Thatcher and the British Election of 1979: Taxes, Nationalization, and Unions Run Amok

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The arguments presented in this paper, and the 1979 parliamentary elections in general, are more relevant than ever for Americans in the wake of the 2008 election. With dismal economic news mounting and a massive shift in the electoral map, Margaret Thatcher’s electoral strategy and the keys to her successes provide important lessons for both parties. In particular, the Republican Party is in need of a coherent message and fresh electoral successes. Some have argued that a return to truly conservative ideals is what that party needs, while others say the party must move to the center and seek a wider audience, like the modern British Conservatives under David Cameron. Whatever the solution for the nation and for our political parties, however, it is clear that the lessons of history provide much insight.

In 1979, the Conservative Party under Margaret Thatcher’s leadership won a stunning victory. In total, there was a 5.2 percent swing in the total number of former Labour voters who moved to Thatcher’s Tories, the biggest shift in voting patterns since Churchill’s stunning defeat in 1945. The new prime minister, who pledged massive changes in economic and related policy, had accomplished a dramatic feat. Her election marked the end of what some have called the post-World War II consensus, which most prominently featured support for the welfare state, high taxes, nationalized industry, and strong trade unions.

Scholars have extensively debated the reasons the Tory victory in 1979. There is general agreement that the results were based almost entirely on economic discontent, and all evidence confirms the validity of this theory. Of course, some scholars disagree, including Andrew Gamble, who says that Thatcher’s toughness on communism set the stage for equal toughness on the economy. There is yet more dispute among the majority of scholars who identity economics as the primary reason for the 1979 upset.

The economy in 1979 was a depressing sight indeed. The many problems included stagnant growth, increasing unemployment, double-digit inflation, high labor costs as negotiated by trade unions, a command economy of nationalized industry, and high taxes for an expansive welfare state. Of these many issues, scholarly discussion centers around which single issue or combination of issues had the greatest political effect. Some, like Helmut Norpoth, argue that inflation and union excess combined had the greatest impact. Others, including Dennis Kavanagh,
posit that it all of the economic issues combined into a “politics of decline” which altered the electoral landscape. Finally, yet other scholars argue that 1979 was a watershed year which marked large-scale ideological change, including Ivor Crewe and Donald Searing. This last theory may have some truth to it, but it is only applicable in the context of economic crisis.

This paper will argue that while inflation and unemployment may have in fact been most detrimental to the British economy in 1979, it was instead the combination of public dissatisfaction over high taxes, continued nationalization of industry, and trade union power perceived as excessive that were most politically persuasive in leading to the Conservative victory in 1979. These issues were presented persuasively as part of a wider free-market strategy, and were perceived in a new light after the Winter of Discontent in late 1978 and early 1979.

Unemployment and Inflation

Unemployment was high in 1979, and inflation was rampant. Normally, these issues in combination would serve as a intoxicating electoral tonic, but in that year they proved less influential than would normally be expected, especially considering the Tories’ vigorous attempts to make an issue of runaway inflation, and a post-war consensus which had led to low unemployment becoming the norm.

Combating inflation was a key plank in the 1979 Conservative platform, and yet it netted little benefit for the party in the election. In fact, it was so central to the party’s strategy that year that it was the very first policy item listed in the 1979 Conservative election manifesto, which was carefully designed to highlight the party’s record on fighting inflation.¹ The manifesto, a statement of the party’s positions on issues it deems critical to the health of the nation, is both a guide for what the party will do once in power and a tool used by the party to attract voters. Despite this emphasis, however, the issue seems to have resulted in a figurative wash for the Tories. Helmut Norpoth states that it was “a major irony that Mrs. Thatcher staked her 1979 campaign on an issue where Labour actually rated higher in public esteem.”² It is clear that the Conservatives hoped to gain traction here from general public unhappiness about the state of the economy, instead of discontent about inflation specifically.

Certainly, inflation and the constant increase in consumer prices worried British voters, but much of this sentiment was vented on trade unions instead of inflation-control policy itself. This was likely because inflation was closely linked by many to the pay policies and demands of unions. Many British voters felt that “the central problem faced by the government [was] holding down the rise in labour costs,”³ and that those same costs were a result of incessant pay negotiations by increasingly powerful unions. As

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industrial pay rose, so did prices across the country, dragging down the average real pay for families from £70.20 in 1973 to £63.10 in 1977. This represented real financial problems from working- and middle-class families across the country. In this case, however, inflation was overrun by other problems perceived as more serious.

Unemployment increased massively during the 1970s, but despite their emphasis on economic issues, Thatcher’s Conservatives did not seize on it as a plank. In fact, the Tories in 1979 may have even welcomed moderate levels of unemployment, disavowing as they did Keynesian full employment theories. The party’s manifesto of that year did not even mention unemployment as one of the problems the party saw as a priority. David Robertson argues that the members of the Conservative party most closely aligned with Thatcher even thought that “government insurance and benefit programs in 1979 too generously rewarded citizens for not working.” In the eyes of the Tories, unemployment, while increasing, was the next best thing from a non-issue.

Dissent against high levels of unemployment also appeared to have diminished from its levels in the decades prior. At an earlier time, unemployment ranging between one and two million would have been politically unimaginable. In the late 1970s, however, increasing unemployment was met with only mild resistance, and then only from the unions. This must have been an encouraging sign for the Tories, and helped lead to their decision to minimize opposition to increasing unemployment as a political gambit.

It is indeed an irony that unemployment was a relatively minor issue, especially given the importance full employment had in the so-called post-war consensus. John Maynard Keynes had argued that true economic success was concurrent with full employment, and that the government had to take corrective action when unemployment grew. As Peter Jenkins argued, as unemployment grew without major public opposition, “the cornerstone itself of the Post-war settlement was crumbling.” Keynes also argued that excessive saving was a problem, and thus British Keynesianism encouraged high levels of consumer spending, leading to inflation, another problem government could work to prevent through wage caps. It is therefore also ironic that inflation was not a major issue in the 1979 campaign. Nonetheless, these issues seemed less pressing to average citizens when compared to other threats to Britain’s economic recovery.

In 1978, the year prior to the election, rates of unemployment and inflation appeared to be improving. Of course, this not only meant that the

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7 Jenkins, 17.
The economy had simply gone from dismal to slightly less dismal, but it also meant that Conservatives became nervous about what had begun to appear to be an almost certain victory come next election. Its unintended consequence was even more crucial, however. Slight improvements in the economy made the following winter’s economic and social upheavals appear even more dramatic. In fact, this may have been the area in which unemployment and inflation had the greatest impact for the Tories: by improving ever so slightly, the remaining issues surrounding high taxation, trade union activism, and nationalized industry appeared even worse.\(^8\)

To be sure, unemployment and inflation were bad for both the British economy and workers. Unemployment, however, was never a major part of the Tory platform and inflation was less successful of a tactic than other issues.

**Taxation**

Thatcher made lowering taxes a key proposition in the Conservative agenda for 1979. Not only did it figure prominently in the election manifesto, but Thatcher made sure she pounded in the point on the floor of the House of Commons, when she said to Labour Prime Minister Callaghan, “go anywhere in the country and the demand will be for two things – less tax and more law and order.”\(^9\) Lower taxes were key to the new Tory free market platform, and after years of growing acceptance by voters, were key in the 1979 upset.

Though many Britons generally opposed lowering taxes if it meant reducing social services, the Tories emphasized instead taxes as an engine for economic growth and increased government revenues, and thus benefited from the issue. Polls showed that voters did not want attendant welfare cuts, but they were strikingly in favor of cutting business taxes to enable investment, and were prepared to offer Thatcher leeway in individual tax cuts on the basis of the party’s free market argument.\(^10\) For a country that had emphasized Socialist policies for decades, this was a meaningful shift.

This shift towards the acceptance of lower taxes was both a long-term trend and uniquely British within Europe. In general, European electorates favored high taxes to fund high cost welfare programs. In Britain, this idea was certainly accepted but with less enthusiasm. A 1976 poll among member countries showed that fifty-four percent of other European Economic Community nation’s voters thought their governments did too little for the poor. In Britain, however, this number was only thirty-six percent. Similar research on general attitudes toward taxation also showed that tax cutting enthusiasm was highest in countries which had the greatest tax increases since World War II, which was certainly valid in the United Kingdom.\(^11\) These somewhat surprising public attitudes gave Thatcher an opening to call for lower taxes, even if it meant lower government spending.

\(^8\) Gamble, 99; Jenkins, 19.

\(^9\) Jenkins, 22.


The Conservatives who were closely allied with Thatcher were absolute on the issue of tax-cutting: they believed it must be done to create economic growth. This was an appealing and easily explained issue to the electorate, especially when presented with the enthusiasm and clear conviction of the Iron Lady. Indeed, lower taxes appeared to be a Tory “article of faith.” For Britons ready for a change in economic fortunes, fresh ideas were tempting.

Still, the Tories had to publicly admit that certain elements of the welfare state would have to go or at least be reduced, but this notion was met with surprisingly low amounts of opposition. Research conducted by Ivor Crewe and Donald Searing showed that in 1974, only thirty-four percent of Britons thought welfare benefits had “gone too far.” By 1979, the proportion had increased to fifty percent. For a country which had operated under a consensus favoring high levels of welfare spending, this once again marked major change and a trend in the Tories’ favor.

Britons found Thatcher’s ideas of economic growth through more moderate tax rates a welcome suggestion, particularly given the immediate past’s economic stagnation. As such, it served as one of the major reasons for Thatcher’s victory.

**Nationalization of Industry**

British voters had long held opinions which favored nationalizing either profitable or failing businesses, for various reasons. In the 1979 election, however, they showed that the tide of public opinion had turned, and Thatcher’s support for privatizing many of these industries back proved important in the election, especially in the context of free markets.

By 1979, many of Britain’s major industrial companies were nationalized, meaning they were owned in whole or in part by the state. The state often chose the choicest and most profitable companies to nationalize, including British Telecom, British Airways, Rolls Royce, British Steel, British Leyland, and MG Rover. In course, these companies often lost the efficiency brought by productivity in turn motivated by market competitiveness and began to lose money. Government subsidies made up the difference with tax dollars. Post-war governments also got into the habit of buying failing companies with large work-forces or prestige in order to save them from bankruptcy or to save political face. This was a further drain on the treasury. Worst of all in the eyes of Conservatives was the massive stake of real estate and council houses owned by the government.

With much of the same fervor that accompanied tax cuts, Thatcher actively campaigned to denationalize key industries and release them once more into free economic competition. The election manifesto called for denationalization, and said that any further movements towards “nationalisation would further

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13 Crewe and Searing, 376.

impoverish us and further undermine our freedom." The document especially decried the Labour Party’s plans for further nationalization. These assertions fit nicely with free market ideals and a path to economic recovery promoted by the Tories.

In general, British voters favored either privatization or at least maintenance of the status quo, which proved advantageous to the Tories. The political tide was clearly turning against nationalization. Polls showed that support for privatizing some industries increased sixteen percent between 1974 and 1979, surely a product of both economic downturn and passionate Conservative campaigning. It appears that, at first, privatization was an elite driven phenomenon, but it gradually picked up popular support. Ian McAllister and Donley Studlar argue that the convictions of the elite, which supported privatization in the name of economic growth, eventually became imbedded of the consciousness of much of the electorate.

Following this model, by 1979, a majority of Britons favored at least a small amount of denationalization. Once again, this feeling contributed to the positive support for Tory free market policies and was simultaneously buttressed by those same Tory policies. A Gallup Poll also showed that seventy-seven percent of voters were in favor privatization or were at least opposed to Labour ideas for further nationalization. This same poll demonstrated an eighteen percent increase in support from privatization from only a decade before. It was yet another Tory gain on an important issue.

In fact, many British voters seemed to recognize nationalization for what it was: an attempt to rescue major industry from the throes of trade union and economic inflexibility-induced financial distress. As such, they saw privatization and the Tories’ other free-market policies as proceeding hand-in-hand.

Trade Union Power

Opposition to the enormous political influence of trade unions was the most compelling reason for voters’ shift toward the Thatcher’s party. The Conservatives took a much harder line against unions, which were among the most powerful political forces in the county. This hard line was especially evident in contrast to the Labour Party’s conceived bond with unionism. As the unions and their actions became increasingly unpopular, curbing union’s power became a tide-turning question for the Tories.

Trade unions run amok, more than any other one issue, encapsulated the electorates’ concern with Labour policies and attraction to Tory free market strategy. As Norpoth asserts, “it was…industrial relations that proved pivotal for Labour’s defeat.”

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16 Crewe and Searing, 376.
18 Ibid, 160.
20 Norpoth, 209-10.
had long claimed to have a “special relationship” with unions, which implied a certain amount of control over them. As events would prove, Labour in fact had little control over the unions. Quite the opposite seemed to be the case.

The 1970s had been banner years for unions, and they grew during that decade into influential political actors. From 1964 to 1979, union membership increased from 10.2 million to 13.4 million, and this in a country that was already heavily unionized. With this increased membership, their power was augmented as well, to a level where they appeared the most powerful force in the nation for a time. In 1975, a Gallup poll asked British voters who they thought the most powerful man in the country was: “52 percent thought Jack Jones [leader of the Transport and General Workers’ Union] the most powerful man in the country, only 34 percent the Prime Minister.” This set up a dangerous political situation for Labour.

The situation got out of hand for the Labour government when it appeared that they could no longer control the unions, and this accrued to the Tories’ benefit. As inflation spun out of control, the government attempted to institute pay increase restrictions, which was naturally met with staunch union resistance. Unfortunately, the unions proved so committed and powerful that their resistance “led to a series of major confrontations with the unions and often to embarrassing climbdowns for the government.” It illustrated for the public an image of organized labor out of control.

Another reason for general public animosity towards unions was the extreme far-left character of their leadership. A Market and Opinion Research International Poll from 1976 found that sixty-four percent of voters felt that “most trade unions today are controlled by a few extremists and militants.” Though unions were largely not popular, the continued perception was that Labour governments did little to curtail their activities.

Even worse for Labour – and better for Thatcher’s Tories – were general public sentiments which largely blamed unions for the persistent economic malaise. In 1979, industrial workers, through intense negotiations by their unions, made more than service or public sector employees. Additionally, the same opinion poll above from 1976 showed several startling conclusions. A majority of respondents believed that unions were the main contributors to Britain’s economic crisis. Further, seventy-four percent felt that British unions had far too much power. By 1979, this number reached eighty-two percent. Clearly, unions were unpopular enough to become a major campaign issue.


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21 Hyman, 353.
22 Jenkins, 16.
23 Gamble, 83.
cap on any union negotiated pay increase. Schools closed, hospitals majorly scaled back operations, refuse piled up in the streets, and major transit systems were shut down. Coming on the heels of a decade of economic decline, this seemed to many Britons the ultimate insult. Even worse were the unions’ actions beyond simply calling strikes. They practiced what was called “secondary picketing,” or the picketing of institutions not directly involved in the strikes as employers, including power and police stations. 28 While this was intended to pressure the government to take action, it instead resulted in adverse effects on the lives of average citizens – and voters – including members of the working class who normally voted for Labour.

As a result of these actions and as the direct cause of this Winter of Discontent, “the unions reached new heights of unpopularity, and Labour’s claim to have a ‘special relationship’ with the unions was destroyed.” 29 With elections scheduled for the following spring, Labour’s defeat seemed all but assured.

Indeed, the government had worked itself into a corner with the unions, and Margaret Thatcher made sure to take full advantage of public perceptions to push her free market solutions and hard charging anti-union style as an alternative. After all, “government could act in what it took to be the national interest and appeal to the electorate only by defying the Labour Movement: it could appease the party and the unions only by alienating the country.” 30 Thatcher used this opportunity to promote “the events of that winter of 1978-79 as a symbol of the bankruptcy of social democracy.” 31 Her gambit seemed to have work, with Tory victory in May as evidence.

**Conclusion**

This paper attempted to distill the reasons behind the 1979 election results. Certainly, many factors played into the results as they happened. For example, Thatcher herself made a priority of crime prevention. Nonetheless, these seemed to have minimal effects when compared to issues that went to the core of Thatcherism and its emphasis on free markets: reducing unions’ power, lowering taxes, and privatizing key national industries.

Assuredly, none of these three issues would have been as powerful or effective for the Tories if the British economy had not been in general crisis in almost every economic indicator. After all, Britain had already suffered the humiliation of accepting a conditional loan from the IMF, a dubious honor normally reserved for the developing nations of Asia, South America and Africa. 32 The three issues highlighted here would not have been as persuasive if they had not been given an “edge [by] the critical state of the British economy in the 1970s.” 33 Clearly, though, other issues did not have the impact of the three argued here, regardless of wider economic problems.

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28 De Boer, 125.
29 Kavanagh, 130-1.
30 Jenkins, 20.
31 Gamble, 103.
32 Jenkins, 18.
33 Gamble, 99.
In many ways, however, the Winter of Discontent crystallized these three issues in a coherent argument for massive changes and a destruction of the post-war socialist consensus, almost doing Thatcher’s work for her. High taxes were seen as a result of inflation, which was in turn the fault of the unions for demanding ever-higher wages. Nationalization stunk of crass socialism and protectionism, a scheme which was both antithetical to free markets and boldly supported by trade unions and the lapdog Labour government, perceived as a union lapdog. And opposition to unions, as stated above, proved most influential of all. For years, unions had appeared to be getting unconditional freedoms and powers, and Thatcher offered an attractive alternative.

Still, it is difficult to assert solitary reasons for shift in voter preferences. Politics is a complicated affair which relies on perceptions and vagaries. As hard as scholars have tried to fit voters’ intentions and actions into a neat framework of ranked preferences and clear desires, politics will not comply. Voters rely on a complex matrix of values, needs, and opinions to vote as they do, and any attempt to simplify their intentions will necessarily meet with contradiction. In the case of 1979, general economic malaise was a major problem in voters’ eyes. Of these issues, though, high taxes, trade union power run amok, and excessive nationalization of industry represented the most acute of Britain’s problems, and account for the massive change in British politics which occurred in 1979.

Bibliography


