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Ten myths about Margaret Thatcher [1]

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The left-wing commentariat seems to be using the *argumentum ad nauseam* against the Thatcher record. This consists of repeating an allegation, no matter how much evidence is produced against it, or how many times it has been shown to be false. In City AMAllister Heath dealt with some of these assertions [3], but that has not stopped the anti-Thatcher brigade from repeating them. Here are ten claims they make which are not supported by the facts.

1. She destroyed UK's manufacturing base No. Manufacturing output was 7.5% higher when she left office than when she began. It did decline as a proportion of the total economy, but only because other sectors, especially services and finance, expanded more rapidly as the economy changed. This happened in other advanced economies at about the same time as part of a general trend. It is true that three major industries, shipbuilding, steel and coal, did decline as they proved unable to compete with other countries in these areas, but other industries, such as advanced manufacturing, expanded.

2. She destroyed the Unions' power to protect workers. Her reforms empowered union members rather than union leaders. Previous Conservative and Labour governments had tried and failed to bring unions under the law. The UK's strike record, the worst in Europe, did not help workers. The Thatcher reforms gave union members the right to vote for their leaders in secret postal ballots, and gave them the right to be balloted ahead of possible strike action. These resulted in more moderate union leadership and greatly reduced industrial unrest.

3. She lowered income tax so that the rich paid less. She did change income tax, but the rich not only paid more, but paid a higher share of the total. Her governments steadily lowered the top rate from 83% (or 98% on investment income) down to 40%, and cut the basic rate to 25%. The low rates raised more revenue than the high ones had done as business boomed and the tax base expanded. The top 10% who had been paying 35% of total income tax saw this rise to 48% (from just over a third to just under a half of the total).

4. She turned vital state industries into private monopolies. Wrong. The privatization programme turned ailing state monopolies into competitive and successful private ones. Her government took care when it privatized to build in competition by whatever means it could. BT faced a competitor called Mercury, with periodic reviews that allowed more competitors. Most of the utilities were exposed to world competition as well as national competitors. An important key was to separate the infrastructure from the

supply, so that different producers competed to send their products down the pipes or cables to consumers. Where this was impractical, suppliers had to bid competitively to win the franchise for a limited time frame. Loss-making state monopolies were replaced by competitive and profitable private companies.

5. She destroyed Britain's coal industry. Britain's coal industry had been in decline for decades. Many more pits were closed under Harold Wilson's Labour governments than under Margaret Thatcher's Conservative ones. One reason was the rise of oil and then gas and nuclear as cleaner alternative sources of power. Another was the decline of heavy industries that depended on coal. Domestic heating moved away from coal, and North Sea gas replaced coal gas. Added to this was lower cost foreign coal. All of these ultimately doomed loss-making subsidized coal mines, and the year-long miners' strike helped reinforce the case for alternatives.

6. She did not really cut taxes. Critics point to a slight increase in the government tax take over her 11 years as proof that her tax cuts were illusory. There were initial increases, especially of VAT, but under her there were major cuts in income tax and corporation tax that generated substantial economic growth. After the initial years of dealing with the financial mess and the inflation that had been left, the government took less of GDP. Tax Freedom Day, calculated by the ASI as the day of the year when people have paid off the government share, for 10 years after that either came earlier or stayed the same.

7. She unleashed the regulation that led to today's crisis. As Philip Booth at the IEA points out:

> "the 1980s was not a period of financial deregulation. Insider trading was made illegal in 1980. The life insurance industry, which had been almost free of regulation for over 100 years from 1870, was re-regulated from 1980 to 1982. Bank deposit insurance was introduced in 1979. The sale of investment and insurance products came under statutory regulation from 1986. Further, the first ever regulation of UK bank capital took place under Basel I, agreed while Thatcher was Prime Minister."

The 'Big Bang' did allow more types of firm to trade in financial instruments, but it essentially replaced private regulation with public accountability.

8. She committed a war crime by the sinking of the Belgrano. The UK was in a war situation over Argentina's illegal seizure of the Falklands. The South Atlantic area was a war zone in which hostilities were under way. The 200 mile exclusion zone did not restrict fighting to within its limits. It was a warning to neutral ships to avoid it. The Argentine cruiser Belgrano was not a neutral ship and was on a zig-zag course, posing a menace to the British task force, and was sunk as an act of war, one that Argentine commanders accepted as legitimate.

9. Hers was a deeply unpopular and divisive government. She led the Conservatives to victory in three elections in a row, all with substantial majorities. She did not win over 50% of the vote, which no party has done since World War II, but she did win a higher share in 1979 than Tony Blair did in 1997, and more in her subsequent two victories than he gained in his. Her governments shunned the post-war consensus that had presided over Britain's decline to an economic basket case, and thus divided opinion. More to the point, socialists had hoped that their ideology might one day rule, but the Thatcher governments ended that hope within the UK and helped to end it on a world scale. The Left cannot forgive her governments for taking that future from them.

10. Her cuts slashed the public services. In fact public spending increased by 17.6% over the course of her governments. There were cuts to proposed increases, but core service spending expanded. Because

the economy boomed under Thatcher governments, the total state share of GDP diminished as a proportion of the total. It declined from 45.1% when she came in to 39.4% when she left. She increased expenditure on health, education and social spending, but by less than the growth in the private economy.

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