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Up for Debate: Privatization and the Thatcher Legacy

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Norman Tebitt, Lord John Wakeham, Lord Cecil Parkinson, Lord David Young

The Benefits of Privatization

LORD NORMAN TEBITT: One of Margaret's Thatcher's extraordinary achievements was that she changed the whole perception of the way our economy is run. If you talk to young people these days they have no recollection of these companies before privatization. This is the world as it always has been, and therefore they owe no gratitude to those who put it into the shape or form. They're merely looking around now saying, "Well, why should a telephone cost that much? Why isn't there more competition? Why are my water rates so high?" You can't expect gratitude to run on for years and years over these things. I think what has been the great failure of the Conservative Party in political terms in this: that they have not persistently nailed Labor ministers as having opposed all these measures, which they now accept and applaud.

LORD JOHN WAKEHAM: The fact of the matter is that you can take virtually every privatized industry and try to put some objective tests to how it is now, delivering what it should deliver compared with what it delivered when it was a publicly owned body. And in almost every case -- in fact every case, it produces lower prices for the consumers. Less taxpayers' money [has] to be put in to run it. Indeed, they're all now paying taxes into the Exchequer rather than drawing money out. [There are] better environmental practices than were practiced before, and infinitely better working conditions and salaries and wages to the employees. By every objective test, privatization has delivered the right goods for everybody -- because it's much better run than it used to be.

INTERVIEWER: And does that mean on the whole, therefore, that a privatized society is a happier and better society?

LORD JOHN WAKEHAM: I think so. Yes. I think it does because I think it requires an objective test of what people are about. I'll give you one very simple example. I remember Mrs. Thatcher getting extremely cross with one of her ministers as to why we hadn't put out to private contract for the cleaning of railway carriages on the railway, and he had to report to her they couldn't do it because never in the history of the railways had anybody defined what they mean by a clean coach, and until you could write down what you meant by a clean railway coach, you couldn't put it out to contract. And it was that clarification of objectives, time and time again, which enabled the privatized industries to perform much better, much more effectively than the old nationalized industries. which were full of good intentions and full of thoroughly bad management. And of course the problem was that the old industries didn't attract the right level of management because they said why work in an ethos like that when I can work in a private-sector company where I feel I can achieve something?

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INTERVIEWER: Did Margaret Thatcher see privatization as a huge undertaking?

LORD CECIL PARKINSON: Well, it's now fashionable to say it was a sort of accident, but it wasn't, you know. I remember going into the Department of Trade with Norman Tebitt and John Nott, and we were determined to be the first department to privatize an industry. And we were the first department to get a bill before Parliament to do it, and that industry was British Airways. So there was competition from the very beginning in Whitehall to be the first to privatize.

This notion that we'd been in government for a couple of years and suddenly ... said "Why don't we privatize something?" is quite wrong. From day one we wanted to be the first department to privatize. And fortunately we got the bill through Parliament. We got the company reorganized, and then Freddy Laker slapped in a writ claiming several hundreds of millions, so the net result was we had to postpone the float until we'd cleared that up. But from day one we wanted to be the first, and all over Whitehall people were getting into this [with] their departments and saying, "What can we privatize? What can we take to the market?"

Thatcher's Impact on Other Leaders

INTERVIEWER: How would you describe the legacy of the Thatcher years? How big an effect has it had worldwide?

LORD CECIL PARKINSON: Oh, an enormous effect. I know you might say I'm biased, but I mean, you go anywhere in the world. As I told you, I started by going to Russia where a Russian minister told me they regarded us as the sick man of Europe. In 1990 I went back to Russia, when Gorbachev was in charge; the British were right at the top of the list of people who would be given grade A treatment. We were seen as an example of how to do things, not as an example of how not to do things. The Russians wanted to learn from us about privatization and controlling public expenditure and the market and lower taxes. So we went in that space of 11 years from being an example of what you shouldn't be to being an example that people wished to follow.

And for me, a couple of years ago, when the Californian electricity industry came over, because from the land of the free and the home of the brave the electricity industry wanted to come to Britain because they felt we had the model for running an electricity industry and they wanted to import it into California. Now, when did America send people over to Britain to find out how to do things? We used to go over there for precisely the same reason. So we became... Instead of a cautionary tale, we became something to be respected.

And I think also the role that Mrs. Thatcher played alongside President Reagan in finally bringing home to Gorbachev that Russia simply couldn't carry on as it was and helping to bring an end to the Cold War again was hugely substantial, and also affected people's attitude to us. And so if you go to America or if you go to Russia,

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you will find in two countries which at the beginning of our term of office shared a common view -- that we were finished -- you'll find them now seeing us as a country that reversed a trend that appeared to be irreversible and now has lessons to teach the rest of the world, as well as lessons to learn.

We didn't seem to have any lessons to teach anybody when Mrs. Thatcher came to power. She transformed people's attitude to the country. And funnily enough, the most reluctant people to face that fact are the British. Mrs. Thatcher is no good at exploiting people's problems and shedding crocodile tears about it. Mrs. Thatcher feels you should deal with people's problems. You shouldn't exploit them, and whatever people say, you look at the increase in expenditure on the health service, on education, all the other fields when we were in power. Now, maybe we weren't very good at talking about it, but it was happening. And she actually always took the view it was much more important to do things that improved the lives of people rather than shed crocodile tears and say, "I'm very much on your side, but I'm not going to do anything about it." She got on and tried to do things.

I mean, I think the experiment, the changes we were bringing about in the health service, I think it's tragic that Blair abandoned them, because we are still operating Clement Attlee's health service, a health service devised over 50-odd years ago. And it's not a question of putting more money into it, the structure, the machine doesn't work. And the idea that the answer to the problem is just to keep pumping petrol into the tank when the machine isn't firing properly is nonsense. So she didn't shed crocodile tears about people's problems; she dealt with them.

INTERVIEWER: Some people have used the phrase "Thatcher's children" to describe Tony Blair and Bill Clinton. What do they mean by that?

LORD DAVID YOUNG: The most remarkable thing is to see a Labor government, Tony Blair's government, to have adopted hook, line, and sinker all the economic matters and measures that we believed in -- beliefs in the competitive economy, beliefs in privatization, beliefs in the state not doing more than it really has to do. Indeed, Bill Clinton and Tony Blair have so much in common that they've adopted all the stories, all the thoughts, the policies, originally that go back to Keith Joseph and to Margaret Thatcher, and that's been the big change. Ronald Reagan was marvelous, and in Ronald Reagan's time and Margaret Thatcher's time, the world took a big step forward, but now it's become the orthodoxy. The orthodoxy is enterprise.

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Newt Gingrich

Newt Gingrich on Thatcher's Influence

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NEWT GINGRICH: Margaret Thatcher was the forerunner who made Reagan possible. The 1979 campaign was the direct model from which we took much of the 1980 Republican campaign. Reagan drew great strength from Thatcher and her courage and toughness in living through that first recession, and [her] toughness in the Falklands Wars rallied Americans in a remarkable way.... I think Thatcher and Reagan were the duo that defeated the Soviet empire, relaunched the legitimacy of freedom and free markets, and created the intellectual framework for the modern pro-freedom movement. In a lot of ways Tony Blair is Margaret Thatcher's adopted son. He has actually been running a fairly Thatcherite Labor government.

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Up for Debate: Privatization and the Thatcher Legacy

Tony Benn

"She destroyed our manufacturing industry."

TONY BENN: What Mrs. Thatcher did was to take the huge power of the state and transfer it from looking after people to looking after big corporations. And now people are being driven back to where they were before the Industrial Revolution when they were serfs in the presence of the great barons of the private corporations, most of which were international in character....

She destroyed our manufacturing industry. She brought unemployment to the highest rate we'd had since the prewar years. She began to dismantle the welfare state. She deprived the health service of the resources that it needed. She deprived education, schools, and so on, and she did enormous damage to the fabric of society. In the end, her own party threw her out. They didn't want her anymore. They introduced the poll tax, and that finished her off. So I think Mrs. Thatcher will not be remembered as a great figure, but she was a passionate advocate of money running the world instead of the people running their own society. That was her great contribution to a debate that I think she has lost....

If you brought the railways [back] into public ownership, you'd have 80 percent support in the population. The railways are rotten. They're neglected, they're ill-run, and so on. They're not making proper investment. People are now ready for public services that are publicly financed. And that is the change that's occurred partly as a result of the damage Mrs. Thatcher did.

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Barbara Castle

The Hidden Costs of Thatcher's Reform

INTERVIEWER: Looking back, then, what success, economically speaking, did the nationalized industries deliver?

BARBARA CASTLE: There is no doubt that when Margaret Thatcher and the Conservatives started to privatize the gas industry, they found that there had been high levels of inefficiency. Some of the critics... say, "Well, they have a monopoly, haven't they?" But what we noticed when privatization came, during the Thatcher period in particular, for example when British Telecom was denationalized, you started to pay for little things. You wanted a number in the telephone directory. You'd think that a business which is providing for telephone calls and getting paid would be only too glad to help people [find numbers to make those calls]. [People] suddenly had to pay 42 pence. I don't know what it's gone up to now.

It didn't happen in every case, but the notable example in my view was [with] the railways.... [W]hen the privatization of the railways was launched by the Conservatives... it was again a policy fragmentation. The rail safety has suffered because you broke it up into a lot of little different companies, and you couldn't get one body responsible for safety of the system throughout the country, or form proper railway stations, or whatever.

INTERVIEWER: Margaret Thatcher's key criticism against Labor in the '70s would have been that the nationalized industries had failed and that this was partly due to too much power in the hands of the unions.

BARBARA CASTLE: I am very familiar with that argument, but I don't think it's true. To begin with, I don't think they'd failed. When Margaret Thatcher came in '79 on the sort of arguments you've been expressing, there was a tremendous rise in unemployment. I remember she said, "Keep government out of people's lives. Let them go ahead and catch as catch can; that's the way to maximum wealth." I remember going around in my area -- I was then in the European Parliament, but I had big Northwestern constituencies -- and there I remember being begged by employers, "Can you stop her? Can't you do something? We're being ruined by this harsh policy of everybody stand on their own feet. We're not able to." The country was not the richer for that; it was the poorer.

The Bigger Companies Get, the Less Accountable They Become

INTERVIEWER: Surely since Mrs. Thatcher was prime minister, the governments around the world have been privatizing nationalized industries, deregulating. Doesn't that show that Labor lost the argument economically?

BARBARA CASTLE: Well, yes and no, again. It is true that privatization has given a shot in the arm to all sorts of industries. Their idea was that competition would bring out the best in the entrepreneur and that the customer would benefit from that

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competition. First it looked like it. But then at the heart of that belief, under that policy, is the fact that as soon as competition gets intense, firms don't continue the competition. They merge, [beginning] a great process of merging the competing elements [that] stimulate a trade and industry.

[Companies are] getting bigger and bigger and getting international, and they're getting beyond the control of any national government, and this, therefore, is going to turn the economies sluggish, or more sluggish than they need have been. There's no public control over them. If a nationalized industry was performing badly one could always ask questions in Parliament. You could bring the spotlight on them. You can't bring a spotlight on a great global corporation that's got its tentacles all over the place. There's already a new world unrest showing itself among those who are left on the sidelines when this great accumulation of power takes place. Now a company's power is becoming bigger and less accountable than it ever was before. It was bad enough when it was just a big, national industry.

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Gordon Brown

Thatcher's Impact on Britain's Coal Mining Industry

INTERVIEWER: What was the coal miners' strike about? Was that a great clash of values?

GORDON BROWN: The coal mining strike of the early 1980s was a tragedy for so many of the mining families that were involved in it. They were denied proper benefits for a year. Many were arrested. Many families never recovered from this dispute, and it was a human tragedy. It was always the case that the coal industry of the country had to reform and modernize. It was always the case that there were going to be less jobs in the coal industry in future years.

But like it or not, the Thatcher government at the time gave people the impression that they didn't care whether there was a mining industry at all. They didn't care whether you had a balanced energy policy, or simply a policy for energy based on nuclear, gas, or oil without coal. And it was, I suppose as a result of that, a clash of ideas. because people felt that the government neither cared about the future of communities, nor did they care about there being a balanced policy towards energy, and that it was irrelevant to them whether there was a coal industry or not. I suppose that was how these problems arose.

INTERVIEWER: Now that the smoke of battle has cleared, what's happened to the miners? Are they out of work?

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GORDON BROWN: In my community at the beginning of the century, there were 66 pits employing 30,000 workers. Even after nationalization, there were 33 pits employing 20,000 workers. My community has remained a mining community, but only with one pit, and less than 1,000 workers. You have essentially had a decimation of the industry from both its peak days and even the days of the time of the miners' strike in the early 1980s.

I myself have always taken the view that you need a balanced energy policy. You should not rule out one source of energy, but I also feel that the role of government in the modern world is to help people cope with change and to help people through a period of change. For a mining community or a steel community or a shipbuilding community or, in the modern world facing global competition, a textile community, the role of government is to be on people's side and say to them: "Look, we cannot stop the clock. We cannot prevent change, and we will not prevent change. Indeed, change is to the benefit of the whole community. But we will help you cope with change. Indeed, we will help you to master that change."

That in my view is an essential role of government in a world where there is this huge international division of labor, where people certainly want the opportunities that come with a global economy. But people are subject to the insecurities that come with their lives being affected by decisions that are made in all sorts of different continents and not just in their own community. We should be helping the people cope with change, and that is, in most cases, giving people new skills. It is sometimes helping people be more mobile. It is certainly helping families deal with a loss of income as a result of the loss of a job or the loss of a number of jobs in their immediate family.

INTERVIEWER: Is that what's happened to the miners?

GORDON BROWN: I think many miners have moved into new jobs. Many miners have simply ceased working. Many are subject to incapacity as a result of some of the mining diseases, and we've got to help people through that. I myself believe that if the difficulties of the mining industry in the early 1980s had been better handled, then we would have more of the miners who lost their jobs still in work in another industry [rather] than simply out of work at the moment. But it does reflect to me the important responsibility of government.

You might call it the Third Way, because you are not saying to people there is no change, and you are not saying to people let's go back to the old ways where we simply provided social security benefits and let you stay unemployed. We're saying to people, we'll help you get the skills, we'll invest in your future. We may even be able to help you start a business, or become self-employed. We'll certainly help your whole family.

That is a modern role for government that recognizes that if we are to put people in a position where they are able to realize their potential to the full, we've got to take on board that yes, people want all the opportunities that the opening up of a global

economy provides. But yes, also they are far more subject to the insecurities that arise from the vulnerability to financial shocks and to massive industrial restructuring as a result of the international division of labor. And therefore, it is our duty to equip people to cope with that change.

The Imbalance of Thatcherism

INTERVIEWER: Would you agree that Margaret Thatcher and Ronald Reagan were both ideological politicians?

GORDON BROWN: I think that Mrs. Thatcher in particular was reacting to people's sense that the British economy was in decline [when] she took office. She identified the failure of the British economy at that time with a failure of collectivism, and she said it was because Britain was overtaxed, over-bureaucratic, [and] there was too much trade union power. I believe the work that was done by that Conservative government was essentially negative because what they were doing was tearing down some of the postwar institutions. The policies that were being adopted did not reflect the original aims that people had for employment or security or prosperity being extended to all.

What happened was that in the 1940s, the Labor government nationalized [industries]. In the 1980s, Mrs. Thatcher moved these industries back into the private sector. We still did not have and we are still working on the proper relationship in a global economy between state and market, between public and private. We are still working on, because these are questions that remained unresolved at the end of the Thatcher years: How [do] you manage public services to the best effect, to achieve the values that you set out [to achieve]? Each of the initiatives that she tried -- one, classically, was a poll tax -- the positive policies that were put forward in the Thatcher years ended in difficulty, and in some cases having to be reversed entirely.

The way I put it is this: While she understood that we had to move from the overregulated economy of the 1940s and 1950s, what she didn't understand was there were still problems -- underinvestment in education, underinvestment in health, a transport infrastructure that was failing, lack of community spirit in our country, lack of opportunity for many groups -- she still did not understand that these were problems that had to be addressed if you were going to have a successful economy. And in the end, of course, the public rejected the Conservative government.

INTERVIEWER: Mrs. Thatcher is described again and again as the savior of the British economy.

GORDON BROWN: What Mrs. Thatcher essentially did was tear down the old institutions that had outdone their usefulness, but what she failed to do was to build the new institutions, the new practices that were going to guarantee prosperity for

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people in the future. So she privatized and deregulated and she liberalized. I agree that she was right to emphasize the importance of enterprise, but what she didn't do was extend enterprise to all. What she created was a relatively unstable and volatile economy, and we had to come in and make the Bank of England independent. All major problems that British people faced -- the public services and their quality, the infrastructure for transport, under-investment in education, lack of community, an increasing sense of unfairness, Britain's role in Europe and the world unresolved, had not in the end been resolved by the Thatcher leadership. Other governments [since] have had to face up to all of them and try and work out the best way forward.

INTERVIEWER: Would you say Mrs. Thatcher inflicted unnecessary suffering on the country?

GORDON BROWN: The problem with the Thatcher prescription is not only did she leave a volatile and unstable economy, which had two of the worst recessions since the war, but she left a society where people felt the public services were undervalued. The health service, investment was not taking place in education, and there was a general sense that issues of fairness were of no consequence to the Thatcherites. When she said there was no such thing as society, what she meant was that the attention that should have been given to the institutions of society, like the health service, like education, was simply not devoted to them during these Thatcher years. So almost every major problem that Britain had faced -- its poor performances in economy, the lack of stability in its macroeconomic management, the underinvestment in education, a poor transport infrastructure, a health service that needed both reform and money, and inequalities, particularly in the poor communities that left people out of the mainstream of the economy -- all these problems remained unaddressed, even as Mrs. Thatcher left office. And they have had to be addressed by [subsequent] governments.