everywhere. But by the 1990s, it would turn out that Margaret Thatcher had established the new economic agenda around the world.

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