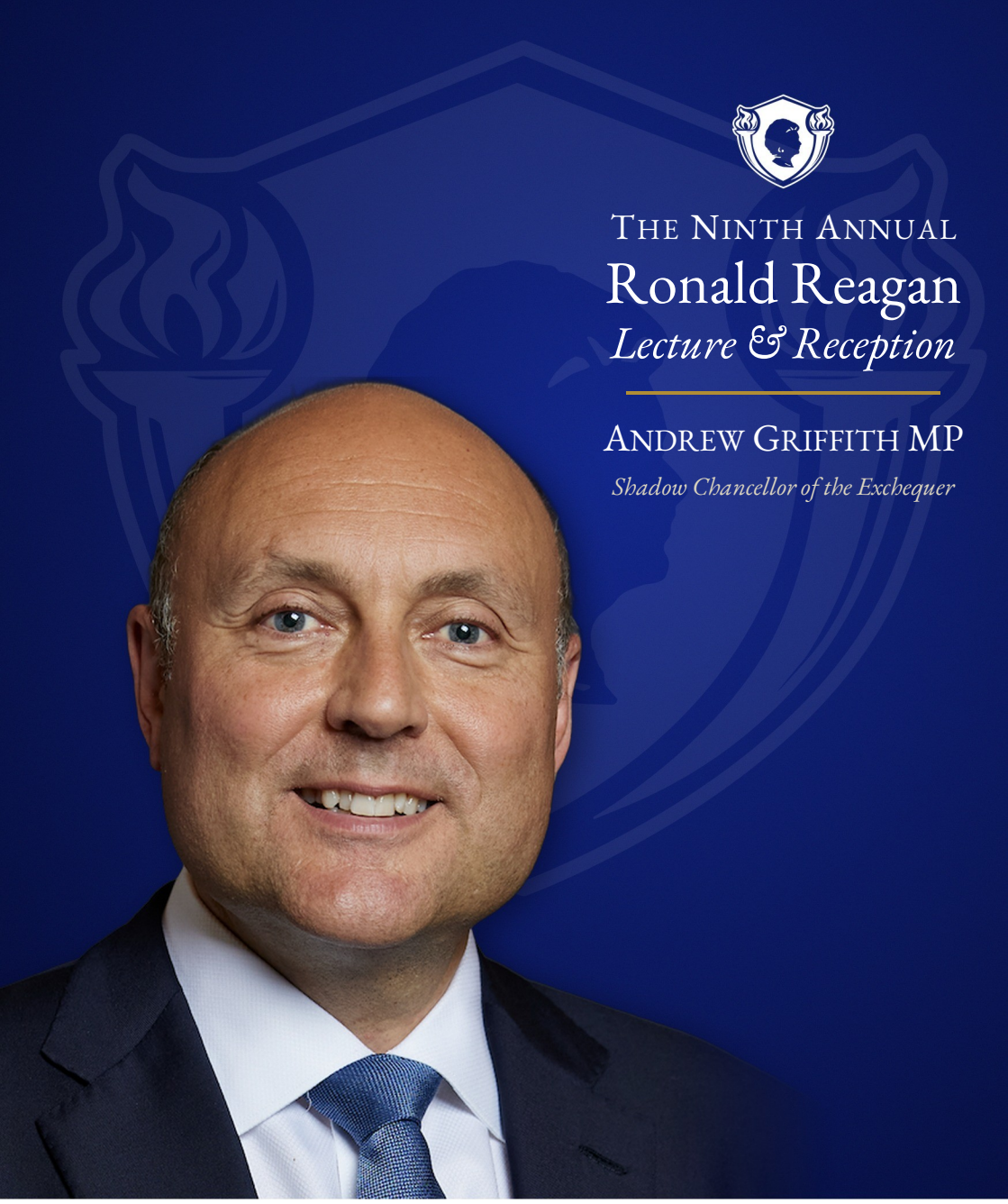


The Ninth Annual Ronald Reagan *Lecture & Reception*

Andrew Griffith MP

Shadow Chancellor of the Exchequer

Monday,
16th November 2026

The East India Club, London

The Margaret Thatcher Centre



The Ninth Annual

Ronald Reagan Lecture & Reception

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Hosted by the Margaret Thatcher Centre
www.thatchercentre.com

Guest Speaker: Andrew Griffith MP

Topic: Lessons from Reagan on the Economy

Good evening, ladies and gentlemen.

Thank you to the Margaret Thatcher Centre and Donal Blaney for the privilege of delivering the 9th Ronald Reagan Lecture.

When I received the invitation, I assumed I'd been invited to deliver this lecture because of what President Reagan and I have in common: we both came to politics after careers in television.

His was in front of a camera and lights in glamorous Hollywood. And mine was, well, behind spreadsheets at Sky near Hounslow.

It turned out that this year is the 45th anniversary of President Reagan's landmark tax cuts and Sir Geoffrey Howe's pivotal 1981 Budget under Mrs Thatcher.

I accepted Donal's invitation to speak tonight because it's important for us to recall how it was courageous decisions by Ronald Reagan and Margaret Thatcher - taken either side of the Atlantic - that reset Britain and America's economies, putting them both back on the path to prosperity.

And it was that prosperity – via the doctrine of '*Peace through Strength*' – that faced down the Soviet empire and ultimately liberated millions from the yoke of communism.

That prosperity was built on shared principles: sound public finances, a strong defence, and the state as servant, not master.

As your Shadow Chancellor, they are my principles too.

♦ ♦ ♦

I met Margaret Thatcher a number of times in the early nineties. The Berlin Wall had fallen, and there was a steady stream of delegations from newly free countries coming to visit her.

What struck me every time was how quickly the conversation came back to ideas.

It was never about the personalities of politics, and it didn't matter where in the world those ideas were.

Not long after she'd been deposed as Prime Minister by her own colleagues, I recall spending an hour in a small group with her and Mart Laar, the new Prime Minister of Estonia.

She was as interested and animated about his plans for Estonia as she would have been if it were in her own constituency. It was always about the ideas.

And she was right about Estonia – it became one of the most radical and successful exercises in privatising an economy and simplifying a tax system anywhere in the world.

♦ ♦ ♦

So, the question for us this evening is, what did Reagan and Thatcher get right those forty-five years ago in 1981?

And what does that mean for Conservatives today?

To answer that, we must first remind ourselves what they both faced.

In 1980, inflation was over 20% here and nearly 15% in America. Wages bought less every month, savers' nest eggs were being eroded, and small businesses couldn't price jobs.

In 1981, unemployment in the UK was the highest since the 1930s, and America's was also heading for a post-war record.

Both countries were suffering from over a decade of government failure.

But how did we end up there?

Two oil price shocks in the seventies sent prices sharply higher, and

governments met pay demands by printing money.

As a result, inflation became a fact of life. Pay boards, price commissions and incomes policies treated it as a bargaining problem and failed.

The root cause was governments increasing the money supply to pay for promises they couldn't afford.

In Thatcher and Reagan we now had monetarists, who recognised that the only solution was going to be a very painful one.

Sound money, as the bedrock of sound government.

Although Thatcher and Reagan agreed on the diagnosis, their respective prescriptions diverged.

Reagan cut taxes first and planned to cut spending after. Howe tried to cut spending first and found the Cabinet wouldn't let him go far enough to get borrowing down – so he had to raise taxes to fill the gap.

Howe froze income tax allowances and raised taxes on oil windfalls, bank deposits, drink and on petrol – not to fund more spending, but to prove to the markets that the British Government would hit its own borrowing numbers.

Notably, Howe's Budget did make some pro-growth tax cuts. He tempered the corporation tax cliff-edges for small business, guaranteed loans to small firms, and created start-up relief at the investor's full marginal rate.

Reagan won his first round of cuts but was then blocked for the next seven years.

The key takeaway from 1981 was that both Thatcher and Reagan discovered the same thing: cutting public spending was far harder than they had envisaged. For us today, to be forewarned is to be forearmed.

♦ ♦ ♦

So what exactly became known as Reaganomics?

Everyone remembers tax cuts. But there were three other important legs, too. Spending cuts, deregulation, and consistent monetary policy.

The deregulation leg gets little attention but is arguably where the

lasting growth came from. From planning reform to cutting employment red tape, that will certainly be central to our plans for government.

♦ ♦ ♦

Reagan was an excellent communicator. A fortnight after his inauguration he went on television holding up a dollar bill, then a quarter, a dime and a penny. The 36 cents he held up was what a 1960 dollar was worth – eroded by two decades of inflation.

Today, that same 1960 dollar is worth closer to 9 cents.

If you want to know what the equivalent is for the Pound, hold onto your chair. The 1960 Pound is worth just 3.3 pence today.

♦ ♦ ♦

How did Reagan's relationship with Thatcher impact his economics?

Their first one-on-one was April 1975 in the Commons: she had been Party leader two months, he was an out-of-office governor. So began a chain of correspondence.

The day after his inauguration in January 1981, Prime Minister Thatcher telephoned him.

The papers were telling Reagan to avoid her mistakes, she said, so she had better brief him on them.

Washington in 1981 thought she was failing. His own National Security Adviser, Richard Allen, wrote that she had lost her grip.

But she was ahead of him in office and pressed him on the size of the US deficit, in private, for years.

A friendship in which one could tell the other he was wrong. That's what real friends do.

Sadly, the deficit under Reagan nearly tripled. He cared sufficiently to list it as one of his regrets in his farewell address.

But to improve upon the past we need to recognise and learn from mistakes.

Where's Britain in 2026?

At 94% of debt to GDP, it can feel like we are back in the 1970s — and arguably in much worse shape than when Thatcher ruled.

Inflation is above target at 3.5%, and the national debt is over £3 trillion.

That is over £100,000 per household.

And now we're borrowing just to pay the interest on our existing borrowing!

In Ronald Reagan's *A Time for Choosing*, speech in October 1964, just a week before the US presidential election, he argued no nation had survived a tax burden of a third of national income.

The context then was 37 cents in the dollar being taken in tax and the government still running a deficit.

That the US hadn't balanced its budget in 28 out of the last 34 years.

And that the US national debt is one and a half times bigger than all the combined debts of all the nations of the world.

Today, the first two of these would still be true 45 years later and the only reason the third is not is that many other countries have increased their debts as well.

In the UK the OBR has our tax burden heading to almost 39% by the end of this Parliament and it shows no signs of abating.

Labour inherited a difficult situation and immediately set about making it much worse, but I've never shied away from the fact that the Conservatives in power 2010-2024 were not the best version of themselves when it came to tackling the deficit.

♦ ♦ ♦

What can we learn from Reagan?

Firstly, we need to win the arguments internally and with the voters before we can win office.

Reagan made his arguments for 16 years before he won, from 1964 to 1980.

On the economy he surrounded himself with people like Milton Friedman, Arthur Laffer and Thomas Sowell.

As president he appointed all of them to his Economic Policy Advisory Board.

Today we have Kemi's '*The Right Way*'.

As she says in it,

> *"government does not create growth. It's businesses that create growth.*
>
> *Government needs to create the conditions for growth, and then get out of the way."*

Get the ideas and principles right; the policies will follow.

Secondly, we need to cut the taxes that stop people working, hiring, building and passing things on to their children and grandchildren.

As Charlie Munger, Warren Buffett's investment partner says: '*Show me the incentives and I'll show the outcome*'.

Well, high taxes – and particularly high *marginal* tax rates - *disincentivise* the very building blocks of both economic and personal freedom.

Today, on this side of the Atlantic, Brits might face paying over 60% of their marginal earnings to the government.

It's said that as an actor in the 1940s Reagan stopped making films each year once the top tax rate kicked in.

Sounds familiar? Ask any parent what happens to their childcare hours when they earn north of £100,000.

Income tax today in the UK is just crushing.

A married man earning sixty thousand *pounds* would already be well into the 40% rate of tax.

Earn sixty thousand dollars in the US and in many states, you'd pay just 12%.

In fact, in the US, you could earn a million dollars a year in many states and still not pay 40% tax as the highest federal tax rate is just 37%.

So, the mantra of the next Conservative government will be "Lower, simpler, fairer taxes".

We will stick to our fiscal duty but will cut taxes and go to war on marginal rates above fifty per cent.

Policies we have already announced are:

- Stamp duty on any primary home you buy – zero.
- No inheritance tax on your family home and another million pounds of assets.

- Abolishing the family farm and family business tax

Thirdly, we need to do the hard bit too.

That means cutting spending and using half of the savings we make to reduce the deficit.

It means the most radical supply side reforms this country has ever seen.

In another quote from Ronald Reagan's 1964 speech, he said:

> *"No government ever voluntarily reduces itself in size. So, government programs, once launched, never disappear. Actually, a government bureaucracy is the nearest thing to eternal life we'll ever see on this earth."*

And last but not least, we need to hold our nerve. It won't all be plain sailing. It took both Thatcher and Reagan over two years before their decisions began to bear fruit.

Like Reagan, Thatcher faced much resistance.

In 1981 Thatcher even had to contend with 364 economists writing a letter to The Times, saying that Sir Geoffrey Howe's budget of 1981 "will deepen the depression" and called for a rejection of the Tories' "monetarist" policies.

They were proved to be incorrect. Being told by every respectable voice that you are wrong is not evidence that you are.

To overcome such resistance again, we need to be supported by a new generation of courageous freedom loving advocates like you, who won't flinch when the going gets tough.

Referring back to the era before he took office, Reagan said:

> *"Things certainly have changed in the meantime. Back then, government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it."*

♦ ♦ ♦

Arguably one of Reagan's great strengths was optimism. So, before I end, let me give you some of mine. Fast forward to 2030:

- We have a Conservative Government with Conservative principles.
- Public finances are in much better shape. The deficit is lower and falling. And we're no longer paying a 'moron premium' on debt interest.
- Welfare isn't a lifestyle choice but a genuine safety net for far fewer, and savings have been deployed to re-build our defence, strengthen our borders, and keep our people safe.
- Hundreds of thousands of graduates and apprentices are getting the jobs of their dreams as employers are once again rewarded for taking risk.
- Getting on the housing ladder is easier and within reach of many more as stamp duty was scrapped and burdensome building regulations dialled back.
- Lower government spending and higher economic growth have allowed us to achieve our ambition of abolishing inheritance tax.
- And the wealth creators who fled our Labour government are flocking back in force as the government once again values their contribution. Many have returned to a safer and cleaner London led by a Conservative Mayor.

I could go on. As I said, it won't all be plain sailing, but with determination, I truly believe that our country's best days really do lie ahead of us.

So, to conclude, we have seen how under Thatcher and Reagan, Conservatives on both sides of the Atlantic overcame adversity.

And we asked ourselves: What does that mean for Conservatives today?

The answer is this: Yes, it will be difficult at times. There will be pushback as we get public finances under control and push through supply side reforms.

But we've done it before, and by sticking to our Conservative principles, we will do it again!

Thank you.



The Margaret Thatcher CENTRE

www.thatchercentre.com

She Delivered. Now It's Our Turn.

The Margaret Thatcher Centre is a project of the Cherish Freedom Trust, a charity registered in England & Wales with charity number 1157697 with its principal office at Turcan Connell, 6th Floor, 17a Curzon Street, London W1J 5HS.

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