

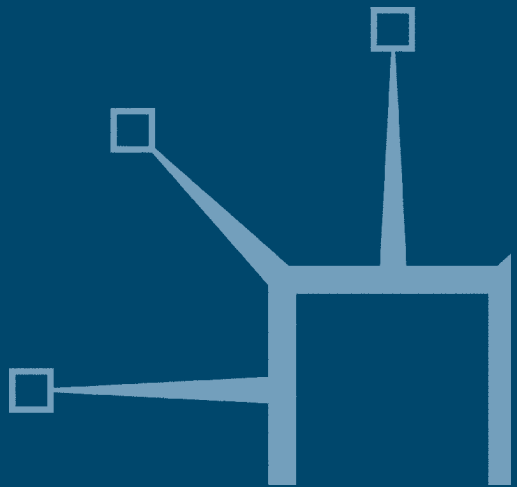
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# Margaret Thatcher and Ronald Reagan

A Very Political Special Relationship

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James Cooper



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**A Very Political Special Relationship**

James Cooper

*Senior Lecturer in History, Oxford Brookes University, UK*

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*For Bernard and Eileen Cooper, my parents*

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contribution and a list of interviewees is detailed as an Appendix. While finalising my original PhD thesis, I learnt of the passing of Sir Oliver Wright, former British Ambassador to the USA. Sir Oliver, and his wife, Lady Wright, were most welcoming as I visited their home to conduct an interview – it would be remiss of me to not mention their hospitality and my memories of a wonderful afternoon of tea, cake and history.

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# Author Biography

Dr James Cooper is Senior Lecturer in History at Oxford Brookes University and the 20th Fulbright-Robertson Visiting Professor of British History at Westminster College, Missouri. Previously he completed his PhD at Aberystwyth University in 2010, and then became Lecturer in Modern History at the same institution.

# Introduction

This monograph explores the relationship between the Thatcher and Reagan administrations in the 1980s with specific reference to their domestic policy agendas. Previous comparative studies of Margaret Thatcher and Ronald Reagan have explored the New Right, and the so-called special relationship in foreign affairs. However, there is no comprehensive study of the mutual impact of the Thatcher and Reagan administrations' domestic policy. This research fills this gap by investigating the transatlantic relationship between the two administrations in this area of policy. Considering the extent of transfer in policy and tactics between the administrations and intellectual transfer to the administrations from individual academics and think tanks, this monograph will assess the Thatcher-Reagan relationship with regard to 'who influenced whom'. Policy transfer refers to direct policy exchange or influence between the Thatcher and Reagan administrations. Tactical transfer refers to the tactics or behaviour of the administrations and the influence of one administration on the other. Intellectual transfer is the transfer of policies or ideas from outside of government, namely think tanks and academics; intellectual transfer can also be transatlantic. This introduction establishes the foundation of this study by offering an overview of the Thatcher-Reagan 'special relationship' in foreign affairs and the historiography of the topic. There will also be a discussion of the methodology and scope involved in the monograph.

## **Emergence of the New Right**

The emergence of Thatcher and Reagan was no historical accident, but rather the result of a combination of concerns about national decline and the development of alternative economic paradigms in Britain and America. In the three decades following the Second World War, successive British governments sought to manage 'decline' as efficiently and effectively as possible. In addition to the loss of the Empire and an uncertain role on the world stage, Britain faced an uncertain economic future governed

by a continuing Keynesian 'trade off' between inflation and unemployment. The nationalised industries served only to strengthen the influence and power of trade unions, in effect guaranteeing them a voice in government decisions even when the Labour Party was out of office. For instance, British trade unions were involved in both the rejection of Prime Minister Edward Heath's government in 1974 and the 1978 Winter of Discontent during Jim Callaghan's premiership. During the 1970s, America was also reminded of its economic limitations. Grippled by the global phenomenon of stagflation (inflation combined with negative economic growth), President Jimmy Carter sought to temper concerns for 'national malaise' with a call for a new energy efficiency and acceptance that wealth creation was not limitless. The Cold War saw an end to détente and matters began to warm up (personified by the late 1979 Soviet invasion of Afghanistan). Combined with defiance towards American power (such as the taking of American hostages in Iran in 1979), this not only undermined the Carter administration, but, when combined with memories of the Vietnam War, raised an alarming sense of American decline.<sup>1</sup>

British decline was not a new issue during the 1970s. Nevertheless, as Richard Coopey and Nicholas Woodward note: 'In both popular and scholarly memory there is almost unanimous agreement – the 1970s was a decade when the British economy was in serious trouble.'<sup>2</sup> During the preceding two decades, British economic performance was satisfactory, but in the 1970s the economic failings of high unemployment, stagflation and industrial unrest gripped Britain. Economic problems were certainly the key issue for the electorate during this period. Indeed, according to Coopey and Woodward, in Gallup Opinion polls during the 1970s, 'economic problems were cited most frequently as a source of concern, with prices, followed by unemployment and industrial relations/strikes, being the most serious problems'.<sup>3</sup> Compared to the period between 1964 and 1973, economic growth halved between 1973 and 1979 and was much lower than that achieved during the 1980s. It must be stressed that while the British experience was not unique in terms of unemployment and stagflation, it was worse than average compared with other western countries. The economic problems were global and originated in America: the Lyndon Johnson administration had funded the Vietnam War through budget deficits and an accommodating monetary policy, which led to inflation; due to the Bretton Woods System (BWS) with its fixed exchange rate, this in turn created global inflation. Ultimately, the breakdown of the BWS in 1971–73 meant that there would be no more pegging of currencies to the dollar and economies would essentially become synchronised: deficit countries would deflate their economies while countries running a surplus would inflate their economies. However, this period of economic readjustment was shortly followed by international economic shocks, namely the decrease in the supply of primary commodities and in demand from industrialised countries, concurrent with crop failures in the

Soviet Union, China, Australia and south-east Asia. Prices of commodities increased: between 1972 and 1974, the price of oil increased dramatically by 420 per cent, due to the response by the Organisation of Petroleum Exporting Countries (OPEC) to the pro-Israeli stance taken by industrialised countries during the 1973 Yom Kippur war. Although the world economy improved after 1975 (with the exception of 1976), the decade was one of global economic disturbances, which highlighted the inflexibility of the British economy as it struggled to adapt to economic conditions. For instance, the Iranian Revolution in 1978–79 caused a second dramatic increase in OPEC oil prices, which had inflationary effects and prompted a decisive deflation by industrialised countries, and therefore an economic downturn as the decade ended.<sup>4</sup>

While Britain and America faced an uncertain economic future, many of their academics and think tanks latched on to (classical) economic arguments. This monograph will address the background to some salient features of this, such as monetarism, tax cuts, privatisation and deregulation. However, suffice to say for introductory purposes, the ideas of economists such as Milton Friedman, Friedrich von Hayek and Arthur Laffer only gained increasing credence in the British Conservative Party and elements of the US Republican Party as the 1970s unfolded. Yet this intellectual transfer was not consigned to right-of-centre parties. Indeed, the Carter administration implemented both monetary policy and deregulation, while Callaghan's Labour government commenced a programme of monetary policy, reducing public spending at the behest of the International Monetary Fund (IMF). Nevertheless, this was certainly a period when professional politicians sought to implement apparently radically new policies that arose from the ideas of professional economists, or at least claimed to do so. The prestige of the academy was to provide intellectual justification and, ultimately to some extent, political cover, for the prescriptions advocated by Thatcher and Reagan in order to reverse their respective countries' alleged decline. For instance, monetarism and the labelling of different types of money became established in the wider political consciousness.

Since the Second World War, economists have played an increasingly important role in economic policy in Britain and America, and around the world more generally. In 1946 the Council of Economic Advisers (CEA) was established in the United States with the remit of advising the president. The CEA was typically made up of academic economists who would return to university life after serving their country. During the war effort, the British government turned to economists for advice as opposed to the previous practice of relying on the more limited Civil Service and its links with the City of London. The Kennedy administration worked effectively with its CEA and, comparatively, academic economists gained an increasingly important presence in British domestic politics under Harold Wilson's Labour governments between 1964–70. While the economic difficulties of the 1970s arguably undermined the potential contribution of economists, they were certainly influential in

the Thatcher-Reagan epoch. American and British policy makers and think tanks advocated ideas that came out of the economic thinking promoted by, for instance, the Mont Pelerin Society, the members of which included Friedrich von Hayek, and the Chicago School of Economics, which was led by Milton Friedman. Hayek and Friedman won the Nobel Prize for Economics in 1974 and 1976 respectively and their successes were indicative of the rise of economic liberalism – ‘neo-liberalism’ or the ‘New Right’ – in response to the Keynesian interventionist orthodoxy, which had dominated western economic policy since the Second World War, following the economic calamity of the 1930s. Economists were therefore increasingly assuming a role in policy development and implementation, both within and outside of government. For instance, economists such as Terry Burns of the London Business School advised the Thatcher government (namely on the Medium Term Financial Strategy), while others, such as Stephen Littlechild, chaired regulatory bodies after privatisation. Reagan was advised by his CEA, while economists continued to enjoy roles across departments in the congressional and executive branches of government. However, the importance of individuals cannot be underestimated: Alan Walters’ role in the Thatcher government proved to be a source of tension between the prime minister and her second chancellor of the exchequer, Nigel Lawson, while pragmatic White House aides, such as James Baker, were relieved when ‘supply-sider’ economic advisers, such as Paul Craig Roberts resigned their positions when Reagan actually raised taxation in 1982. Nevertheless, it is clear that professional politicians were drawing upon the expertise of economists who could provide useful intellectual justification for government policies. The enhanced prestige of academic economics was matched by the growth of its professionalisation after the Second World War in Universities across Western Europe and the United States. Thatcher and Reagan’s partnership in power coincided with a hegemony of ideas associated with Hayek, Friedman and Arthur Laffer.<sup>5</sup>

Thatcher and Reagan were thus able to point to current economic difficulties as examples of the excessive government intervention they were trying to address through ‘New Right’ policies. Certainly in the British case, concerns with ‘decline’ must be viewed as *relative* decline rather than *absolute* decline.<sup>6</sup> However, the literature of decline is particularly resonant for Thatcher. As Jim Tomlinson has noted, ‘Mrs Thatcher staked her claim to power on a declinist account of modern Britain, from which dire fate, of course, only her policies could offer rescue’.<sup>7</sup> Indeed, historians’ accounts of decline figured prominently in the formation and promotion of her views and those of her inner circle. For example, accounts such as Corelli Barnett’s *The Audit of War*, which castigated post-war welfare state-based intervention, and Martin Wiener’s *English Culture and the Decline of the Industrial Spirit*, which stressed the enduring drag of an anti-industrial culture, were both circulated by Keith Joseph to cabinet members to read during Thatcher’s tenure.<sup>8</sup> Reagan’s narrative followed a similar pattern: the ‘malaise’ of the

Carter presidency was the end result of decades of increasing intrusion by government and the failure to be firm in relations with unfriendly nations, particularly the Soviet Union. The Reagan recession in the early 1980s ended just in time for 'Morning in America' to break prior to Reagan's re-election campaign, supporting claims that he had reversed America's decline at home and abroad.<sup>9</sup> For Thatcher and Reagan, only their policies could reverse the British and American decline that they had inherited and continue to reverse the fortunes of their respective countries. This view was established before their partnership in power.

## When Thatcher met Reagan

During the 1970s, both Thatcher and Reagan were outsiders in their parties. Thatcher was viewed as a temporary political accident; her victory in the 1975 Conservative leadership election was based on backbench support (and the campaigning skills of Airey Neave) and was arguably not really secure until her second general election victory in 1983. While in Opposition, Thatcher established an alternative direction for the Conservative Party. This built on her natural instincts, coupled with policies advocated by Sir Keith Joseph, and think tanks such as the Centre for Policy Studies (CPS), the Adam Smith Institute (ASI) and the Institute of Economic Affairs (IEA). The CPS, established by Joseph after the 1974 election defeats, enjoyed an even greater influence over the Conservative leadership than the Conservative Research Department. These developments were mirrored in the USA by the foundation of the American Enterprise Institute and the Hoover Institution.<sup>10</sup> The think tanks were successful in developing and promoting New Right policies: Thatcher and Reagan therefore 'plugged into a network that already existed'.<sup>11</sup>

After leaving the Democratic Party in the early 1950s, Reagan espoused conservative economics and a firm stance towards the Soviet Union. During the 1950s, Reagan worked for television's General Electric Theatre and toured the country, honing what became known as 'The Speech', which summarised his criticism of government economic intervention, higher taxation and failure to stand firm against the Soviet Union.<sup>12</sup> Reagan used 'The Speech' in his national political debut in support of Barry Goldwater's 1964 campaign for the Presidency. Reagan's distrust of government and avocation of tax cuts was therefore well established.<sup>13</sup> The Speech represented a growing mood within the Republican Party which had led to the Goldwater movement during the 1960s.<sup>14</sup> As Garry Wills argues, the last chapter in Reagan's first autobiography, *Where's the Rest of Me?* was 'The Speech' and demonstrated that Reagan 'was a political campaign waiting to happen'.<sup>15</sup> After serving as Governor of California (1967–75), Reagan, standing on a conservative platform of low taxes, balanced budget and anti-communism, sensationally almost unseated the incumbent Republican President Gerald Ford as his Party's nominee in 1976, standing on a conservative platform



of low taxes, balanced budget and anti-communism. Although Reagan's political career seemed over following this, his radio addresses and national columns maintained his public profile and he ultimately secured the Republican presidential nomination and the American presidency in 1980.

Thatcher became aware of Reagan's views following her husband Denis' praise of a speech by Reagan to the Institute of Directors in November 1969. After reading that speech and meeting Reagan, Thatcher later claimed in her memoirs that she kept abreast of his career.<sup>16</sup> Justin Dart, a former aide to Reagan during his tenure as Governor of California, was keen for the two to be introduced soon after Thatcher's ascent to Leader of the Opposition. In his memoirs, Reagan recorded that their first meeting, in April 1975, was meant to be only for a few minutes but lasted for almost two hours. He commented that he 'liked her immediately – she was warm, feminine, gracious, and intelligent – and it was evident from our first words that we were soul mates when it came to reducing government and expanding economic freedom'.<sup>17</sup> Reagan wrote that 'it never occurred to me that before many years would pass, Margaret and I would be sitting across from each other as the heads of our respective governments'.<sup>18</sup> However, given his ambition and determination to win the presidency, and Thatcher's political position, Reagan must have suspected that their paths could cross again. Writing (on the day that Saigon fell) in 1975 to thank Thatcher for her hospitality, Reagan observed that 'somehow the shadows seem to have strengthened'.<sup>19</sup> They must have therefore discussed Cold War politics. Reagan offered to return the hospitality should the Opposition Leader accept any speaking invitations in California, eagerly stating that she had 'an enthusiastic supporter' in the 'colonies'.<sup>20</sup> In her memoirs, Thatcher recalled the meeting in 1975 and a second meeting, three years later during November 1978.<sup>21</sup> When interviewed by Geoffrey Smith in January 1990, Thatcher recalled her early conversations with Reagan in 1975 and 1978. She claimed that the meetings were arranged because they shared the 'same fundamentals, absolute fundamentals' in terms of philosophy. When asked whether they discussed specific policies, Thatcher explained,

Certain fundamental policies flowed from those philosophies clearly, that you always had to have a sound defence against communism, always, that you must never fear to go for the battle of ideas. The battle of ideas was a concept that was very much in my mind from quite an early stage and [Ronald Reagan] he seemed to be very good on the battle of ideas and that when it came to, in our case, getting rid of some of the restrictive practices and the things which were holding back industry, we had certain problems with the trade unions, they also had them over there although they were slightly different ...<sup>22</sup>

When Thatcher won the 1979 general election, Reagan immediately telephoned the new prime minister. Unfortunately, the civil service did not

prioritise Reagan's call, as he was just a failed presidential candidate and an ex-governor. No doubt Reagan would have spoken with Thatcher if one of her own officials had answered his call: they knew of his importance to Thatcher and the developing links between the Thatcherites and Reaganites.<sup>23</sup> Thatcher was delighted when Reagan was elected president in 1980. For Thatcher, Reagan embodied 'warmth, charm and complete lack of affectation'.<sup>24</sup> She admired Reagan the man and respected Reagan the politician: 'Above all, I knew that I was talking to someone who instinctively felt and thought as I did; not just about policies but about a philosophy of government'.<sup>25</sup> After Reagan's election, Richard Allen, his first National Security Advisor, ensured that Thatcher's congratulatory message was the first to be handed to Reagan at his victory party in California, with the president-elect even reading it to his supporters.<sup>26</sup>

Following Reagan's inauguration, Thatcher told the US ambassador that Reagan's inaugural address was 'a striking statement which summarized perfectly her own fundamental views on economic issues'.<sup>27</sup> This sense of commonality continued. Thatcher praised the new president at the Pilgrim's Dinner held at London in January 1981. She declared that the economic policies advocated by both administrations – such as deregulation, lower taxes to increase incentives, reduction in monetary growth and public spending and, overall, taking 'government out of the pockets of our people' – were 'strikingly similar'.<sup>28</sup> Soon after, Reagan wrote to Thatcher, confirming that there would be 'an extended period of cooperation and close consultation between your government and my administration'.<sup>29</sup> This monograph will identify whether Thatcher and Reagan's economic policies really were 'strikingly similar' and whether there was subsequent cooperation and consultation with regard to policy.

## Wider context of the Thatcher-Reagan relationship

### 1 Anglo-American relations

Given the closeness of the Thatcher-Reagan relationship and their apparent common philosophical underpinnings in foreign policy, there has always been an assumption that the two administrations influenced each other and that this relationship extended to support of each other's domestic objectives. However, it is important to place the Thatcher-Reagan relationship in the wider context of Anglo-American relations. There is much use of rhetorical devices such as 'special relationship' and the connection between the 'English speaking politicians', which is examined by historians. Indeed, there is a vast and ever-growing literature about Anglo-American relations. For instance, defence relations, particularly the importance to Britain of a relationship with America in terms of conventional, nuclear, chemical and biological weapons following the Second World War is highlighted by John Baylis (1981).<sup>30</sup> Alan P. Dobson (1988) argues that in terms of economics,

the special relationship between the two countries ended after 1967 due to the devaluation of the pound and failure to maintain the BWS and (sometimes) difficult personal relations between the governments.<sup>31</sup> David Watt (1986) seeks to provide some context for the study of Anglo-American relations, arguing that the rhetoric that surrounds it masks 'the contrast between the coolness for most of its duration and its warmth in modern times'.<sup>32</sup> Richard Owendale (1998) highlights the development of this historiography, albeit with particular reference to the twentieth century. Anglo-American relations were defined by British relative decline in contrast to America's emergence as a global power in the first two decades of that century. Nevertheless, historians also identify 'an emerging rapprochement ... during the nineteenth century, to similar outlooks in what has loosely been termed "Anglo-Saxondom", and to the ability of individuals on both sides of the Atlantic to understand each other and co-operate'.<sup>33</sup> As with decline and declinism, the historiography has often reflected the politics of Anglo-American relations. For instance, historians disregarded the 'special relationship' during the late 1960s to mid-1970s, but it re-emerged during the Thatcher-Reagan epoch. A key development in the historiography was the decision, taken by Harold Wilson's Labour government in January 1968, to reduce the 50-year secrecy rule of document availability to 30 years. The resulting studies challenged Winston Churchill's account of history and revealed a far more complex story of Anglo-American relations prior to the Second World War and later suggested that Stalin and President Roosevelt worked closely together, often to the exclusion of Churchill. Furthermore, documentary evidence suggests that despite the Suez debacle seemingly relegating Britain to the status of being 'just another ally' for America, Anglo-American relations were strong during the 1958 Lebanon operation, the 1961 Kuwaiti crisis and the Cuban Missile crisis. However, the extent to which Anglo-American cooperation has constituted a 'special relationship' is the focus of historical debate.<sup>34</sup> In contrast to a relationship based purely on national interest, Dobson (1995) argues that the special relationship does exist, although often the quality, not the level, of the relationship is what matters.<sup>35</sup>

According to Dobson, Britain is increasingly tied politically to Europe and depends less on America in monetary and military issues, while its relative decline has actually allowed it more freedom from international commitments. In contrast, American relative decline, combined with its economic and military obligations, has ensured that it requires a 'supportive friend'. Britain's continuing closeness with America stems from an 'Atlantic cultural community' based on language, film, tourism, commerce and education, but also cooperation in intelligence and nuclear and conventional defence issues. At the heart of this continuing relationship is the extraordinary story of British decline and American predominance between 1880 and 1980.<sup>36</sup> Although the global challenges Britain and America faced might have

established a renewed confidence and strength in Anglo-American relations regardless of who led the countries during the 1980s, Dobson refuses to underestimate the significance of the Thatcher-Reagan relationship.<sup>37</sup> John Dumbrell agrees that the Thatcher-Reagan epoch represented a re-emergence of Anglo-American relations, although the close relationship was still victim to misunderstandings or disagreements. Similarly, the cooler relationship of the 1970s still saw successful 'bureaucratic cooperation'.<sup>38</sup> However, as Jonathan Colman (2004) observes, while institutional cooperation therefore has maintained a working relationship, the importance of personalities must not be underestimated.<sup>39</sup> It is clear that Anglo-American relations were an issue for each government prior to the Thatcher-Reagan epoch, whether they were strong or cool, and it was this firm, yet not necessarily always personally close, relationship that Thatcher and Reagan inherited in 1981.

The relationship between Thatcher and Reagan was arguably in the tradition of other Anglo-American partnerships, such as that of Winston Churchill and President Roosevelt and Harold Macmillan and President Kennedy. However, unlike Churchill, Thatcher was the junior partner, one who loyally supported and advocated the international policies of Reagan (at least in public). Thatcher and Reagan shared a world-view that revolved around 'freedom' (as they saw it) and opposition to Communism. Along with Mikhail Gorbachev, Thatcher and Reagan oversaw the final decade of the Cold War and, arguably, contributed to the collapse of the Soviet Union. Thatcher was essentially the 'honest broker' between Reagan and Gorbachev, having identified the Soviet leader as a 'man we can do business with'.

The Thatcher-Reagan epoch was, however, not one necessarily defined by continuous cooperation. Thatcher defied Reagan's wish to stop the Soviet-West European gas pipeline in 1981, preferring to defend the British company John Brown engineering, which supplied the necessary turbines, against sanctions. Reagan waited until the last possible moment to overrule elements of his administration and fully support Britain in the Falklands War in 1982 and, in the following year, failed to consult or inform Thatcher prior to the American invasion of Grenada, a member of the Commonwealth. However, a shared belief in the rule of law, coupled with Reagan's support for the Falklands War, which saved Thatcher's political career, ensured that she provided logistical assistance for the American bombing of Libya in 1986. Thatcher did not agree with Reagan's treasured SDI ('Star Wars') missile defence shield, as she believed that it undermined the policy of nuclear deterrence. She also disagreed over nuclear disarmament following Reagan's offer to Gorbachev for them both to abolish strategic nuclear weapons in 1986. However, the Thatcher-Reagan relationship marked the partnership of two leaders with a common sense of purpose, who both strongly advocated that their international partners follow their stance against Communism and take an economic lead in the 'rolling back of the state'.<sup>40</sup>

## 2 Political and social cultures of Britain and America

In addition to identifying the wider context of modern Anglo-American relations, the comparative political and social cultures of Britain and America must be taken into account when studying the relationship between the Thatcher and Reagan administrations. The politics of Britain and America have superficial commonalities, but the underlying differences between the two nations inevitably impacted on the extent of policy transfer between the Thatcher and Reagan administrations. As Clive Emsley argues, ostensibly British and American political systems are similar having their roots in seventeenth-century Britain and have largely been dominated by two major political parties.<sup>41</sup> However, in addition to differing political systems (to be discussed below), the political parties themselves, as well as the nature of the issues with which they engage, are different. For instance, according to Emsley, whereas the Labour Party traditionally represented working-class interests since its inception at the end of the nineteenth century, Democratic presidents from Andrew Jackson to Harry Truman were elected by coalitions of southern conservatives, big-city bosses and liberals in western and northern states.<sup>42</sup> In addition to the differences between the political parties, political issues are reported differently and have differing impact in Britain compared to America. The centralisation of the media in the UK ensures that national news and issues typically outweigh local politics. As a result, what constitutes political news is largely consistent across Britain. In contrast, American newspapers and radio stations are local in character, which ensures that different issues are prevalent in differing areas of the country. For instance, Texans may be concerned with issues affecting the oil industry, while Midwestern states may be concerned with how the fortunes of agriculture are affected by Federal policies. In turn, during national elections the Democrats will enjoy good fortune in some areas, while the Republicans will excel elsewhere. In the British case, the dominance of national news and size of the country ensures that British politics lacks the 'localism' of America. When governments lose popularity in Britain, this has tended to be broadly the case across the country.<sup>43</sup> Much domestic policy, for instance in education, is decided at the state or local level in America whereas in Britain decisions have been made largely from London (certainly until devolution after 1997), particularly during the centralisation of the Thatcher era.

The political systems of Britain and America must also be explored, particularly the differing (constitutional) roles of the UK prime minister and US president. In Britain, the prime minister is head of the government, in contrast to the US president, who also serves as head of state. As sitting members of Parliament the prime minister and cabinet are members of both the executive and legislature, while in America the executive is separate from both the legislature (houses of Congress) and the judiciary. The British political system is hierarchical with the prime minister at the top,

followed by the Cabinet Office, departments of state and junior ministers. The British government's entire machinery relies on the civil service, which is both permanent and has its own hierarchical structure. In addition to being the head of the British government, the prime minister also represents the nation in foreign affairs, leads on domestic policy, has the patronage to make extensive appointments, and is usually leader of the largest political party in the House of Commons (not in 1924, for instance). The prime minister formally exercises power on behalf of the British sovereign as part of the system of Constitutional Monarchy. Prime ministerial authority is not defined in any written constitution but is a convention dating back to the administration of Sir Robert Walpole in the eighteenth century. The prime minister appoints the cabinet, which is effectively the focal point of government decisions and comprises senior ministers who lead government departments. The cabinet represents the linkage between the legislature and the executive. Prime ministers are increasingly dominant over their cabinets due to their power of patronage and the convention of cabinet collective responsibility, which ensures that cabinet ministers must either promote and defend government policy or resign. A key characteristic of British political culture is the usual dominance of one political party across the executive and legislature, which is epitomised by the status of the prime minister, who usually has politically authority due to their leadership of the largest party in the House of Commons.<sup>44</sup>

Despite its historical association with Britain, the American political system contrasts in significant areas with the British experience. This same historical association was also the cause of the differences: America's 'Founding Fathers' deliberately rejected the notion of an elected monarch and divided the separate branches of government and reserved important powers for states in order to avoid the tyranny against which they fought in the American War of Independence (1775–83). The USA has a federal system of government: the national federal government comprises three distinct branches: the legislature, the executive and the judiciary. These branches are then essentially replicated at state level. In terms of domestic policy, the American Congress enjoys far more autonomy and power than the House of Commons in Britain. The executive branch has no *formal* programme of legislation and members of Congress introduce all legislative bills. In addition to working with Congress, the president is also able to shape policy through the threat, and ultimately the use, of his/her power of veto.<sup>45</sup> The creation of the national budget is in line with the process for federal legislation. While the president does submit an annual budget to Congress, it is Congress that drafts the budget and the process is an amalgamation of the previous year's budget as a guide and the political ambitions of Representatives and Senators seeking expenditure on behalf of their preferred projects and constituencies. This relatively unsystematic process often fails to reconcile levels of tax revenue and government expenditure.<sup>46</sup>

The conflict between spending priorities and balancing the budget was clear in disagreements between the Reagan administration and (Democratic) Congress, as referenced in this monograph. In addition to working with Congress, the president also heads the executive branch, which includes 'Officers of the United States' or cabinet members each charged with the administration of a particular department. All 15 cabinet members are appointed by the president but must be confirmed by the Senate (as is also the case for some other key positions, such as the White House Chief-of-Staff, though not for people on the National Security Council). Unlike in the British system, the cabinet is not chosen from the Legislature, but appointed on the basis of expertise, political status, demographic representation and to satisfy the demands of particular constituencies. Cabinet members may be chosen from Congress, but they have to resign their seats in the Legislature in order to assume their position in the executive branch. Similarly, there are no permanent civil service secretaries as in Britain, and senior civil servants are subject to appointment by the president.<sup>47</sup> The majority of Federal and State civil servants have been permanent since the turn of the twentieth century, but the president appoints heads of departments, therefore creating a combination of career officers and political appointees. Although the Framers of the US Constitution and political system intended Congress to be the predominant institution, the president has evolved to become more than a head of state and simply another check-and-balance within the system, and has instead arguably become the focus of the US political system, the means to which national political parties can influence policy across state lines.<sup>48</sup>

As the Reagan epoch demonstrates, US domestic policy can involve an impasse between the White House and Congress, especially when different parties occupy the Executive and Legislative branches of government, a situation described as 'divided government'. However, in foreign affairs, the presidency has arguably enjoyed more expansive power since the Second World War and during the Cold War on the grounds of national security.<sup>49</sup> In the 1960s, Aaron Wildavsky developed the theory of the 'two presidencies', which encapsulates the distinction between the two roles of the American president as an actor in domestic and in foreign affairs.<sup>50</sup> According to the 'two presidencies' thesis, the president's domestic policy is typically restricted to 'small steps' while dealing with Congress, whereas in foreign policy the president usually supports policies that will defend the nation and must therefore focus more time in this arena due to the impact of decisions taken in a rapidly changing world.<sup>51</sup> The role of, and tools available to, the president enable greater freedom to act in foreign affairs.<sup>52</sup> Taking this into account, as well as the different means available to develop and implement domestic policy, it is clear why the relationships between president and prime ministers, such as Reagan and Thatcher, is typically based on foreign affairs and thus usually examined in such terms.<sup>53</sup>

Policy transfer between American and Britain in the domestic policy sphere may therefore involve think tanks, Congress, and individual states rather than direct transfer between the president and prime minister. Moreover, the evolving nature of presidential and prime ministerial power has lent itself to studies of the nature of the structure and power of these positions. For instance, there is an argument that the office of the UK prime minister has become increasingly 'presidential' since the 1980s, namely in the emphasis placed on political party leaders by their parties and the media, as being 'outsiders' from their parties and the governing establishment, thus seeking direct support from the electorate when in opposition and in power.<sup>54</sup>

Like the political cultures of Britain and America, British and American societies demonstrate both similarities and differences. For instance, one of the interviewees for this study referenced America's relative lesser concern for inequality than that found in British public policy. Therefore, in addition to a summary of the political culture of Britain and America, the social cultures, on which Thatcher and Reagan's domestic policies inevitably impacted, must also be acknowledged. One predominant aspect of British, and to an extent, American, society is class. As Emsley argues, class and class conflict and labour disputes are identifiable in both British and American society.<sup>55</sup> Fiona Devine also identifies class as a feature of both British and American society. However, as Devine argues, it is far too simplistic to suggest that class defines British and American life: Britain and America are not simply respectively the class-based and classless societies of popular stereotypes.<sup>56</sup> Both countries have much in common in terms of social culture. They have both experienced industrial change, which has seen an increase of the service sector and 'high-tech' employment and a decline in manufacturing industry. Likewise, since the 1980s both Britain and America have seen dramatically increased income inequality. Although, until recent times, American employment figures compared favourably with Britain due to a higher proportion of low-level, unskilled jobs taken by young people and ethnic minorities, Britain's record on addressing poverty was arguably superior to the USA's, due to its more extensive welfare state created after the Second World War, in comparison to the USA's New Deal of the 1930s.<sup>57</sup> As a result, in 1985 the official British poverty rate was at least one in 20 persons while in the American case it was one in seven persons.<sup>58</sup> Despite varying levels of success in unemployment and welfare, Devine (writing in 1997) argues that Britain and America now both have poverty rates of around 20 per cent of their respective populations, arguably due to ineffective income redistribution policies and the decline of manufacturing and other employment opportunities.<sup>59</sup>

As mentioned above, Britain has had an established tradition of social welfare and provision in the twentieth century. Popular support for, and reluctance of politicians to seriously consider dismantling, the National Health Service (NHS) demonstrates this position. The differences in welfare



provision in the two countries inevitably impact on how poverty is measured. Although 'poverty' in Britain and America broadly refers to subsistence, other basic needs are met to varying degrees in the two countries. As Vic George and Irving Howards argue, Britain's NHS contrasts with the relatively limited healthcare provision for the poor in America, namely Medicaid (which varies to degrees across states), and social housing for low-income individuals and families in Britain compares favourably to America where there is no national social housing programme.<sup>60</sup> Furthermore, as George and Howards explain, poverty is 'higher in the US than in Britain not because problems are more intractable but because its income maintenance/social security systems are less well developed as an anti-poverty system'.<sup>61</sup> The relative lack of welfare provision might suggest that there is greater tolerance towards the poor in Britain than in America. However, with regard to America's apparent tolerant attitude towards inequality, the issue is open to debate. Theda Skocpol argues that historically Americans are not opposed to social programmes to support those in genuine need.<sup>62</sup> For instance, social security, which benefits all Americans, is widely supported by the American people and politicians.<sup>63</sup> Skocpol argues that the poor in America have been beneficiaries of social programmes designed for the middle and working classes, and, would benefit more if American political institutions had allowed a European-style welfare state to emerge.<sup>64</sup> American intolerance towards economic inequality is further emphasised by Benjamin I. Page and Lawrence R. Jacobs who, after examining contemporary and decades old surveys and polls, argue that Americans are opposed to income inequality.<sup>65</sup> Attitudes towards inequality in America are clearly open to question. That being said, it is generally agreed that income inequality in American and Britain increased during the 1980s.<sup>66</sup> Devine argues that such an increase in inequality is studied in the context of a historiography that has traditionally viewed America as an open, classless society with much scope for social mobility, in contrast to Britain, which, despite arguably vast opportunities after the Second World War (and before the 1990s), was long viewed as a class-based and structured society.<sup>67</sup> As this brief survey has suggested, recent work has sought to challenge these assumptions using data on income inequality and poverty rates and focusing on specific social groups. Devine argues that 'systematic enquiry suggests that neither America nor Britain conform to popular stereotypes'.<sup>68</sup> Unfortunately, a more extensive examination of British and American societies is beyond the scope of this study.

## **Historiography and methodological approach**

### **1 The Thatcher and Reagan administrations**

The historiography of the Thatcher and Reagan administrations, and their relationship, is a mixed literature encompassing history, political science,

journalism and biography (some of it hagiographical, some opposite). However, none of this literature satisfactorily addresses the question of 'who influenced whom', or indeed identifies concrete examples of policy, tactical or intellectual transfer. This section discusses the nature of the historiography of Thatcher and Reagan, and charts the developing methodological approach to this study.

Thatcher was arguably the first British prime minister to lend her name to an 'ism' and her premiership has resulted in a vast literature and growing historiography.<sup>69</sup> E.H.H. Green (1999) observes,

Since the early 1980s the bulk of work that has appeared on Thatcherism has been dominated either by what one might describe as the 'higher journalism' or by political science scholarship, both of which have been most exercised by the questions of what Thatcherism was and where it took British politics and society.<sup>70</sup>

Green's view remains relevant more than a decade later. Moreover, despite the contribution of political science, political economy and 'higher journalism', the literature on Thatcher fails to examine the extent of mutual impact between the Thatcher and Reagan administrations.<sup>71</sup> There is some suggestion in the existing literature that there was a relationship between Thatcher and Reagan in domestic policy, largely due to the superficial similarities between their respective administrations. For instance, the journalist Hugo Young (1993) observes how Thatcher was welcomed as a hero in America in 1981: an ideological conservative who had proved electable against the collectivist political consensus. Differences between Thatcherism and Reaganism were acknowledged, such as Reagan's level of deficit financing.<sup>72</sup> Nevertheless, Young argues that Thatcher was 'a kind of Baptist to Reagan's Messiah'.<sup>73</sup> Biographical works have also made some, albeit limited, contribution in this regards. For instance, in his biography of Thatcher, John Campbell questions how far Thatcher was responsible for Thatcherism or whether she simply followed the neo-liberal global politics of the 1980s.<sup>74</sup> Campbell points to this monograph's question of mutual impact by arguing that Thatcher admired American society, particularly its belief in capitalism and self-sufficiency, and thus desired to 'Americanise' Britain. Thatcher was in some respects an American style politician: she was patriotic, evangelical, spoke in abstracts, and sought national and personal salvation. The American capitalist system was the model of freedom for the world to follow in the Cold War.<sup>75</sup> However, the extent of policy exchange with the Reagan administration and intellectual transfer from America is left unexplored.

The literature on Thatcher is now increasingly becoming the focus of historians. Recent work has made excellent use of released archival material, such as the Margaret Thatcher papers (held at the Churchill Archives Centre in Churchill College, Cambridge). E.H.H. Green's *Thatcher* (2006)

offers a scholarly analysis of Thatcherism – including the development of Thatcherite policy in the 1970s, its implementation during Thatcher's premiership, and her foreign policy.<sup>76</sup> However, *Thatcher* does not delve deeply into the Thatcher-Reagan relationship in either foreign or domestic affairs. This is also the case with Geoffrey K. Fry's *The Politics of the Thatcher Revolution* (2008).<sup>77</sup> There is no other work that looks at the development of Thatcherism in the context of influences in policy or tactics from the Reagan administration. However, the relatively new focus of historians on Thatcher has led to Richard Vinen's *Thatcher's Britain* (2009), which is a deliberate attempt to examine Thatcherism in a dispassionate manner. Utilising the Thatcher Papers, Vinen places Thatcherism as a phenomenon particular to a specific time, the purpose of it being to address issues such as national decline, economic problems and trade union power; Thatcherism was no longer relevant after the debates of the 1970s (and 1980s) had been addressed.<sup>78</sup>

The historiography of Reagan and his administration is as polarised as that of Thatcher, and equally characterised by a mixture of 'higher journalism', biography, political science and history. The comparison most often drawn by American authors is that between the impact of Ronald Reagan and an earlier president, Franklin D. Roosevelt (FDR). The relationship between the Thatcher and Reagan administrations is generally cited when discussing Reagan's role in foreign affairs, but scholars are arguably more concerned with comparing Reagan domestically with FDR than drawing out any links to the domestic policies of Thatcher.<sup>79</sup> As Gil Troy notes, historians are only now beginning to offer monographs and other scholarly work about Reagan. The generation of scholars who lived through the Reagan years simply avoided historical study about him, while the subsequent generation, who grew up under the Reagan administration, preferred to focus on conservatism more generally, the Republican Party or Reagan's America rather than 'risk being besmirched by studies of Reagan himself'.<sup>80</sup> Yet, as M.J. Heale observes, just as Reagan is finally receiving more attention from some scholars, others are much more interested in the dynamic between the legislative and executive branches of government, and the influence of the judiciary, bureaucracy, lobbyists and other pressure groups on American politics and policy.<sup>81</sup> Michael Schaller makes a fleeting reference to Thatcher's relationship with Reagan in foreign affairs, but describes the trajectory of Reaganomics exclusively in American terms.<sup>82</sup> Robert Dallek fails to include a single reference to Thatcher or the UK in his *Ronald Reagan: The Politics of Symbolism* (1999).<sup>83</sup> John Ehrman suggests that Reagan must be seen as a transformational president but time will tell whether Reagan truly can be compared to FDR; he makes no reference to Thatcher or the UK in his analysis.<sup>84</sup> However, there is some suggestion that the historiography is beginning to examine Reagan in a broader context. For instance, Gil Troy's *Morning in America* (2005) details Reagan's Presidency in the context