The Remarkable Legacy of Margaret Thatcher

Anders Åslund says Margaret Thatcher's program of deregulation, privatization, and opposition to unions changed economic assumptions in Europe and around the world.

Steve Weisman: The death of former Prime Minister Margaret Thatcher has unleashed a torrent of commentary, pro and con, about her economic record as Prime Minister, liberalizing the British economic system, facing up to the unions and taking other steps that everyone agrees were a turning point for Britain, Europe and maybe even the world economy in terms of the model that she set. Anders Aslund of the Peterson Institute for International Economics is here with me, Steve Weisman, to assess that record.

Anders, how big of a deal was Prime Minister Thatcher's time in office?

Anders Aslund: She was quite extraordinary. I was at Oxford as a graduate student from 1978 to 1982. I remember when I was flying home to Sweden the day before Christmas in 1978, arriving at Heathrow I found that the whole staff had gone on a wildcat strike, as so often happened during that Winter of Discontent. And the reason? There was too much work—surprise, surprise—before Christmas. So there we had to wait for nine hours until the workers decided to go back to work. It was a total chaos.

So on the 3rd of May, I was at a few friends and watched the election night, which is very exciting always in Britain. By three o'clock it was clear that Margaret Thatcher had won, and we went home then in euphoria. Britain had changed. This Winter of Discontent that brought her to power would never come back. We felt it and it was true.

Steve Weisman: What do you think were the most important achievements that she then carried out?

Anders Aslund: I think that the most important was really that she disciplined the trade unions, that she privatized a lot of very useless state companies and actually deregulated the British economy. These are the three big things.

Steve Weisman: There was an intangible one that a lot of people cite, which was to infuse a country with a new spirit of entrepreneurship and belief that markets are the most efficient way of distributing the resources in a society.

Anders Aslund: Indeed. And we saw it happening. By 1978, Britain had fallen in GDP per capita terms, not only below Germany and France but also below Italy. That was the utter humiliation to the Brits at the time. Then we saw, under Thatcher, Britain climbing up again. Now of course, it has fallen back a bit because of a long Labour role in particular, [Chancellor of the Exchequer and Prime Minister] Gordon Brown's excessive public expenditures.

Steve Weisman: Coming after [Prime Minister] Tony Blair, who was more centrist partly in response to the Thatcher legacy.

Anders Aslund: I would say that it was Gordon Brown as Chancellor of the Exchequer, as Minister of Finance, who raised public expenditures excessively. Tony Blair was careful with his image but he didn't do any reforms. What should have been done after Thatcher was reform of the public sector itself, but that has unfortunately not happened.

Steve Weisman: Did her program of market liberalization, privatization, deregulation, go too far toward the end of her time in office and lead to her own party dumping her?

Anders Aslund: I think that she made two big mistakes. One was her attitude to Europe, which was simply old British imperial thinking. And the other was this very strange poll tax, a tax that was equal for everybody because everybody required local services. That was a highly regressive tax and totally impermissible. But I think it was more that she rather than becoming softer with age, became even edgy. It's a very strong difference between Reagan and Thatcher. Thatcher really was an ideologue. While President Reagan might have said the same things, he did it in a much softer fashion. Margaret Thatcher wanted to be respected rather than liked and that's how she has come down.

Steve Weisman: In terms of the economies of Europe and even the economies around the world, in the developing world, that in the initial decades of the post-war period were socialist and government-controlled, what do you think is Margaret Thatcher's legacy today?

Anders Aslund: I think that she turned Europe around. It's really 1979 that stands out as a monument of the time, when privatization became a slogan throughout Europe. She changed the economic thinking in Europe and I guess in the world.

Steve Weisman: Thank you, Anders.