

# TEN LESSONS LEARNED FROM MARGARET THATCHER

This special document is Chapter 26 of the book "Margaret Thatcher: A Portrait of the Iron Lady" distributed in connection with the fifth edition of the Jean A. Pouliot Lecture Series. The book's author, John Blundell, has been described by Mrs. Thatcher herself as one of the most effective champions of the free-enterprise economic model. The Montreal Economic Institute has offered Mr. Blundell its platform to address a Montreal audience and share his views on the former British prime minister's work and heritage.



**John Blundell** was Director General of the Institute of Economic Affairs, considered to be the most prestigious think tank in the United Kingdom, from 1993 to 2009, and has been involved in the creation and development of numerous think tanks and research organizations around the world.

Lady Thatcher's legacy is far reaching. She was the longest serving Prime Minister of the 20th century and so had 11½ years to get the job done. But what a job:

- ▶ She took on the whole union movement, brought it back under the rule of law and gave it back to its members;
- ▶ She transformed the nation's view of the benefits of a market economy;
- ▶ She privatized the commanding heights of the economy thus transforming their fortunes and starting a worldwide movement;
- ▶ She taught us the need for monetary continence if we wish to enjoy low inflation;
- ▶ She enfranchised millions of former local authority serfs through the right to buy public housing;
- ▶ She made Brits walk tall again with a principled, firm and robust approach to foreign relations;
- ▶ She started the process which has now led to peace in Northern Ireland;
- ▶ She helped Ronald Reagan tear down that wall without a shot and destroy the evil empire;
- ▶ And she ensured that all future British governments have to be much friendlier to laissez-faire capitalism than had been the case prior to 1979.

Today, three decades after she came to power and two decades after she left, it is interesting to speculate. What will the next Mrs. or Mr.

Thatcher have to do to rival her record? How about this list:

- ▶ Deregulate and stop the tsunami of new legislation;
- ▶ Renegotiate with the EU;
- ▶ Bring crime down;
- ▶ Reform the National Health Service;
- ▶ Increase educational standards;
- ▶ Reduce welfare rolls;
- ▶ Simplify and reduce taxation; and
- ▶ Balance the books.

A future Prime Minister who did that would deserve to have Margaret Thatcher's reputation.

So let me try to summarize ten key strategic lessons I have identified from Margaret Thatcher:

**(1)** Above all Margaret Thatcher had a very strong personal political and moral compass. She could turn to a room full of powerful men and in effect simply say "I know this is right; you know this is right; the only question is how we do it."

It wasn't the bossiness of the cartoons so much as total conviction. And it built teamwork. If the chief has a set of clear, well articulated, consistent principles then all the little Indians know exactly what to do... if they want to stay in the wigwam.

And as she once said “disciplining yourself to do what you know is right and important, although difficult, is the highroad to pride, self-esteem, and personal satisfaction.” An early example came in April 1980 just a year after she entered Downing Street. A group of six Iranian terrorists stormed the Iranian Embassy in central London and a siege ensued with 26 hostages. The terrorists demanded the release of political prisoners in Iran; Prime Minister Thatcher demanded the defeat of the terrorists and brought in the crack special forces men from the Special Air Service (SAS). The whole affair dragged on for nearly a week when the terrorists suddenly shot a hostage and threw the body out of the front door. “Go in” commanded the Prime Minister and on prime time TV the nation watched live as the men of the SAS abseiled down to the windows on the front of the building, chucking percussion grenades in ahead of them. The result was that five out of six terrorists were killed and 19 out of 20 hostages saved; there were no police or SAS officer casualties.

(2) She was able to cut through the guff, the nonsense, the fancy embellishments and get right to the heart of the matter, simplify it and communicate it. As books about her are coming out one thing is common to all of them namely this ability of hers to simplify and communicate clearly and with conviction. I always think of her and Newt Gingrich together in one sense namely they neither of them were “At this moment in time” types but rather “now” types. Good short Anglo Saxon words or as Margaret Thatcher once said to my friend Simon Jenkins: “Laissez Faire? Laissez Faire? Don’t go French on me!”

She is a very clever person — she studied chemistry and was a chemist in industry before studying law and practicing at the tax and patent bars. But as well as being clever she had this knack of simplifying and communicating, of getting to the heart of the matter and expressing it in simple words that made sense and resonated.

People are being cruel when they say she never had a single original idea herself. They undervalue her ability to synthesize.

(3) She did lead and she expected and got a lot out of those around her, yet she also listened.

Soon after the 1987 general election a newly-elected Tory MP was walking through the members’ lobby in the House of Commons when he suddenly observed an old friend. The old friend had been elected in 1983 and was now a junior minister. He was running, literally running. His hair was disheveled and he

was carrying not only his briefcase and a box but also a full tray of papers.

“Slow down,” called the new MP. “Rome wasn’t built in a day,” he added.

“Yes,” cried the young minister over his shoulder. “But Margaret wasn’t the foreman on that job.”

That is a true story. The next is 100% apocryphal but instructive nonetheless.

The story goes that in 1989 her cabinet and senior staff held a private dinner on the 10th anniversary of her becoming prime minister. At the Café Royal Margaret Thatcher sat at the head of the table with say 20 men in suits down each side. A waiter enters and heads to Margaret Thatcher.

Waiter: Prime Minister, would you like an appetizer?

Mrs. T: Prawn Cocktail, please.

Waiter: Prime Minister, for your main course?

Mrs. T: A steak, please.

Waiter: Prime Minister, what kind of steak?

Mrs. T: Sirloin, please.

Walter: Prime Minister, how do you like your steak?

Mrs. T: Rare, please.

Waiter: Prime Minister, some potatoes?

Mrs. T: Roasted, please.

Waiter: Prime Minister, what about the vegetables?

Mrs. T: Oh, they’ll all have steak too!

That was the perception, in this case based on a Spitting Image TV cartoon; in reality she was a better listener than usually given credit for. She did listen mostly to Cabinet Ministers and not all the best ideas came from her “right” wing colleagues as in the sale of public housing which came very much from those to her left such as Peter Walker and Michael Heseltine. And she was not always the hard driving free-market radical portrayed so often today. She worried about abolishing exchange controls; she was not sure about public housing sales at deep discounts feeling those already on the housing ladder might rebel; and some privatizations unnerved her a little.

Another aspect of her view of leadership is revealed in this quote:

“I kept tight personal control over decisions relating to the strategic defense initiative and our reaction to it... I was also passionately interested in the technical developments and strategic

implications. This was one of those areas in which only a firm grasp of the scientific concepts involved allows the right policy decisions to be made. Laid back generalists from the foreign office — let alone the ministerial muddlers in charge of them — could not be relied upon. By contrast, I was in my element.”

(4) She championed policies that went *with* rather than *against* the grain of human nature. She once said “popular capitalism is nothing less than a crusade to enfranchise the many in the economic life of the nation. We conservatives are returning power to the people.”

Take public housing. In the late ‘70s I told her to give it all away to the sitting tenants. Just mail them the deeds, I said. “No,” she replied — “people will not value it unless they pay something for it.” A couple of years later she launched the right to buy. This gave all sitting tenants a 33% discount plus an extra 1% discount for every year of paying rent up to a maximum of 50% off fair market value. Home ownership soared as nearly 3 million units changed hands under this scheme. Likewise with privatization where the shares were very widely spread and quickly appreciated.

As noted earlier general public ownership of shares went from 7% to 23% while ownership by trade union members went from 6% to 29%.

All of the great privatizations included special staff deals hence the disproportionate boost among union members.

Each one was different but to stymie opposition and generate positive feelings overall they included:

- ▶ Offers of free shares
- ▶ Matching programs — buy one get one free
- ▶ Programs that reserved a certain percent of the float for staff and pensioners
- ▶ Discounts
- ▶ Incentives to keep shares long term and
- ▶ No limits on the number of preferential shares that could be bought — once only in that case.

Employee response ranged from 19% to 99% and is highly correlated to the generosity of the proposed deal as one might expect.

(5) There was a lot of strategic thinking well ahead of time.

Ted Heath in his winter confrontation with the miners in 1973-74 had been forced into a corner by lack of coal reserves. There

was only enough coal for industry to operate a 3-day week. Strangely, to some, overall production did not fall, showing how much fat there was in industry. Prime Minister Thatcher built up coal reserves to very high levels before she took on the miners.

Or, take the suspension of exchange controls. Guided by an IEA monograph Geoffrey Howe, the Chancellor, spotted that he did not need Parliament’s approval; so he just did it.

(6) She had a lot of very smart, dedicated, committed people to draw on. Lord Donoghue used to remark in his LSE lectures that the Tory party is “the stupid party.” There was some truth to this — some. But the Tories were becoming infected with ideas and intellectuals, ideas from the IEA such as:

- ▶ Markets work — governments fail
- ▶ Labour market reform
- ▶ Privatization and
- ▶ The conquering of inflation.

Meanwhile intellectuals from industry (John Hoskyns) and academia (Alan Walters), and young men from the universities such as Peter Lilley, John Redwood, Michael Forsyth, David Davis and Michael Portillo — were changing the Conservative party.

A party that in the post-war years had accepted Butskellism and middle-of-the-road socialism as inevitable had found its intellectual feet under Mrs. Thatcher. As she herself said, “standing in the middle of the road is very dangerous; you get knocked down by the traffic from both sides.”

(7) There was a very strong sense of being in the last chance saloon. The winter of 78/79 had been awful. Mrs. Thatcher herself recognized this, saying: “There can have been few in Britain who did not feel, with mounting alarm, that our society was sick — morally, socially and economically. Trade Union leader Mr. Bill Dunn seemed to express the spirit of January 1979 when he said, of the ambulance men’s pay demands, if ‘lives must be lost, that is the way it must be.’”

There were strikes galore. There were mountains of trash — the dead were not being buried. Either we got it done now or we became, say, an Argentina — a formerly prosperous country turned basket case. And the economics profession was nearly 100% against her.

The nation was in need of a major turnaround — just what she provided with her leadership.

**(8)** We must not forget Ronald Reagan and their partnership. It was very special indeed, much more so than that of Bush and Blair.

Some people still believed the future lay with communism; some still believed Soviet statistics. Ronald Reagan and Margaret Thatcher instinctively felt that was wrong and evil.

As early as 1950 she said, “We believe in the democratic way of life. If we serve the idea faithfully, with tenacity of purpose, we have nothing to fear from Russian communism.”

It appears she had extraordinary foresight.

**(9)** Preparation — Politicians in power are too busy to think and they are surrounded by bureaucrats and pestered by those with vested interests. Margaret Thatcher used her 3 to 4 years in opposition to prepare for government.

In this regard, see John Hoskyns’ *Just In Time* and see Richard Cockett’s *Thinking the Unthinkable*. Ideas regarding labor markets, exchange controls, inflation, the Right To Buy public housing, privatization, contracting out and Enterprise Zones were all well discussed before 1979. And she made it quite clear to her research and support staff what she believed in.

**(10)** She did not try to do it all at once. She tackled problems one slice at a time, particularly on labor market reforms and privatization. Every year the unions were slowly but surely brought back under the rule of law. Every year advances were made on privatization and bit by bit a momentum was established.

For example in the 1980 Employment Act she: abolished statutory recognition procedure; extended the right to refuse to join a union; and limited picketing.

Then in the 1982 Employment Act she: prohibited action to force contracts with union employees; weakened the closed shop; removed some union immunities.

In the 1984 Employment Act she: weakened union immunities; required pre strike balloting of union members; strengthened employers power to get injunctions.

Finally in the 1988 Employment Act she: removed further union immunities, extended the right of the individual to work against a union.

So the lessons are:

1. Have a strong compass
2. Simplify and communicate
3. Lead but always listen
4. Develop policies that go with the grain
5. Think through your strategy ahead of time
6. Build good teams
7. Use circumstances
8. Make good allies
9. Prepare before you are in power and
10. Have patience

In conclusion, the Thatcher era 1979-97 (she went in 1990 but there was no Major era) is an extraordinary story of change, of a country saving itself in a turbulent world.

And we must not overlook as mentioned earlier her impact on her opponents particularly New Labour which abandoned Clause 4 namely its commitment to public ownership and today also the Liberal Democrats, where some young men and women are making surprisingly Thatcherite political points.

On the international scene there were several positive developments: the worldwide spread of privatization; China going capitalist; and reforms in central and eastern Europe.

Margaret Thatcher’s influence is everywhere. And my institute, the IEA, is very proud of the small part we played in her education!



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