

LLOYD GEORGE MANAGEMENT

Monthly Commentary from Robert Lloyd George April 2013

As we are now beginning a new monthly comment on global events and issues which impact our investment thinking, it seems appropriate to commence with the death of the former British Prime Minister, Lady Margaret Thatcher. I had the special privilege of meeting her on two occasions – first, in 1995, when she was about to make a trip to Hong Kong and China. I had come prepared with a number of questions about her own unique life story and political convictions but did not get very far, before being overwhelmed with her own intense curiosity, about what I could tell her about Hong Kong and China. This sense of curiosity, and always learning what she could from others, was one of her defining characteristics.

On the second occasion, about 10 years later, attending a small dinner in London, I gave her a copy of my book, David and Winston, saying, “This is a book about two of the greatest prime ministers of the 20th century; and I would like to present it to our century’s third great prime minister.” She was very flattered, and we had a long conversation. I asked her, over coffee, “Did you ever have any doubts about the outcome of the Falklands War in 1982?” There was a long silence, and she then came back with the lapidary response, “You have to have courage.” This courage was also one of the defining aspects of her character – she never doubted what was the right thing to do and would not be deflected from doing it by anyone.

She turned the tide of history after she came to power in 1979 by standing up to the trade unions, and to the threat of communism. She restored faith in private enterprise and self-reliance rather than government welfare in the UK and laid the foundations of the last 30 years of prosperity in Britain. Her concept of privatization, or “denationalization,” of large government enterprises, beginning with British Telecom, BP, and British Gas, has spread around the world, even to China, Russia, and many other former Socialist countries, and has created a great deal of investor wealth, as well as improving efficiency and returns on investment.

Margaret Thatcher understood that the government had no natural reason to be in business, and that services could be provided more cheaply, and efficiently, by the private sector. Even in today’s emerging markets, one of the key factors in defining the outperformance of certain markets, is the degree of government intervention, and whether the private sector is allowed to flourish. Some of the negative examples we might cite are Argentina and Venezuela; but also within the major BRIC countries, we have seen a higher degree of government intervention in Brazil, in Russia, and in China’s SOEs, where the role of the State has grown larger again in recent years and depressed investment returns.

In the euro zone also, Margaret Thatcher's prescience was clear when she said in Bruges in 1988, "We have not rolled back the frontiers of the state in Britain, only to see them re-imposed by Brussels." The experiment of a single currency for 27 nations with different economies is clearly not sustainable, and Margaret Thatcher's insistence that Britain stay out was right. It is interesting this week also to note that both Britain and the US, under President Obama, are both rolling back welfare payments because they are clearly unsustainable in the future. Again, Margaret Thatcher's vision from her childhood was one of self-reliance and traditional Christian virtues.

There is so much that we can still learn from Margaret Thatcher, and she will be an inspiration to the younger generation as she was to us in the 1980s when she transformed Britain, and, in doing so, had a radical influence on many other parts of the world, including Russia and even China.

A handwritten signature in black ink that reads "R. Lloyd George". The signature is written in a cursive, flowing style.

Robert Lloyd George
15th April 2013