

Neoliberalism: The Connection Between Thatcher and Brexit

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The United Kingdom (UK) is a country with a fascinating political history. One era of particular interest is the period between Prime Minister Margaret Thatcher and Brexit. This era, spanning from 1979 to 2016, is of interest as it interacts with the political and economic theory of neoliberalism. Neoliberalism is a policy that involves less government control of the market, reducing government spending, removing social programs and encouraging global trade with minimal to no barriers.¹ The Thatcher period is broadly seen as neoliberal as Margaret Thatcher put these types of policy changes in place. The Brexit movement is often seen as a nationalistic contradiction of the previous neoliberal period. However, it should be seen as neoliberalist as the beliefs of Leave voters aligned with this theory. This essay will begin by outlining the theory that is neoliberalism and the beliefs of its supporters. It will then look at the case study of Brexit through the lens of neoliberalism and globalization and examine the role of neoliberalism in the relationship the British have with the European Union (EU) throughout the Brexit process. This essay will argue that the Brexit movement should be looked at as an extension of the neoliberalist Thatcher period.

Neoliberalism is defined as an economic policy with two main pillars: minimal government and free trade. Neoliberalists advocate for minimal government involvement in the market and reduced government spending. They also advocate for free trade through reductions of tariffs and quotas, as they believe that this will allow the market to succeed. Critics of neoliberalism, however, believe that this policy is damaging as it increases inequality.² They argue that this is due to governments cutting important social programs, and ineffective free trade agreements. Supporters of neoliberalism believe that this policy is beneficial as they believe that

¹ V. Spike Peterson, "How is the World Organized Economically" *Global Politics, A New Introduction*, ed. Jenny Edkins and Maja Zehfuss (Milton Park, Abingdon Oxon: Routledge, 2019), 349

² Jonathan Ostry, Prakesh Loungani and Davide Furceri, "Neoliberalism: Oversold? Instead of Delivering Growth, Some Neoliberal Policies Have Increased Inequality, in Turn Jeopardizing Durable Expansion," *Finance & Development* 53, no. 2 (June 1, 2016): 38, <https://www.imf.org/external/pubs/ft/fandd/2016/06/pdf/ostry.pdf>.

it has the capacity to reduce poverty, improve human rights, and reduce the likelihood of international violence.

The first way that neoliberalists argue that this theory is beneficial is because they believe it can reduce poverty by providing greater economic mobility. One of the main policies of neoliberalism is a belief in the individual. They emphasize being an entrepreneur and an independent person.³ They theorize that if individuals work hard enough they can join the middle class, and that the main thing preventing this is government interference.⁴ This interference is seen as the welfare state excessively taxing individuals, holding them back from greater success. Through providing greater market freedom, in the form of fewer taxes and restrictions, economic mobility is increased, more people can join the middle class, and poverty is decreased.

The second way that neoliberalists argue that this policy is beneficial is through their belief that it can improve human rights and independence. In neoliberalism, the government ceases to provide long-term welfare programs, instead offering short term work-first programs and allowing charities to offer long term supports.⁵ Work-first programs aim to get individuals jobs so that they are better able to provide for themselves long-term.⁶ Welfare programs, like food banks and shelters, are run by private charities and are believed to be more effective than government-run programs as there are community-based social programs. By having a combination of work-first initiatives and private sector charities, individuals are expected to provide for themselves, with support from their communities, without relying on the government

³ Martin Fougère, Beata Segercrantz and Hannele Seeck, "A Critical Reading of the European Union's Social Innovation Policy Discourse: (Re)legitimizing Neoliberalism," *Organization (London, England)* 24, no. 6 (January 9, 2017): 822, <https://doi.org/10.1177/1350508416685171>.

⁴ Ibid, 822.

⁵ Powell, Frederick, *The Politics of Civil Society Neoliberalism or Social Left?* (Bristol: Policy Press, 2007), 1.

⁶ Lindsay Li, "Manitoba's Employment and Income Assistance Program" *Canadian Centre for Policy Alternatives*, (2011): 5, <https://www-deslibris-ca.proxy1.lib.trentu.ca/ID/230853>

long-term. These provisions are thought to be of higher quality and thus human rights are improved.

The third way that neoliberalists argue that this policy is beneficial is through their belief that the likelihood of international violence is reduced through the creation of closer economic links in the form of trade treaties. When countries have closely linked trading systems they can create better partnerships, and thus have less conflict and violence.⁷ Trade treaties involve a recognition of a state and its sovereignty, as well as agreements that benefit both countries.⁸ Neoliberalism advocates for greater international trade and more free trade agreements. Through negotiating these agreements, countries recognize each other, and this brings a degree of stability and peace between these nations. Negotiating treaties is a way of creating peaceful conditions, and these treaties are a necessity for neoliberal globalization.

Despite the critics of neoliberalism, it also has many supporters. The following section will discuss a case study of Britain from the Thatcher era to the era of Brexit. It is important to both understand the theory of neoliberalism and how it is used in practice. The theory of neoliberalism across the world had many supporters, but in Britain, its most powerful and influential supporter was Margaret Thatcher. Many people today view neoliberalism as an outdated and ineffective ideology. However, as the next section explores, the Brexit movement can be seen as a present use of neoliberal ideas. It is important to understand neoliberalism both theoretically, and as a policy that greatly affected the lives of people in the past and today.

Case Study - Thatcher to Brexit

⁷ Vincent Vicard, "Trade, Conflict, and Political Integration: Explaining the Heterogeneity of Regional Trade Agreements," *European Economic Review* 56, no. 1 (2012): 54, <https://doi.org/10.1016/j.euroecorev.2011.06.003>.

⁸ Ibid, 55.

Margaret Thatcher was the British Prime Minister from 1979 to 1990.⁹ She believed in free-market fundamentalism, also called neoliberalism.¹⁰ Thatcher started the movement away from the welfare state, privatizing industries, and decreasing publicly funded jobs, to generate income and increase the involvement of citizens in their own affairs.¹¹ One of the international areas she spoke on, was the European Economic Community (EEC) which became the European Union (EU) and she changed the framework of the relationship between the UK and EU to reflect more neoliberal ideologies. Margaret Thatcher can be seen as a neoliberal leader because she believed in neoliberalism and implemented neoliberal policies. The two main ways in which she demonstrated neoliberalism was in her reduction of government services and shifting interaction with the EU.

The first way that Thatcher was neoliberal was in her reduction of government services. In the 1970's inflation in Britain increased.¹² Structural adjustment programs that had previously only been applied to third world countries were applied to Britain.¹³ This frightened many citizens and politicians as the postwar period was ending and their prosperity was decreasing. There were concerns that the government was spending too much money on welfare programs and that funding should be decreased. Margaret Thatcher did this by selling government-owned businesses to generate income for the state.¹⁴ She also reduced social programs run by the

⁹ Chris Edwards, "Margaret Thatcher's Privatization Legacy," *The Cato Journal* 37, no. 1 (January 1, 2017): 89, https://link.gale.com/apps/doc/A483930567/AONE?u=ocul_thomas&sid=AONE&xid=4c6a197c.

¹⁰ Keven Albertson and Paul Stepney, "1979 and All That: a 40-Year Reassessment of Margaret Thatcher's Legacy on Her Own Terms," *Cambridge Journal of Economics*, Volume 44, Issue 2 (August 17, 2019) 320. <https://doi.org/10.1093/cje/bez037>.

¹¹ Ibid, 320.

¹² Stuart Hall, "The Neoliberal Revolution: Thatcher, Blair, Cameron - the Long March of Neoliberalism Continues," *Soundings (London, England)*, no. 48 (May 1, 2011): 12 https://go-gale-com.proxy1.lib.trentu.ca/ps/i.do?p=AONE&u=ocul_thomas&id=GALE%7CA287386101&v=2.1&it=r.

¹³ Ibid, 17.

¹⁴ Albertson and Sepney, "1979 and All That: a 40-Year Reassessment of Margaret Thatcher's Legacy on Her Own Terms," 335

government including services that were building houses for low-income families.¹⁵ These were called council houses, and she began selling these to their occupants at a reduced price to allow individuals to take a larger stake in their future.¹⁶ These initiatives generated income and reduced the amount of involvement the government had in the lives of individuals and the market. These policies are profoundly neoliberal as they reduced the size and influence of the government to allow the market to operate more freely.

The second way that Thatcher was neoliberal was in her interactions with the ECC which later became the EU. Britain joined the EEC in 1973, with Thatcher entering office shortly after.¹⁷ She was overall in support of this union, as long as the EEC was not overly controlling. One of her most famous speeches on this subject was “The Bruges Speech” where she emphasized that the Union should work in a way that “preserves the different traditions, parliamentary powers and sense of national pride in one's own country”.¹⁸ Thatcher believed the ECC had value as it opened trade within the continent, but that this union was prone to excessive overreach, something that was counter to her neoliberal values. She believed that the union should only exist to support trade and that creating regulations beyond that was a form of overreach and interference. This position was profoundly neoliberal as free trade allowed the market to expand and operate without restrictions.

The Thatcher era came to an end in 1990, but neoliberalism and the ideas that she propagated live on today in the form of Brexit. Brexit is a condensed version of the two words,

¹⁵ Ibid, 336

¹⁶ Ibid, 336.

¹⁷ Jonathan Rose, “The Elusive Goal of European Unity,” *Scholastic Update* 117, (November 16, 1984): 14–15., https://go-gale-com.proxy1.lib.trentu.ca/ps/i.do?p=AONE&u=ocul_thomas&id=GALE|A3521729&v=2.1&it=r.

¹⁸ Margaret Thatcher, “Speech to the College of Europe (“The Bruges Speech”),” Margaret Thatcher Foundation, <https://www.margaretthatcher.org/document/107332>.

Britain Exit, and it stands for the political movement to have the UK leave the EU.¹⁹ This culminated in 2016 with a referendum where citizens voted to either leave the EU or remain. The Brexit supporters, or Leave voters, gained a small majority in this highly political vote.²⁰ This vote was motivated by the neoliberalism that was introduced by Margaret Thatcher in that they continued to feel the overreach of the EU in spite of valuing the importance of free trade. The Brexit movement is commonly seen as a nationalistic movement, but it should be also seen as a neoliberalist one as Leave voters were motivated by neoliberal ideas such as limited government involvement and the continuation of free trade.

The first reason why Brexit should be seen as neoliberalist is that the voters believed in limited government interference. The EU is an incredibly bureaucratic system, with a parliament that requires several ratifications for decision making, elections, and creates many rules to ensure consistency across the continent.²¹ This is seen as an overreach by neoliberalists and Leave voters as it results in an additional level of government that is unneeded. Leave voters want their governments to control the level of economic regulations and reduce them.²² One particular example of this is the argument over chlorinated chicken. Chlorinated chicken is sold and promoted in the United States (US), but is prohibited in the EU.²³ The US washes many chickens with Chlorine, often to disguise the poor living conditions that chickens were subjected to, and thus this practice is banned in both the EU.²⁴ US chicken farmers are therefore unable to sell their products to British people while the UK remains in the EU. This is seen by neoliberalists as an overreach of the EU which negatively impacts individual trade agreements. Due to the fact that

¹⁹ Helen Mountfield, "Brexit: Can the United Kingdom Change its Mind?" *Brexit the International Legal Implications*, Paper no. 10 (January 2018): 9, <https://www-deslibris-ca.proxy1.lib.trentu.ca/ID/10101931>.

²⁰ *Ibid*, 9.

²¹ Alex Warleigh, *European Union*. (Oxfordshire: Routledge, 2004), 1.

²² Matthew Elliott, "Why Vote Leave," Why Vote Leave, http://www.voteleavetakecontrol.org/why_vote_leave.html.

²³ Fergus Kerr, "Comment: Chlorinated Chicken." *New Blackfriars* 98, no. 1078 (October 2017): 635, <https://doi.org/10.1111/nbfr.12317>.

²⁴ *Ibid*, 636.

EU overstep was the primary motivation in the Brexit movement, the Leave movement should be seen as neoliberalist as its goal was to decrease government involvement.

The second reason why the Brexit movement should be seen as neoliberal is that the UK had the same reservation both entering and leaving the EU. As seen in “The Bruges Speech”, British neoliberalists in 1988 feared that the EU was overstepping on several policy objectives.²⁵ Leave voters in 2016 had similar fears, such as the loss of sovereignty, and they saw this as a result of EU overreach.²⁶ Neoliberal critics of the Leave moment will often argue that through leaving the EU Britain is also losing a free trade agreement, something that neoliberalists should value. In response to this, Leave advocates will point to countries, such as Canada, that while not part of the EU is still able to negotiate a free trade agreement with this union.²⁷ In 2016 Canada and the EU negotiated their most progressive trade deal yet, called the Comprehensive Economic and Trade Agreement (CETA).²⁸ This deal greatly reduced restrictions on trade and tariffs between Canada and the countries of the EU.²⁹ Britain hopes to get a trade deal with the EU that is similar to CETA in that they wish for continued free trade but with fewer restrictions on governmental functions.³⁰ The UK left the EU not because they wanted to get out of free trade agreements, but rather because they wanted less outside control. Neoliberalist Leave voters were motivated by fewer restrictions, but still believed that high levels of free trade would occur after they left the union. Brexit should be seen as a neoliberal movement because the reservations and viewpoint that many British people had was a neoliberalist one. The British understanding of the

²⁵ Margaret Thatcher, “Speech to the College of Europe (“The Bruges Speech”).”

²⁶ Matthew Elliott, “Why Vote Leave.”

²⁷ BBC Reality Check, “What is a ‘Canada-style’ trade deal?” February 3rd 2020, <https://www.bbc.com/news/business-45633592>.

²⁸ Jean-Denis Fréchette, *The Canada-EU Comprehensive Economic and Trade Agreement. The Canada-EU Comprehensive Economic and Trade Agreement* (Ottawa, Canada: Office of the Parliamentary Budget Officer, 2017), 4.

²⁹ Ibid, 4.

³⁰ BBC Reality Check, “What is a ‘Canada-style’ trade deal?”

EU was greatly shaped by their neoliberalist understanding, and this movement was created out of neoliberal concerns.

The Thatcher and Brexit movements are very good examples of neoliberalism as they show the same neoliberal ideas being used at different times. Margaret Thatcher was primarily focused on a reduction of government, and was relatively satisfied with the EU as long as it was limited.³¹ The Brexit movement is also focused on reducing the power of government, but this time they are focused on reducing the power of outsider governments, in the form of the EU.³² At first glance, Brexit and Thatcher have little in common. Brexit is often thought to be a xenophobic and protectionist movement, but in reality, the motivations for leaving the union are profoundly neoliberal as they include both a desire to reduce government and continue free trade. By examining both of these movements as neoliberal and connecting them, neoliberalism as a theory and practice in the UK can be better understood.

Conclusion

The era between Thatcher and Brexit is a particularly fascinating time within British history. This is because while neoliberal ideas remained the same within the country, the policies that were achieved during this time varied greatly. Neoliberalists argue that their economic policy is the best because it offers increased opportunity, without government hindrance. Neoliberalism can be seen as a policy with two pillars, removal of government overreach, and the introduction of free trade. The British people and Margaret Thatcher were satisfied with the EU as long as it allowed for free trade and did not excessively overreach into the market and UK sovereignty. The Brexit Leave vote is not a contradiction of neoliberalism, nor is it a purely nationalistic vote. It should be seen as neoliberalist as the hesitations brought up by Margaret

³¹ Margaret Thatcher, "Speech to the College of Europe ('The Bruges Speech')." "

³² BBC Reality Check, "What is a 'Canada-style' trade deal?"

Thatcher were the same themes that the Leave voters believed in during 2016. Neoliberalism in the UK should be seen as a driving policy of both the Thatcher era and the Brexit era. Through recognizing it as a driving factor, the Brexit movement can be seen not as a disconnect from neoliberalism, but rather as a continuation.

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