Margaret Thatcher’s Cabinet 1982

**Topic A: Determining Sovereignty of the Falkland Islands**

**Topic B: Establishing a Path to Economic Recovery**

**Committee Overview**

The committee begins on April 2, 1982. The Falkland Islands have been invaded by the Argentinian Junta at the order of Lieutenant General Leopoldo Galtieri and Admiral Jorge Anaya. This decision was made after Secretary Nott’s reluctance to keep the only remaining British ship in the South Atlantic. This signaled British weakness to the rest of the world.

It is up to these 22 cabinet ministers to fend off the Argentinian threat, navigate the quagmire that is British politics, and advise Margaret Thatcher, who will be represented by the chair. Domestically, the country is facing a recession and consequently faces intense polarization with the Labour party. The Irish Republican Army is becoming more opposed to Margaret Thatcher and her manner of rule, which has contributed to her nickname: the “Iron Lady”. To further complicate matters for the cabinet, Britain and the other Western democracies are embroiled in an ideological war with the Soviet Union.

Margaret Thatcher has been the leader of the Conservative Party since 1974, when she defeated Edward Heath in a party leadership contest (in a parliamentary democracy the leader of the party that has the most seats in Parliament becomes Prime Minister.) This is the first female prime minister in the United Kingdom’s history, and she has taken office at a tremendously tumultuous time. Her legacy and even greater, the fate of the United Kingdom, is at stake. This Cabinet’s job is not only to protect the UK from domestic and international threats, but also to help Margaret Thatcher succeed and thrive as the Prime Minister of the United Kingdom during a challenging time. Margaret Thatcher’s job as Prime Minister is to lead the country, and help guide its social and economic policies. As the leader of the Conservative Party, her job is to keep the Conservatives in power as long as possible. To accomplish this goal, she also has to compromise and work with the Labor Party, which is the second most powerful party in the UK. While the Conservatives supports right-wing measures, the Labor Party supports left-wing measures.

Pictured: Margaret Thatcher’s 1979 Cabinet prior to the September 1981 reshuffle.
Parliamentary Procedure

The Parliamentary Procedure used in this committee will be uniform throughout the entire conference. However, at time some procedures may be overlooked to maintain the fast pace of the committee. For example, in the event of crises, delegates may change Parliamentary Procedure to reflect the urgency of said crisis.

Delegate Biographies

Note:

1. Cabinet positions are correct as of the September 1981 reshuffle.
2. Margaret Thatcher used the term “wet” and “dry” to denote those who supported her and those who didn’t. ‘Wets’ are those who Thatcher finds spineless, as opposed to the ‘dries’ who support monetarist policies (policies that supported cuts in government spending and borrowing) that are in line with Thatcher’s viewpoint.

William Whitelaw
Deputy Prime Minister and Home Secretary

William “Willie” Whitelaw was appointed to the position after having shadowed the Home Secretary for three years. Thatcher is a staunch supporter of Whitelaw, as he had previously served as Deputy Prime Minister in Thatcher’s first Cabinet in 1979. Whitelaw took a hard approach to governance, bolstering police forces and prisons in the UK during his tenure, and utilizing a “short, sharp shock” policy of subjecting young criminals to military-like discipline with the aim of rehabilitation.¹

Francis Pym
Secretary of State for Foreign and Commonwealth Affairs

Francis Pym was Lord President of the Council prior to being appointed Secretary of State of Foreign and Commonwealth Affairs in 1982, following Lord Carrington’s resignation during the Falklands War. Pym is known as a “wet,” as he is a conservative in opposition to many of Thatcher’s policies, particularly those designed to reduce inflation and public spending. This stance has caused Thatcher’s inner circle to elude Pym despite his high position in the government.²

John Nott
Secretary of State for Defense

Before being reshuffled to Secretary of State for Defense in 1981, John Nott served as Secretary of State for Trade in Thatcher’s Cabinet, where he repealed the Prices & Incomes policy and privatized British Airways. In this position, he was criticized for cutting back on naval spending with the 1981 Defense White Paper, which contributed to Britain’s weak naval display in the South Atlantic.³

Admiral Lewin
Chief of Defense Staff

Having served in the Royal Navy for most of his life, Admiral Terence Lewin is Margaret Thatcher’s Chief of Defense Staff. This position, some say, makes Lewin the most powerful man in England. This gives

¹ Margaret Thatcher, The Downing Street Years (HarperCollins, 1993), p. 27
² BBC News. Thatcher’s Class of ‘79
him direct access to Thatcher as her sole military advisor during the Falklands War.⁴

_**Sir Geoffrey Howe**_
_**Chancellor of the Exchequer**_

As Chancellor of the Exchequer, Sir Geoffrey Howe is in charge of financial and economic matters in the United Kingdom. He has adopted policies to reduce inflation and free up the economy, as well as transition to indirect taxation. Howe has a tense relationship with Thatcher to say the least, as she assured him that any faults and weakness with their country’s economy would rest solely on his shoulders.⁵

_**Cecil Parkinson**_
_**Chancellor of the Duchy of Lancaster and pay-master general**_

Cecil Parkinson was appointed Paymaster-General, the position in charge of government payments and funds in 1981 and shortly after was named Chancellor of the Duchy of Lancaster in 1982. He was also appointed to Thatcher’s War Cabinet for the Falklands War despite his relative lack of experience. Thatcher trusted Parkinson immensely, giving him positions domestically and in her War Cabinet, knowing that the Falklands War would have consequences for domestic policy.⁶

_**Michael Havers**_
_**Attorney General**_

Michael Havers was appointed the Attorney-General for England and Wales and Northern Ireland under Thatcher in 1979, making him essentially her chief advisor in the governing of these areas. She appointed Havers to her War Cabinet during the Falklands War in order to have Havers knowledge and expertise regarding the rules of engagement and international law.⁷

_**Patrick Jenkin**_
_**Secretary of State for Industry**_

Patrick Jenkin served as the Minister for Energy and the Secretary of State for Social Services under Thatcher before being appointed Secretary of State for Industry in 1981. In this position, he headed the Department of Trade and Industry, overseeing the energy and technology sectors. Thatcher recognized Jenkin as loyal and trustworthy, despite his decision to vote for Willie Whitelaw.⁸

_**Leon Brittan**_
_**Chief Secretary to the Treasury**_

Leon Brittan served in the Queen’s Counsel and as the Minister of State in the Home Office until 1981, when he was appointed Chief Secretary to the Treasury, making him the youngest member of Thatcher’s Cabinet. He warned the other members of the cabinet that expenditure on social security, healthcare, and education would have to be cut during the recession, no matter how unwanted.⁹

_**James Prior**_
_**Secretary of State for Northern Ireland**_

James Prior held the office of Secretary of State for Employment under Thatcher. In this position, he and Thatcher agreed that trade unions were too powerful and that this must be addressed, but beyond

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⁵ The Daily Telegraph, Monday 12 October 2015, Obituary [paper only], p. 29.
that, the two had serious disagreements as to how the issue should be resolved. As a result, he was considered to be a ‘Wet’. In 1981, Prior was named Secretary of State for Northern Ireland. Many believed that this was because of the many disagreements the two had over economic issues.10

**Peter Walker**  
*Minister of Agriculture, Fisheries and Food*  
Peter Walker is considered to be a vocal ‘wet’ and a critic of Thatcher’s economic policies. He was also a masterful tactician, running the campaign for Edward Heath, the former head of the Conservative Party. An entrepreneur at heart, he was a millionaire by the time he took office. Similar to his parents, he is an avid conservative and joined the Young Conservatives at age 13 to eventually become national Chairman.11

**Keith Joseph**  
*Secretary of State for Education and Science*  
Keith Joseph is a strong believer in the economic policies of Fredereick von Hayek and Professor Milton Friedman. He is considered to be a ‘troika’ of Tory Party leadership with Margaret Thatcher, and is known to be intellectually razor sharp. He was born into an Ashkenazi Jewish family and was raised as such. His work has focused on social issues, as he championed the ideas of enterprise, initiative, and the need for entrepreneurship. He is a trusted advisor to Thatcher, and is a strong believer in supply side economics.12

**Norman Tebbit**  
*Secretary of State for Employment*  
Norman Tebbit is a staunch Thatcherite (Dry) and nationalist. He is against trade unions and governmental intervention in markets. He holds far-right views on immigration, European integration, and welfare. He is extremely close with Margaret Thatcher.13

**Nigel Lawson**  
*Secretary of State for Energy*  
Nigel Lawson is a staunch Thatcherite (Dry), as he supports many neo-liberal economics policies. He has a strong background in journalism, especially financial journalism, which makes him astute in financial matters.14

**Michael Heseltine**  
*Secretary of State for the Environment*  
Michael Heseltine is a major proponent and player in the Right to Buy movement. He disagrees with Thatcher on policies of industrial interventionism. He believes in the important role of the government in promoting economic growth. He thinks of himself as half wet and half dry.15

**Norman Fowler**  
*Secretary of State for Health and Social Security*  
Norman Fowler, in his role as Secretary of State for Health and Social Security, has strived to promote health education and provide for the well-being of his citizens. He was one of the longest-

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12 Biffen, John,’Keith Joseph: Power behind the throne’, *Guardian*  
13 Oxford University Press, A Dictionary of Political Biography, 1 rev. ed  
14 Oxford University Press, A Dictionary of Political Biography, 2nd ed.  
15 Keegan, William,’Wet or dry, Lord Heseltime can’t change the economic weather’, *Guardian*
serving cabinet ministers under Margaret Thatcher. 16

George Younger
Secretary of State for Scotland
Younger comes from a family of brewers and is an active Conservative Politian. He is a former army veteran and is completely supportive of the armed forces, regardless of the budget they required. He also supports interventionist policies in Scotland. 17

John Biffen
Secretary of State for Trade and President of the Board of Trade
Biffen is the former secretary of the Treasury. He has been suffering from a blood disorder for quite a while. Biffen is considered to be a dry as he supported Thatcher’s economic policies (reduced public spending and lower taxes). Biffen, on principle, does not support international military involvement. 18

David Howell
Secretary of State for Transport
Howell is a staunch conservative, believing in the restoring power of the economy and in smaller government. He is against socialism, labor unions, and over-taxation. He views himself as a British patriot. 19

Nicholas Edwards
Secretary of State for Wales
He is a staunch Tory (Conservative) and supports many of Thatcher’s policies (Dry) taking effect in Wales. He is proud to be of Welsh descent and attempts to support Welsh cultural initiatives whenever possible. 20

Lord Hailsham of St. Marylebone
Lord Chancellor
Lord Hailsham is a war veteran and is seen as a left-wing conservative. He is also a major player in the Justice Department. He is not a supporter of Thatcherism and could be considered a ‘wet’. He wants to establish a Britain where immigrants are not second-class citizens. He considers himself to be a British patriot. 21

Humphrey Atkins
Lord Privy Seal
Humphrey Atkins served as Margaret Thatcher’s Chief whip and retained his position because of his neutrality during the conservative leadership battle in 1975 and his skills as chief whip. Atkins misjudged the Falklands situation and saw negotiation as the best tactic as Argentina would not invade. The Lord Privy Seal is largely a symbolic post and is appointed to a trusted colleague. 22

16 Bloomberg, ’Norman Fowler’, Bloomberg
19 Howell, David. ‘Notes to Margaret Thatcher’ Margaret Thatcher’s Personal Collection
20 Davies, Daniel, ‘Margaret Thatcher: Her contested legacy in Wales”, BBC.com
22 Cosgrave,Patrick, "Obituaries: Lord Colnbrook"Independent.co.uk
Topic A: Determining Sovereignty of the Falkland Islands

Introduction & Historical Background
(See Appendix A for a Map of the Falklands)

Margaret Thatcher’s popularity is decreasing at home. The Social Democratic Party is resurging and internal conflict rages on with the wets. Action in the Falklands may resolve some of these issues, as it may solidify support behind Thatcher and a common cause: retake the Falklands.

The Falkland Islands (known as the Malvina Islands to the Argentines) are group of islands 300 miles (480 km) off the coast of Argentina. They are a United Kingdom Overseas Territory and have been for the past 150 years. The current population of the Falkland consists of 1,800 Falklanders.

The Falklands Islands, though in dispute for the better part of 3 centuries, has been under British control for quite some time. Although there are not many British forces stationed near the Falklands, it is essential to Britain’s interests in South America due to its positioning near South American markets. British Intelligence Analysts claim the recession at home in Argentina has led to the invasion. The Department of War believes that the recession in Argentina has decreased popularity. In an effort to bolster popularity, the leader of the military junta General Leopoldo Galtieri has authorized and planned an invasion of the Falklands.  

Past Action
1594
Claimed by Richard Hawkins for Queen Elizabeth I

1764
French Diplomat Louis Antoine de Bougainville settled at Port Louis on East Falkland

1766
Captain John MacBride settled at Port Egmont for the British. The same year, the Spanish agreed to take over Port Louis from Bougainville and re-named Puerto de La Soledad under the jurisdiction of the Spanish.

1770
Spain takes Port Egmont from the British

1771
Through diplomatic talks, Port Egmont is given back to the British.

1774
Britain withdrew from Port Egmont to supply more troops to dispel the American Revolution

1811
Spain withdraws from Puerto de la Soledad, as the Latin American colonies were in revolt.

1816
The old Spanish colonies on the Falklands declare unrecognized independence from Spain

1825
A Treaty of Amity, Trade, and Navigation signed by the Government of Buenos Aires and Britain. Recognition of

23 The Week, ‘Falklands War anniversary: How did the conflict start?’, theweek.co.uk
territory or legal rights were not covered by this treaty.

1826
Louis Vernet – Citizen of Buenos Aires – settled Puerto de la Soledad with the permission of the British.

1829
Buenos Aires claims island, bases it on a claim that it has inherited from Spain. Britain issues a formal protest and claims sovereignty over the Falklands Islands.

1833
Captain Onslow declared Port Louis for Britain, the small group of soldiers sent from Buenos Aires a few years earlier left. It has been under British administration since this date.

1845
Stanley becomes the capital.

1947
The United Nations classifies the Falkland Islands as a Non-Self Governing Territory (NSGT)

1960
UN Resolution 1514 grants Self – Determination to all peoples in a NSGT

1966
Britain and Argentina begin talks due to UN pressure.

1971
Communications Agreement ratified by Britain and Argentina agreeing that external communications are to be provided to the Falkland Islands by Argentina.

Details of the Argentinian Coup

Juan Peron, a former beloved conservative President who served two non-consecutive terms, died in 1974. The unsuccessful efforts of his successor and widow, Eva Peron, to prevent government corruption and economic degradation led the military to overthrow the government in a coup and establish a military junta. At the head of this new military junta was the army commander and now President Jorge Videla. Many were arrested and killed while torture and mass executions became the norm. It has been estimated that roughly 9,000 people ‘disappeared’ in military jails.

In 1977, a supportive Leopoldo Galtieri became the commander-in-chief of the army. This was his first introduction to the national stage as one of the most prominent leaders of the military. By 1980, under President Videla, inflation dropped to under 120 percent from the previous 500 percent inflation that was prevalent when Videla had taken power. Government spending had decreased, wage increases were squashed, inefficient public industries were sold to private industries and private investment was encouraged. Regular Argentines, still suffering the effects of the previous regime, were excited by the prospect of an economic recovery.

In 1980, after Videla retired, power was passed to General Roberto Viola, the former army chief. Under his leadership, the economy was not as strong as originally thought and it soon began to weaken; inflation increased and economic growth decreased. Essentially, Videla’s work unwound and was found to be unsustainable. This caused discontent which eventually led to demonstrations and the further disillusionment of Argentinians. They were waiting for a leader who would assuage and solve these problems. This created the perfect opportunity for Leopoldo Galtieri.
Galtieri soon began to express political ambitions and even visited the United States of America twice to position Argentina as an anti-communist country. He was described as a “majestic general”, a charismatic and charming individual.

Soon after his return from his second visit to the United States of America, Galtieri foresaw the end of General Viola’s presidency and took his place as the head of the Argentine political establishment. He took the opportunity and solidified control. He fired rival generals and awarded his supporters with the positions. On December 22, he was sworn in as a two-year term president, the third since the coup in 1976.

In an effort to be seen as Argentina’s savior, Galtieri enacted significant economic reforms. He reformed government salaries allow government workers to continue having purchasing power and move the economy forward. While Galtieri enacted the well-intentioned reforms they led to even further demonstrations. Galtieri’s savior complex had backfired.

In an effort to regain popularity and prevent further disapproval, Galtieri attempted to regain Argentina’s trust by solving a problem held deeply ingrained in the conscious of Argentina: the sovereignty of the Falkland Islands. Every Argentine grew up learning that the Malvinas (Falkland Islands) belonged to Argentina, although it was controlled and governed by Britain.

Since Galtieri became President of Argentina, confidential plans were drafted to invade the Falklands. On April 2nd, 1982, these plans became a reality and after a short battle with the few British soldiers located on Port Stanley, Governor Rex Hunt reneged to the Argentine invaders. General Leopoldo Galtieri had taken the Falklands for Argentina.  

### Contemporary Conditions

Roughly two weeks ago, Argentine scrap metal workers hoisted the Argentine flag on South Georgia, a territory under the control of the British 810 miles east of the Falklands. South Georgia is uninhabited except for a British Science group.

The group of about forty workers, led by Constantino Davidoff, received a contract to take apart an old whaling station on the island of South Georgia, at Leith Harbor. They hoisted the Argentine flag, which may or may not have been on the orders of General Leopoldo Galtieri. British forces sent the HMS Endurance, an Antarctic Research Vessel, and 21 Royal Marines to disperse the unlawfully stationed Argentines until they returned back to Argentina after a few days. This increased tensions over the Falklands War and began to bring more attention to the issue. Although Argentina and Britain were attempting to solve the question of sovereignty through diplomatic means, this was a physical and possibly military attempt at an infringement on established British sovereignty.

On April 2nd, General Leopoldo Galtieri sent 3,000 Argentine Special Forces to invade the capital of the Falklands – Port Stanley. Governor Rex Hunt and the few Royal Marines there surrendered. Coincidentally, 6 months ago, the British intelligence service had looked at the situation and claimed, “The Argentine government would prefer to pursue their sovereignty claim by peaceful means.” In the same 1981 defense report, Secretary John Nott (one of the strongest dries) advised to move the HMS Endurance from Falklands region.

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24 The Telegraph, 'General Leopoldo Galtieri’

25 The Belgrano Inquiry, 'How It Began'

26 The Week, ‘Falklands War anniversary: How did the conflict start?’, theweek.co.uk
This shows how this invasion had surprised Thatcher and her cabinet, as her main focus had been on improving the UK’s economics performance. If action is to be taken, it needs to be done swiftly to show the British government acts decisively in the face of adversity. John Nott has also reminded Prime Minister Thatcher of the large economic costs that would be incurred if the UK decides to get involved militarily.

The last poll taken by Ipsos, polling put roughly 60% of the British public at ‘dissatisfied’ with Prime Minister Thatcher, while only 25% of the public is satisfied with her performance. These polls indicate that morale and support of Thatcher’s government is at an all-time low.  

Respective Military Strength

1982 was a strategic time to invade the Falklands. Just as the recession was pushing Britain towards cutting its Navy, Argentina was augmenting its military capabilities. If Britain is to engage in this war, it will have to be mostly fought on water and air. Land battles will be costly and logistically difficult to coordinate. If Thatcher’s cabinet would like to engage in war and re-establish sovereignty, then they should be informed on the relative military capabilities of both parties.

The ships and aircrafts listed are those available to send to the Falklands Islands if necessary. Both armies are able to mobilize 30,000 soldiers to participate in battle.

The purpose of this section is to compare the two militaries and their capabilities, not necessarily the precise model and makes of the vehicles. This section is intended to provoke thought of the best military strategies if Britain is to go to war with Argentina.

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27 Ipsos Polling, ‘Margaret Thatcher Poll Rating Trends’

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**British Military Strength**

*Royal Air Force Capabilities*\(^29\)
- 20 Sea Harrier Fighter Jets
- 5 Sea King Helicopters

*Royal Navy Capabilities*\(^30\)
- 12 Nuclear Submarines
- 4 Operational Surface Ships (Carrier Ships)
- 8 Destroyers
- 15 Frigates

**Military Analysis**

Britain’s Navy and Air Force are more technologically advanced, although Argentina has the advantage in number of aircrafts and proximity to the Falklands War. If war does become inevitable, it will be up to the cabinet to decide how best to use the forces at hand.

Due to the logistic difficulties of transporting men halfway across the world, if war were to break out (and the cabinet moves to retake the Falklands), it would be a mostly a naval and air war. Argentina has the sole advantage of being physically closer. This places much more pressure on any British war plans, as the British should anticipate the Argentine’s ability to continually repair and re-launch attacks.

During the committee, logistical restraints may be placed on what tactics and vehicles the British army is able to use, therefore it is of utmost importance to prioritize them. In a battle, what ships, helicopters, or planes would be best used for a specific mission?

**Questions to Consider**

- How will a potential military intervention affect the already suffering economy?
- What, if any, are the economic benefits to an invasion?
- What would the ramifications or consequences be to an invasion?
- What is the most effective way of establishing and retaining sovereignty? Through established diplomatic channels? Through a brute show of force?

**Further Research**

For further research Margaret Thatcher’s [personal website](https://www.margaretthatcher.org) has thousands of notes, speeches, and articles from her time in office, which may be helpful in the jargon that may be used in committee.

The BBC covered the Falklands War extensively and even produced a [documentary](https://www.bbc.co.uk) about it.

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Topic B: Establishing a Path to Economic Recovery

Introduction

In 1973, the British economy, under the purview of then Prime Minister Edward Heath, faced a crippling recession. While this recession was officially only two years long, its detrimental consequences affected the British populace for well over a decade. The recession, which was not exclusive to Great Britain, wounded many of the major economies in the West, including that of the United States.

Historical Background

On October 6th, 1973, Egypt and Syria launched a major attack on Israeli-controlled territories, most notably the Sinai Peninsula and the Golan Heights. This major offensive on the part of Egypt and Syria is what sparked the Yom-Kippur War. During this war, the United States came to the aid of Israel by supplying them with weapons. This decision by the United States caused the Organization of Arab Petroleum Exporting Countries (OAPEC) to launch an embargo on the United States and their closely tied allies such as Canada, Japan, the Netherlands, and the United Kingdom. The price for a gallon of oil, which sat at only $4.75 in 1973, rose to $12.21 by the end of 1975. This surge in oil prices meant that business leaders would have to raise their prices to maintain a similar revenue structure. Consequently, this sparked an inflationary rise in most major consumer goods in Great Britain. The raised price of oil, and the terribly horrific inflation that followed, is what lead to the British recession in 1973.

Even though unemployment and GDP were in recovery phases when Thatcher took office, the Prime Minister still had to confront economic concerns lingering from the 1973 recession. Inflation remained in double digits, trade unions held an enormous amount of power, and there was a general feeling that British trade simply lacked the competitiveness it once had before the recession. Margaret Thatcher, in order to combat these issues, imposed an economic plan of monetarism. Monetarism is an economic theory formulated by Milton Friedman in the mid-1960s. In its most basic form, monetarism states that the government should play an active role in curtailing the expansion of the money supply through various monetary policies, such as imposing high interest rates.

“Thatcherism,” the coined term for Thatcher’s political and economic philosophies, additionally included lowered tax rates and a large privatization of state controlled businesses. Thatcherism was

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AACVw/skikoutk8SY/s1600/heath.jpg>

32 http://inflationdata.com/inflation/inflation_rate/historical_oil_prices_table.asp

33 http://www.economicshelp.org/blog/glossary/thatcher-economic-policies/

based around the idea of self-reliance and keeping the government out of citizen’s personal lives – this directly influenced her economic ideology.

Contemporary Conditions
Current Economic Issues

Currently, real GDP Growth is around 5%, which is higher than the average of 3% for developed countries. Unemployment for the most part has stayed steady, hovering within ±2% of 5%.

Unemployment and Real GDP Growth up to 1970’s in the UK

Given these rates, Thatcher did not inherit much of a problem regarding unemployment and GDP growth. Increasing GDP growth may actually have been due to increasing consumer confidence in the leadership of Margaret Thatcher and her cabinet. It is up to Thatcher’s cabinet to continue growth and deal with the larger impending problem of inflation.

Inflation

High inflation restricts consumers from being able to buy as much as they were previously able to. Essentially, the power of their money has decreased and this has led to consumer dissatisfaction and a decrease in investment, which can lead to a recession. As a result, the economy stagnates. The below graph shows the changes in inflation before Thatcher took office:

Inflation until the 1970’s in the UK

In order to fight against inflation, Thatcher strongly believes in keeping the money supply stagnant. Money supply is the amount of money in a specific nation’s economy. If she were to increase the money supply, prices and inflation would only continue to rise (the inspiration for this policy came from Milton Friedman). Thatcher is a strong believer in supply-side economics, also known as trickle-down economics, and uses this economic theory as the basis for her economic policies.

Within Thatcher’s cabinet, however, there has been a division between the Wets and Dries, which was most directly related to their support of Thatcher’s economic policies. Wets, thought by Dries to be spineless like a ‘wet’ rags, support more Keynesian policies.


36 Ibid.
Dries, on the other hand, broadly support a branch of economic thought known as Austrian Economics.

**Tax Policies in the Cabinet**

Tax Policies of Margaret Thatcher upon entering office:

1979 Budget, Geoffrey Howe

<table>
<thead>
<tr>
<th>Income tax</th>
<th>Basic rate cut from 33% to 30%. Top rate cut from 83% to 60% on earned income and from 98% to 75% on unearned income.</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>Two-tier rates of 8% and 12.5% replaced by single 15% rate.</td>
</tr>
<tr>
<td>Excise duties</td>
<td>Alcohol and tobacco duties reduced; petrol duty increased.</td>
</tr>
<tr>
<td>Company taxes</td>
<td>Petroleum revenue tax rate increased from 45% to 60%.</td>
</tr>
</tbody>
</table>

Government programs such as welfare programs, public education, or other public services are mostly paid through taxes. Based on varying different tax rates, people may either choose to pay the taxes or seek a lower overall tax rate by using tax loopholes. It will be up to the committee to discuss the tax policies of Margaret Thatcher and determine which would be the most effective in easing the economy into recovery following the recession.

Thatcher strongly believes in the privatization of draconian British industries, as she thinks “managers have to be free to manage business.” For Thatcher, managers have to “be free” from stringent government regulations, especially companies owned by the national government. Thatcher has set out to achieve this freedom through privatization. In fact, by the time she took office, she had already privatized British Petroleum and British Aerospace.

When enacting sweeping economic reforms, the government may cause unintended consequences, which expands further than just the economic livelihoods of those who reside in the UK. For example, this cabinet should be careful that their economic plans do not contribute to income inequality here in the UK, as the struggling middle class may suffer even more if specific taxes are implemented. Implementation of bad economic policies could also affect home ownership: if the economy is not doing well due to issues like high inflation, people are not as confident and hence refrain from buying homes.

**The Political Climate**

Margaret Thatcher has ascended to power against the backdrop of soaring inflation and a “winter of discontent,” in which a multitude of labor unions went on strike. Elected on a conservative platform, Thatcher has pursued strict monetarist policies. However, as her policies have failed to produce any significant improvements to the British economy in the first 10 months, her Cabinet ministers have become divided in regard to the course of action that this government was to undertake. The hardliners, eager to revitalize the deteriorating economy, have pressured

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Thatcher to go tougher with her current policy platform. They want her to shrink the money supply further, make bigger cuts to tax and government spending, and more restrictions for labor unions. Such individuals support privatization efforts as a means of reducing government spending. Their opponents, however, think differently. They are afraid that this government has already alienated too many voters and that unnecessary confrontations with labor unions may lead to labor upheavals, which contributed to the downfall of the last Conservative government. Indeed, public opinion polls show that the voters had already become restive with Thatcher’s economic policies. The tension between the two camps in Thatcher’s Cabinet continues to escalate. Thatcher, on the other hand, cannot politically afford to purge the dissenters since such a move would make it easier for her opponents to bring down the Conservative government.

**Labor Unions in the 1970’s**

The decade before Thatcher became Prime Minister was fraught with internal conflict between protesting union workers and the government’s efforts to revive its failing economy. Endless strikes humiliated both the Conservative and the Labour parties, prompting many to call the UK an “ungovernable government.”

During the 1970’s, the British economy lost almost 62,000 worker years of production from strikes and work stoppages due to labor disputes. The British rate of lost production due to strikes and work stoppages was about 150% higher than in the United States during the 1970’s. This heated political gridlock is often cited as the leading reason for Thatcher’s rise to power.

By the election of 1979, many households were beginning to view labor unions as the source of discord and economic struggle in the UK, a force that even their own party (Labour Party) couldn’t control.

**List of strikes**

- Jan. 1970- Postal Workers’ Strike
- Jan. 1970- The Troubles (North Ireland)
- Nov. 1970- Colour Strike
- Jan. 1972- UK Miners’ Strike
- Dec. 1972- Violence peaks in North Ireland throughout 1972, ending with 500 dead
- Jan. 1974- Three-Day Week Strike
- May 1974- Ulster Workers’ Council Strike
- Winter of 1978- Winter of Discontent, including Gravediggers’ and Garbage Strikes

**Economic events**

- 1960s- Conservative Government implements ‘stop-go’ economy to prevent inflation
- 1967- Labour Party devalues the pound again
- Aug. 1971- Nixon takes US off gold standard, marking the collapse of the Bretton Woods system
- Oct. 1973- OPEC oil crisis, UK dubbed the “sick man of Europe”

**Labor Unions 1979-1981 (under Thatcher’s administration)**

**Overview**

There are two major narratives of Thatcher’s approach to labour unions:

1. She destroyed the labour market, cheating many workers of living wages and sometimes even their jobs.
2. She effectively checked labour union power that, for ten years, had been

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terrorizing the British economy with impossible demands. Through her harsh yet necessary policies, Thatcher saved the British economy and built the fiscal framework on which the UK continues to thrive upon today.

These narratives are heavily debated, and Thatcher will likely remain an extremely polarizing figure long after her death. However, there are some ideas which both sides can agree upon:

1. Thatcher was truly seeking to stamp out almost all labour union influence
2. Thatcher backed a fiscally conservative economic model
3. Labour unions strongly resisted Thatcher’s reforms, sometimes resorting to violence

Questions to Consider

- What is the best way to address the recession through all the different means addressed above?
- As a member of Thatcher’s Cabinet, how do you plan to deal with the division in the government?
- What course of action would you advise her to pursue that would both help improve the economy and maintain the necessary public popularity?
Appendix A

Map of the Falklands

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40 The Week, ‘Falklands War anniversary: How did the conflict start?’, theweek.co.uk
Appendix B: Review of Basic Economic Concepts

Unemployment

There are three types of unemployment. The unemployment rate consists of three, detailed statistics

- Frictional: People moving between jobs
- Cyclical: Temporarily without a job due to the economy not being as strong, e.g. a recession.
- Structural: This type of unemployment is the most problematic. This statistic is about a ‘mismatch’ between the number of jobs and the number of people searching for a job. This could be due to a lack of skills, e.g. a miner could not work in a call service center after he/she has been trained in one specific area and has one specific skill.

Inflation

Investopedia explains it best: “Inflation is defined as a sustained increase in the general level of prices for goods and services. It is measured as an annual percentage increase. As inflation rises, every dollar you own buys a smaller percentage of a good or service.”

For example, a milkshake at McDonalds in the 1950’s cost about $0.05, currently they cost about $3. As the price of goods has gone up, so has wages of workers. In some instances, wages may not continue to rise with inflation. People may be making the same amount of money, but if hyperinflation occurs (exorbitant inflation), they would not be able to buy the same amount of goods they were previously able to due to the relative depreciation of the value of their money.

Gross Domestic Product (GDP)

GDP can be measured in 3 ways

- Output measurement: Calculated by adding up the value of all the goods and services produced by every single industry in a specific economy (e.g. fast food, heavy industry)
- Expenditure Measurement: Calculated by adding up the value of all the goods and services purchased by individual consumers/citizens. The value you get when you subtract imports from exports is also factored in.
- Income Measurement: Calculated by the adding the total incomes of all producers in the economy.

The Output measurement is the easiest to understand and measure – this will be the method used when discussing the GDP of the United Kingdom.

Recession

This refers to negative GDP growth, a recession is typically classified as such when there are two consecutive quarters of negative GDP Growth, this means that the producers and consumers in each individual economy is not increasing.

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Two schools of economic thought

Keynesian Economics (Championed by John Maynard Keynes) and Austrian Economics (Championed by FA Hayek and Milton Friedman).

Keynesian economics is also known as interventionism, while Hayek and Friedman believed in the restoring power of the free economy. For example, following a recession, Keynesian economics would dictate the involvement of the government. Hayek would advise that no action be taken – markets are self-correcting.

Thatcher believes in “free markets, free trade, competition, [and] low tax.”

Different types of taxes:

*Income Tax*: Tax levied on income received by citizens

*VAT (Value-Added Tax)*: Tax on goods due to the cost of manufacturing processes

*Excise Duties*: Tax induced on goods produced within the own country’s borders

*Company taxes*: Taxes a company has to pay to operate in a specific country, can be levied on multiple things: number of workers, annual revenue.

Articles For and Against Thatcher

In defense of Thatcher:

Margaret Thatcher was one of the most influential leaders of the 20th Century. She was Prime Minister of Great Britain for eleven years and was probably the most important leader of the conservative movement of the 1970’s and 1980’s. Among her many accomplishments, part of her legacy will certainly be her role in the transformation of British labor markets and the labor union movement. When Mrs. Thatcher became Prime Minister in 1979, British labor unions were quite powerful but labor markets were rigid, inflexible and in many ways uncompetitive. By the time Mrs. Thatcher left office in 1990, the labor union movement had been substantially weakened. Today’s British economy is more vibrant and dynamic in part due to the labor union reforms of the Thatcher government. During the 1979 election, Thatcher’s Conservative Party described a five point plan for the country. The first task in the Conservative Party platform (Manifesto) was restoring “a fair balance between the rights and duties of the trade union movement.” It was Thatcher’s view that British labor laws were in need of reform because “militant” pro-union legislation enacted by the Labour Party had allowed unions to bargain for wages and working conditions that made British firms uncompetitive in an increasingly global economy. Mrs. Thatcher also believed that labor laws encouraged unions to use strikes and work stoppages “as a weapon of first rather than last resort” and led to “increasingly bitter and calamitous industrial disputes.” By the 1990’s, after the Thatcher government reforms, lost production due to strikes were less than 5% of the levels in the 1970’s. In fact, during the 1990’s, lost production due to strikes and labor disputes were 22% lower in Britain than in the United States (relative to the size of the countries’ labor forces) and remain lower to this day. Labor union reforms did not come easily. The coal miner’s strike of 1984-1985 was long, bitter and violent. The global recession in the early 1980’s hit Great Britain especially hard. The British unemployment rate remained above 10% for six years from 1982 through 1987 and peaked at 11.8% in 1984. The employment to population ratio of men age 16 to 64 fell by 10.3 percentage points between 1979 and 1983 (compared to 5.1 percentage points in the U.S.).

A critique of Thatcher:

Margaret Thatcher was the nemesis of the trade union movement. Together with miners' leader Arthur Scargill, she managed
to destroy the power of the trade unions for almost a generation. Only now, more than 13 years after her departure, are they beginning to find their feet again. Her economic policies helped weaken the unions. The recession of the early 1980s saw manufacturing, the main area of union strength, shrink by half while unemployment soared to over three million. Flying pickets, the shock troops of industrial warfare, were banned and could no longer blockade factories, ports, public bodies and much more during disputes. Strike ballots became compulsory. The closed shop, which forced people to join a union if they were seeking employment in a particular trade, was outlawed.