

# Social, political and economic impacts of thatcher



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There is little doubt that the Thatcher administration had a social, political and economic impact on Britain during its years of reign. The push for privatisation of the public sector, the subsequent unemployment, and the drive to divert housing away from the control of the state and into the control of private parties are, among others, the key events that shaped the influence that Thatcherism had on the British public. It has often been argued that the concept of Thatcherism goes against the grain of traditional Conservative political thought since the end of the Second World War in 1945, and that Thatcher's "New Right" set out challenge the elements of classic liberalism that were traditionally embraced by the Tory's up to her victory in 1979. <sup>[1]</sup> However, others have also argued that Thatcher's New Right still embraced one key factor of traditional Tory political thought: the concept of tradition. <sup>[2]</sup> The most accurate definition of the New Right school of thought is the fact is combines elements of both liberalism (the need for freedom) and traditionalism (the preservation of concepts of heritage) into a new form of ultra-conservative thinking, which is said to have first come to prominence during Ronald Reagan's election to the White House in 1980. <sup>[3]</sup> Thatcher's foreign policy embraced the US as a close ally during Reagan's presidency, and as such they shared political thoughts and ideas on certain issues. <sup>[4]</sup>

The Thatcher government is attributed as being responsible for the reformation of the labour market during the 1980's. One main method of achieving this was through the reformation of the income tax system, which dropped the top marginal tax rate for the extremely wealthy. <sup>[5]</sup> The basic tax rate was cut from 33% to 25%, and the top tax rate was reduced from <https://assignbuster.com/social-political-and-economic-impacts-of-thatcher/>

83% to 40%. <sup>[6]</sup> This reduction in taxes is said to have led to an increase in big business and skilled workforce interest in Britain, rather than having to shift their operations offshore to avoid the high taxes. Having large business back in Britain, set up through the encouragement of a foreign skilled workforce to set up in Britain through lower income tax, meant that the economy would subsequently strengthen due to an increased import/export market and foreign trade deals, regardless of the fact that the government would initially lose up to half its revenue from the top marginal tax bracket. The labour market also faced a shake-up in terms of union involvement, with Thatcher legislating extensively to restrict their involvement in industrial relations, and effectively disabling their ability to call strikes. <sup>[7]</sup> This meant that the common man's rights at work were severely challenged by the Thatcher legislative agenda, thereby effectively distancing government from the middle to working classes of British society. This is somewhat contradictory to her proclamation that, upon arriving to Downing Street, her vision was of an "open, classless Britain". <sup>[8]</sup> Rather it could be argued that, in some areas at least, her agenda has somewhat reinforced the class system in Britain, and created a breed of 'working poor' class, where encouragement to own property and shares has led to the inability to create free capital, on which a family can survive.

Thatcher also believed that state ownership of many companies was hampering growth in other sectors. Famous firms such as Cable & Wireless, British Aerospace, British Petroleum, Rover, British Airways, and British Telecom are now quite largely owned by the public, as well as basic suppliers of gas, electricity, water, telecommunications, road and rail. <sup>[9]</sup> With the <https://assignbuster.com/social-political-and-economic-impacts-of-thatcher/>

transfer from public to private enterprise meant subsequent deregulation of those companies, allowing them to make changes to the company as their respective boards of directors saw fit. This also could be argued to mean that many employees would no longer be government employees that were provided with government benefits, such as generous superannuation contributions. Rather, superannuation would be at the discretion of the employer, and those that did not receive such benefits would be reliant upon the welfare of the state come unemployment or retirement. This is especially relevant where a mandatory retirement age is enforced. Again, this further demonstrates the position of the Thatcher administration in terms of providing for middle to lower classes of British society, and only looking out for those that are wealthy enough to own stock in such privatised companies (20% of Britons in 1990, compared with 7% in 1979). <sup>[10]</sup> Interestingly, under Thatcher in 1980, the Royal Family was given an increase in its allowance from the British government by several million pounds, while cuts in expenditure were being made in most other areas! <sup>[11]</sup>

Britain began to pay a price for Thatcher's cost cutting and privatisation during the 1980s. While the Thatcher administration had inherited high inflation from the preceding Heath Labour government, <sup>[12]</sup> methods still had to be put in place to control this. Within a few years, inflation was down to 5%, however as a result of strict money control as a method of control, unemployment had risen to around 3 million (or 6%) in the mid 1980s. <sup>[13]</sup> However, 70% of the British public now owned their own homes, which promoted Thatcher's importance of personal wealth as a fundamental policy.

[14] The economy was favoured over infrastructure and social welfare, with roads and railways showing “ signs of neglect” and homelessness having “ visibly increased”. [15] An example of Thatcher’s favouritism towards the economy is demonstrated by the *Local Government Bill 1988* , which would have made it illegal to promote homosexuality, or to promote the teaching of homosexuality in any school. [16] It could be argued that this Bill was introduced in the wake of a perceived AIDS epidemic that was striking Britain at the time [17] and, rather than spending money to combat this problem through social welfare programs, it seemed much more economically sound to eradicate the problem at a political level. This again demonstrates the distance between the Thatcher government and the social sphere of Britain, also considering proposals in terms of their ‘ pounds-and-pence’ value, and not at a grassroots social level.

Upon considering various commentaries and statistical data on the issue, it become clear that the success of the Thatcher administration from 1979-1990 can only best be judged in a two-pronged sense: economically and socially. From an economist’s (and upper class) perspective, it is clear that the Thatcher government achieved success in stabilising the British economy and made life in Britain generally more appealing for those of a higher socio-economic status. This was highlighted by the push for people to own their own homes, own stock portfolios and the ability for people in the highest tax bracket to retain 43% more of their earnings. This is in stark contrast to those of middle to working class populations, where the basic tax rate was cut by a mere 8%, union representation was cut and state-owned enterprise was sold to the public, creating a deregulated corporate anarchic sphere.

This meant unemployment rates rose, due to the government having less ability to undertake remedial programs in the formerly state-owned companies, such as job placement. Rather these people became reliant upon the welfare of the state, which was lacking due to the “ classless” approach of the Thatcher government. In short, Thatcherism is critical of any form of post-war political thought in Britain up until the victory in the 1979 election, due to the ‘ one nation’ approach of the New Right. From an economic perspective, it was a godsend. From a socialist’s perspective, it has its flaws. But there is no disputing the fact that Thatcher has left a lasting legacy in British political thought, one which continues in part today through Tony Blair’s New Labour. So what of the future? With the rise of big business, one would assume that corporate deregulation and denationalisation will continue in the future, putting more peoples’ jobs at risk. However, the Labour government have traditionally taken a kind view towards the working man and their union representations. So will this mean more rights for the common man? Only time will tell...

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### Footnotes

[1] Kevin Hickson (ed), *The Political Thought of the Conservative Party Since 1945* (2005), 28.

[2] Rodney Barker, *Political Ideas in Modern Britain: In and After the 20<sup>th</sup> Century* (1997, 2<sup>nd</sup> ed), 224.

[3] David Robertson, *The Penguin Dictionary of Politics* (1993, 2<sup>nd</sup> ed), 348-9.

[4] *Ibid*, 460.

[5] David Marquand and Anthony Seldon, *The Ideas that Shaped Modern Britain* (1996), 154.

[6] Bruce Nelan, ' A Legacy of Revolution' (1990) 136 *Time* 24, 66.

[7] Nelan, as above n 6.

[8] *Ibid.*

[9] Irwin Stelzer, 'What Thatcher Wrought' (1992) *Public Interest* 107, 33-6.

[10] Nelan, as above n 6.

[11] Christopher Hitchens, 'This Thatchered Land, This England' (1980) 231 *Nation* 3, 72-3.

[12] Hickson, as above n 1, 42.

[13] *Ibid.*

[14] Nelan, as above n 6.

[15] *Ibid.*

[16] *Local Government Bill 1988* (UK), s 2A.

[17] Stelzer, as above n 9, 49.