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## Deindustrialisation and ‘Thatcherism’: moral economy and unintended consequences

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### ABSTRACT

The first period of Conservative government under Margaret Thatcher in 1979–1983 saw an extraordinary acceleration of deindustrialisation—the decline in share of workers employed in industry. This article examines the diverse understandings of this trend as they developed from the mid-1970s, and how this related to the politics of the time. It then examines the approach to industry of the ‘Thatcherites’, and how this related to their moral economy assumptions about the determination of employment levels. It assesses the causes of the dramatic loss of industrial jobs after 1979, and how these losses related to the government’s economic beliefs and actions. The central thesis is that rapid deindustrialisation after 1979 was an unintended consequence of the economic policies pursued, but the enormous surge in unemployment that followed led to an attempt to fit the experience of those years into a ‘moral economy’ framework which shifted the alleged cause of job loss onto the behaviour of workers and trade unions.

### KEYWORDS

Deindustrialisation; Thatcher; moral economy

### Introduction

1986 was *Industry Year* in Britain. Strongly supported by the government, the *Year* included a sermon in St Paul’s Cathedral from the Archbishop of Canterbury extolling the virtues of industrial strength, asserting that: ‘Our well-being as a nation largely depends on our manufacturing achievements. What Britain makes, makes Britain’.<sup>1</sup> Many would have registered a bitter irony in such words spoken in 1980s Britain under the government of Margaret Thatcher. Between 1979 and 1983 over two million jobs in industry, and 1.7 million in manufacturing, were lost in her first period of power.<sup>2</sup> For many, this period marked the beginning of a destructive process of deindustrialisation, defined especially in terms of lost industrial employment, and with profound consequences: ‘The long, lingering demise of the industrial working class began but did not end with Thatcher’.<sup>3</sup>

But such claims about the timing of deindustrialisation are mistaken. The level of employment in British industry began to fall in the mid-1950s, and in manufacturing in the mid-1960s.<sup>4</sup> Nevertheless, the rate of job loss in such a short period in the early 1980s was extraordinary and was a key feature of the history of Britain in this period with long-term consequences.

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This article focusses on a very short period in the overall history of deindustrialisation, because of its importance to the economic and political history of Britain. It looks at the emergent discourse of deindustrialisation, evident from the mid-1970s, but the main concern is to show that the acceleration of loss of industrial employment in the Thatcher years was the largely unintended consequence of a range of economic policies pursued by the government, many of which can be seen as the product of a particular moral economy.

The term ‘moral economy’ as applied to the Thatcher period is discussed at length below, but the core idea was expressed by Thatcher while in Opposition: ‘But we must not focus our attention exclusively on the material, because, though important, it is not the main issue. The main issues are moral. In warfare, said Napoleon—the moral to the material is as three to one. You may think that in civil society the ratio is even greater’. She went on to sum up her view of those moral issues: ‘where the state is too powerful, efficiency suffers and morality is threatened’.<sup>5</sup> The most apt title for this approach is ‘market fundamentalism’, in which moral conduct is encouraged by the maximising the self-reliance and autonomy of individuals and their families, and minimising their reliance on the state.<sup>6</sup>

### **Deindustrialisation in context**

Defined as a declining share of industrial employment in a nation’s total employment, deindustrialisation was a process that affected all the Western European economies from the 1950s onwards. For Britain, [Table 1](#) makes clear the 1980s saw an acceleration of trends long underway.

For the rest of Western Europe the turning points varied, but by the mid-1970s the same trend had clearly emerged in all the major economies ([Table 2](#)). But by the early twenty-first century it was a global phenomenon, most notably occurring even in ‘the

**Table 1.** Industrial employment in Britain, 1959–1983 (thousands).

	1959	1969	1979	1983
Manufacturing	9,169	8,181	7,053	5,346
Construction	1,509	1,415	1,252	965
Mining and quarrying	823	434	347	311
Gas, electricity and water	374	397	338	323
All Industry	11,875	10,427	8,990	6,945

Source: *Annual Abstract of Statistics: Department of Employment Gazette*

**Table 2.** Peaks of industrial employment in Europe.

	Peak year	% in industry in peak year
UK	1955	47.9
Belgium	1957	47.0
Switzerland	1964	48.8
Netherlands	1965	41.1
Sweden	1965	42.8
West Germany	1970	49.3
Italy	1971	39.7
France	1973	39.5

Source: C. Feinstein, ‘Structural change in the developed countries in the twentieth century’ *Oxford Review of Economic Policy* xv (1999), p. 39.

**Table 3.** Long-run trends in employment structure in Britain (percentage of employed population).

	1856	1873	1913	1924	1937	1951	1964	1973
Agriculture Fishing and Forestry	29.6	21.4	10.4	8.1	5.6	5.6	4.1	2.9
Mining and Quarrying	3.6	4.1	6.2	6.2	4.1	3.7	2.6	1.5
Manufacturing	32.5	33.5	32.3	32.9	31.7	35.1	36.1	34.7
Construction	4.0	4.8	4.9	4.5	6.0	6.9	8.5	8.7
Gas, Electricity and Water	0.1	0.2	0.7	1.1	1.3	1.6	1.7	1.4
Transport and Communication	4.1	5.6	8.0	8.6	7.7	8.1	7.5	7.5
Commerce	20.8	24.7	29.3	29.2	34.0	23.4	24.5	25.4
Public and Professional Services	5.3	5.7	7.9	9.4	9.9	16.6	15.0	18.0

Source: R. Matthews, C. Feinstein, and J. Odling-Smee, *British economic growth 1956–1973* (Oxford, 1982), pp.223–224.

world's factory', China. Industrial *output* continued to expand in many countries, but rapid growth in labour productivity was driving down the numbers need to produce this output.<sup>7</sup>

We should also note that in Britain's case, the long-run history is not one of a continuous decline: industrial employment *grew* from the 1930s to the 1950s (Table 3). This growth reflected the emphasis on Britain as an 'industrial nation' in the period of war and reconstruction.<sup>8</sup>

The contraction that occurred after 1979 was extraordinary in its size and speed, but it was part of a bigger, longer-term pattern.

While references to the loss of industrial employment under Thatcher are commonplace, analysis of the causes, scale and significance of this is notably lacking in the literature on the 'Thatcher experiment'. Charles Moore's authorised biography of Thatcher, for example, whilst supplying important detail on the governmental discussion of specific industrial controversies, such as the fate of British Leyland, gives little sense of the broader importance of industrial contraction.<sup>9</sup> Nicholas Crafts' gives a characteristic economist's analysis, referring only to a 'shake-out' of labour.<sup>10</sup> Helen Thompson's persuasive analysis of the overall economic patterns of the period recognises the importance of the shift away from industry, but without offering any detail.<sup>11</sup>

In the light of its scale and impact on the economics and politics of the period, as well as the longer-run significance of the phenomenon, this paper analyses the issue of deindustrialisation in the 1970s and early 1980s. It looks at how this term developed in public discourse from the mid-1970s, and then at the Thatcherite approach to industry. The next section analyses the causes of the huge fall in industrial employment in the early 1980s. Assessment of these causes leads on to a discussion of how far deindustrialisation in these years was a deliberate act of policy. This brings us to the key issues: what the relationship was between Thatcherite economic beliefs and the contraction of industry after 1979? How far can that contraction be seen as a policy choice?

### **The emergence of 'deindustrialisation'**

Deindustrialisation, defined as a trend decline in industrial output and/or employment as a share of all economic activity, became a live issue in Britain in the mid-1970s. The immediate context was the end of the international post-war boom marked by OPEC 1, and the first significant recession in the economy since the Second World War.<sup>12</sup> At this stage, it should be noted, the term was not primarily associated with employment questions. In 1974 and 1975 the *Sunday Times* ran a series of articles by the economists

Bacon and Eltis, which argued that Britain's macroeconomic and growth difficulties largely resulted from a structural shift away from industry since 1962, culminating in a book whose central theme was that this shift was the result of an excessive growth of the 'non-marketed sector' of the economy (government services provided in kind).<sup>13</sup> While Bacon and Eltis were economic theorists rather than politicians, and left open the ways their ideas might be operationalised, it was clear that their arguments could easily be deployed to support the 'anti-state' views that were at the heart of Margaret Thatcher's successful bid for the Conservative leadership in 1975. The Bacon and Eltis diagnosis was not strictly about deindustrialisation, as they argued that *marketed* services were not part of the problem, but most of their discussion focussed on the role of industry so both they and users of their arguments often treated the issue as one specifically concerning industry. The title of their first newspaper article clearly carried that flavour: 'Budget message to Mr. Healey: Get more people into factories'.<sup>14</sup> It should also be noted that Bacon and Eltis were not criticising nationalised industries, whose output was sold. Rather, they saw the growth of education and health as the core issue, in the belief that this expansion had deprived industry of growth in its workforce, and whose financing had reduced industrial investment.<sup>15</sup>

From a quite different starting point, in April 1975, the Labour Secretary of State for Industry, Tony Benn, lamented the 'devastating trend to contraction of British industry', and in the budget speech the same month the Chancellor of the Exchequer, Denis Healey explicitly used the word 'deindustrialisation'. Healey argued that: 'But from now on we must do everything in our power to ensure that our exports of manufactures increase faster than our imports and not the other way round. We must preserve and improve our international competitiveness—a word that covers many things other than just relative wages and prices. It comprises the quality and availability of industrial capacity and of skilled manpower, and the efficiency, the originality and the vitality of our industrial management. It includes, above all, the ability to deliver on time. In all these respects there is a vast task of regeneration ahead of us. We must reverse the process of deindustrialisation—of a steady loss of jobs and factory capacity year after year—which my right hon. Friend the Secretary of State for Industry described so convincingly in a recent article'.<sup>16</sup>

Benn not only pioneered the public use of the term deindustrialisation but also explicitly called for its reversal and the 're-industrialisation' of Britain. In his key Cabinet paper opposing the terms of the IMF loan to Britain in 1976, he called for an alternative strategy of import and exchange controls which would underpin a strategy 'necessary to allow us to re-industrialise so that we can emerge strong again at the end'.<sup>17</sup>

The use of the term deindustrialisation by politicians of the Left was linked to a belief that industry (especially manufacturing) was central to the growth performance of the economy, both because of the importance of the sector for whole economy productivity, and for the balance of payments (at this time the payments position was widely held to be a constraint on the expansion of the economy). Such ideas had been powerfully articulated by the Left-leaning economist Nikolas Kaldor in the 1960s, and they led directly to the Selective Employment Tax of 1966, which imposed a tax penalty on service employment, in order, it was hoped, to boost exports and growth.<sup>18</sup>

Kaldor himself seems not to have used the term deindustrialisation, but Ajit Singh, who built on Kaldor's approach, published one of the first academic articles that sought to define and deploy the term. For him, deindustrialisation was the inability of the economy to generate enough manufacturing exports to finance a full employment level of imports.<sup>19</sup> The following year a landmark conference of economists largely followed Singh in agreeing a macroeconomic view of the problem, linked to Britain's trading performance: 'in "deindustrialisation" we had a new label for an old problem—the relatively poor competitive performance of British manufacturing industry'.<sup>20</sup> The policy conclusions from the diagnosis of a pathology of deindustrialisation were ambiguous. For many on the Left, there was an obvious and direct link to advocacy of an expansion of the state's role in industry, famously articulated in the 'Alternative Economic Strategy' of the early 1970s, a policy officially adopted by the Labour party, but which led to major divisions under the Labour government after 1974.<sup>21</sup> The disputes were partly about macroeconomic policy, most contentiously concerned whether, as Benn suggested, import controls should be used to give 'space' for Britain's industry to revive its export potential, as well as fending off immediate balance of trade concerns. More broadly, there were major differences over whether reversing industrial decline required an enormous extension of state ownership of industry, or a much more limited intervention by an extension of traditional post-war methods of tax breaks and subsidies for the private sector.<sup>22</sup>

On the Right there was also a tangle of views. The implications of the work of Bacon and Eltis were clear; industrial production should be revived by reducing the size of the (non-marketed) public sector, and this obviously chimed with the thinking of the New Right. But, as Thatcher was always very clear, her agenda was not simply one of 'rolling back the state' but also one of changing people's minds—affecting a change in their moral and cultural outlook. The belief that Britain's deindustrialisation was the consequence of a cultural bias against industry was a prominent 'Thatcherite' theme, especially articulated by Keith Joseph, a key Thatcherite ideologue, but one strongly believed in by the Conservative leader as well. In consequence, the revival of the 'enterprise culture' was at the heart of the government's programme after 1979. The policy implications of this 'cultural' view were ambiguous. Corelli Barnett, who articulated this position prominently and persistently from the early 1970s onward, found favour on much of the Right.<sup>23</sup> But his policy views were profoundly opposed to those of 'small state' Thatcherites; he wanted Britain to pursue 'Prussian-style' state-led industrial policies, which ironically meant his work found favour amongst some 'declinists' on the Left of the political spectrum.<sup>24</sup>

The danger that embracing worries about deindustrialisation would open the way to *dirigiste* policies, anathema to pro-free market ideas, was persistently pointed out by Samuel Brittan, an influential pro-market commentator on the *Financial Times*. In 1977 he had written about the dangers of the deindustrialisation idea, and the following year the title of another article aptly summarised his overall concern: 'A lethal cure for a dubious disease'.<sup>25</sup> In an academic article of this period he argued that deindustrialisation was not a distinctive feature of Britain and dismissed it as source of the 'British sickness'.<sup>26</sup> His most provocatively titled piece, written when the deindustrialisation of the early 1980s was clearly gathering pace was called 'De-industrialization is good for the UK'.<sup>27</sup>

Brittan's underlying claim that Britain's comparative advantage lay in services, not industry, and that allowing markets forces to work would bring about a desirable reallocation of resources to the services sector, was plainly in line with anti-statist, Thatcherite ideas.<sup>28</sup> But it was a message that the government in the immediate circumstances of 1980 was *not* keen to hear, because, as discussed further below, in that year ministers were close to panic about the collapse in industrial employment and fearful that it would undermine their electoral chances.

The idea that deindustrialisation was *primarily* a problem of the impact on the overall labour market, of a trend loss of industrial jobs, (what the economist Dani Rodrik calls 'employment deindustrialisation') was not the core of discussion in the 1970s.<sup>29</sup> Rather, from diverse viewpoints, the problem was viewed as one related to economic growth, and of the macroeconomic impact of slow growth of industry for the balance of payments and (in some accounts) inflation. It was only after 1979 that the employment issue came into much sharper focus.

There is no evidence that the supporters of Thatcher in the Conservative party used the language of deindustrialisation in the 1970s. But they certainly worried about the state of industry. A striking example of such concerns comes from Joseph, in 1976, in one of his most wide-ranging interventions, published by the Centre for Policy Studies. In this he made clear that whilst he thought the structure of the economy should be driven by market forces, manufacturing was currently in need of especial attention:

'Perhaps I can here touch on the particular discouragement of the manufacturing sector. Normally in a balanced economy we need not worry about the direction of enterprise—primary, secondary or tertiary sectors, farming, manufacture or services—because the advantages and disadvantages are market questions and enterprise will go where there is demand for it. But the choice is no longer balanced: legislation, taxation, inflation, union attitudes all make the employment of labour and the risks of manufacture more and more disproportionate to the potential rewards. So, the balance has been shifted sharply in favour of service activity—and the consequent loss of manufacturing enterprise narrows the base on which all depends'.<sup>30</sup>

Three years later, during the winning election campaign of 1979, Thatcher echoed these concerns to an audience in the West Midlands, a crucial region for her appeal to working-class voters:

'I want to talk about the state of industry and the state of Britain, which so largely depends upon it, and where better than Birmingham to do that. In the five years since the present government came to office, Britain has had the worst record on industrial production of any major industrial country. Our industrial growth has been a third of Italy's, a quarter of America's, half of France's and half of Japan's ... without the wind of change the Conservatives offer, there can be no hope of halting Britain's industrial decline.'<sup>31</sup>

Policy after 1979 was by no means a simple putting into action of a pre-existing doctrine, a point returned to in detail in the next section. But while we should play serious attention to the statecraft of the Thatcher period, we plainly cannot ignore the ideas that infused policy, even if we should be wary of turning those ideas into a fully-fledged 'ideology'.<sup>32</sup>

## **The moral economy**

In the context of deindustrialisation, a useful framework for thinking about these ideas as they related to economic policy is by (careful) use of the concept of moral economy. Thatcher's approach to policy was essentially moral: as Florence Sutcliffe-Braithwaite has emphasised, 'Though Thatcherites took ideas from diverse sources, their political project had a single guiding purpose: the moral (and secondarily) economic rejuvenation of Britain'<sup>33</sup> In historical literature the most frequent use of the moral economy framework is by writers who follow E.P. Thompson and his 'moral economy of the crowd'. Thompson used this term to frame an extremely powerful account of the attempts by a nascent English working class to resist the expansion of market forces in the late eighteenth and early nineteenth centuries.<sup>34</sup> Recent work on post-war Britain focussed especially on the Scottish coal industry, has used this approach very effectively to understand the popular dynamics of the responses to the decline of that industry.<sup>35</sup>

But as was pointed out in early reaction to Thompson's work, a danger of his approach is the suggestion that only 'the crowd' has a moral economy, rather than recognising that at any one time in a given society a variety of such economies will be in play.<sup>36</sup> This requires especially the recognition that those who favour market forces are not in any useful sense 'amoral', but have their own distinctive moral economy.<sup>37</sup>

Here, we use the term moral economy to summarise an assemblage of beliefs about the economy that can be broadly labelled 'Thatcherite'. Much of this is compatible with the conventional characterisation of Thatcher's thinking as 'neo-liberal', but one of the dangers of that often omnibus term is that it focusses too much on the perceived roots of Thatcherism in economic theory.<sup>38</sup> In addition, a focus on neo-liberalism easily exaggerates the coherence of that set of beliefs, especially as a guide to policy.<sup>39</sup> Here, the focus is on the explicitly moral aspects of thinking that are most relevant to economic policy decisions taken in the first term of office.

At the heart of the debate about deindustrialisation and economic policy in the early 1980s was the issue of employment. It is therefore very significant (and well-known to historians of the period) that Thatcher kept an annotated copy of the landmark 1944 White Paper on *Employment Policy*.<sup>40</sup> Her markings and under-linings show a particular concern with the conditions, which would make the achievement of full employment possible, said by the White Paper to require the satisfaction of three conditions: an adequate level of demand ('total expenditure'); 'reasonably stable' prices and wages; and 'sufficient mobility of workers between occupations and localities' (para.39). In particular, the responsibility of workers is further enumerated as being 'ready and able to move' (para.31); providing the 'fullest co-operation' with employers on training (para.35); 'exercising moderation in wage matters' (para.49); being willing to 'examine their trade practices and customs' (para.54); being prepared to 'exercise to the full his own initiative in adapting himself to changing circumstances' (in the labour market, para.55); and not misinterpreting the government's intentions 'as exonerating the citizen from the duty of fending for himself' or suggesting 'a weakening of personal enterprise' (para.56). Most broadly, a successful policy requires 'the support and co-operation of the public' for the uncomfortable tactical decisions which national economic management will involve (para.86).



In an interview, Thatcher asserted that ‘There is far more in this White Paper that’s on the side of my philosophy and my economic practice than anyone else. And I can read you out sentence after sentence which says there’s no substitute for industrial efficiency, industrial co-operation and for sound money’.<sup>41</sup> What seems clear from Thatcher’s marking of her copy of this White Paper is that for her the key issues were the behaviour of workers and unions in keeping their side of the 1944 ‘bargain’. It is clear that by the mid-1970s she had come to believe that they were no longer doing so. In that important sense, economic failure was the consequence of the moral failings of the individuals and collectivities (such as trade unions) concerned.

This idea of a failure of workers and unions to deliver is perhaps most clearly expressed in the important 1985 *Employment White Paper*, intended by the government as a landmark statement with the purpose of bringing the 1944 document ‘up-to-date’. The Introduction to the 1980s paper quotes the Foreword to the 1944 version to the effect that government’s ability to deliver employment depends especially on the ‘efforts of employers and workers in industry’.<sup>42</sup> Later it pins down more specifically the perceived source of the rise in unemployment from the 1970s:

‘Many workers, especially those in powerful unions, felt they could escape the discomfort of new ways of working and hold economic reality at bay, often by strikes or the threat of them: some behaved as though their jobs would always be there, no matter what they or anyone else did. Companies were burdened by overmanning and outdated methods’.<sup>43</sup>

So, when industrial jobs shrank and unemployment rose so sharply in the early 1980s it was clear from a Thatcherite perspective that this was ultimately the result of a moral failing on the part of workers and trade unions, rather than the outcome of economic policy: ‘the inevitable unemployment caused by shaking out thirty years of restrictive practices’.<sup>44</sup> A similar claim was made by the Chancellor, Nigel Lawson in his Mais Lecture, where it was said to be ‘simply the emergence into the open of the unsustainable disguised unemployment of the second half of the ‘seventies, when overmanning—in manufacturing in particular—was rife’.

### ***The changing management of deindustrialisation***

Why did the years immediately after the 1979 election see such a disastrous fall in industrial employment? Central was the unplanned (though not unforeseeable) and unprecedented appreciation of the exchange rate of the pound in the period from early 1979 to January 1981, during which period it rose by 45% in real terms. In the words of the President of the Bundesbank, ‘this is by far the most excessive overvaluation, which any major currency has experienced in recent monetary history’.<sup>45</sup> The key driver of this appreciation were the ‘monetarist’ policies advocated by the Conservatives and pursued after 1979.<sup>46</sup> These policies can reasonably be labelled ‘adventurist’ given that they had not been thought through in any depth (unlike, for example, tax policy which had been examined in detail over several years by the Conservatives in Opposition).<sup>47</sup> They were also made in wilful ignorance of the complexities of controlling the money supply as revealed when similar monetary policies had been tried in the early 1970s.<sup>48</sup> In the current context, the key effect was the concentration of the appreciation on undermining the competitiveness of the industrial sectors of the economy, because that was where most

tradeable goods came from.<sup>49</sup> Squeezed exports and much cheaper imports rendered almost all of British industry unprofitable in 1980/81, and this was the core cause of the mass industrial redundancies.

The government was well-informed and extremely concerned about the industrial situation very soon after it took office. The Department of Trade and Industry (DTI) kept in close touch with developments. In December 1980 Keith Joseph, then the Departmental Minister, reported to the Chancellor that 'In general terms it was quite clear from the responses that all companies are facing severe pressure on their cash and on their profits, and the general view was that 1981 would be worse than 1980'.<sup>50</sup> The DTI established a unit to monitor the situation of individual companies. A report on Imperial Chemical Industries (ICI), then one of Britain's most prominent industrial enterprises, made the situation very clear. Between the first and fourth quarters of 1980 the company reported, its profits on export sales fell from 5.5% to -16%. Unsurprisingly, the report said, 'the outlook is very bleak'.<sup>51</sup>

The government also established a 'Health of Industry Committee', whose role appears to have been primarily to respond to pressure from the Confederation of British Industry (CBI).<sup>52</sup> In the spring of 1981, the Director General of the CBI had famously promised a 'bare-knuckle fight' with the government because of the impact of policy on profitability.<sup>53</sup> The CBI at this time was dominated by large industrial companies, and these words reflected the panic among such companies evident by late 1980. Despite this rhetoric, it may be noted, the CBI remained supportive of the broad thrust of government policy and focussed much of its lobbying on getting bigger cuts in public expenditure, so as to enable industry-focussed tax cuts, especially to the National Insurance surcharge, and to get lower interest rates.<sup>54</sup>

Sensitivity to the exchange rate was a problem for all industrial companies with large tradeables activity—whether previously flourishing or not. For example, in the case of British Leyland, one of the most troubled industrial companies of these years, it was estimated that a 10% variation in the rate would add or subtract £1 billion from its annual revenues.<sup>55</sup> In the House of Commons Thatcher conceded that 'the rapid increase in the exchange rate caused tremendous problems, particularly for industries that are exporting', but disclaimed government responsibility for this appreciation.<sup>56</sup> When her adviser John Hoskyns circulated an economist's paper arguing that the appreciation was the result of the government's monetary policy the response was one of dismay and denial.<sup>57</sup>

The macroeconomic problem for the government was that its core policy, the Medium-Term Financial Strategy (MTFS), assumed that the success of the anti-inflationary monetary tightening being pursued would be evident in the behaviour of a monetary aggregate known as 'M3'. This aggregate was greatly exceeding its target in 1980 and 1981, and this implied that monetary policy was slack, leading to high interest rates to try and tighten the stance. The Minimum Lending Rate, the key interest rate, was indeed very high, reaching a historic peak of 17% in November 1979. But the evidence of the exchange rate was the opposite: that monetary policy was extremely tight. The outcome of this acute dilemma was the 1981 budget, which sought to emphasise that 'the Lady's not for turning' by pursuing a very tight fiscal policy, whilst glossing over the fact that interest rates have already come down in July and November 1980, despite what was

happening to M3.<sup>58</sup> By the beginning of 1981 the exchange rate was falling, and the immediate pressure on industry was relieved. But significant industrial capacity had been permanently destroyed

In terms of the government's moral economy, the strategy for explaining the sharp reduction in industrial employment in 1979 to 1981 was to argue that while the exchange rate was an immediate problem, the underlying problem was too high wages, too high benefit levels, and inefficiency.<sup>59</sup> In this account, the rise in unemployment increased 'in large measure as the disguised unemployment of earlier years with overmanning rife, was forced into the open'.<sup>60</sup> This argument is very hard to square with the fact that in 1979–81 manufacturing employment fell by 17% while output by 20%: 'This is hardly consistent with the overmanning view, for were this correct the loss in output would have been negligible rather than more or less proportional to the loss in employment'.<sup>61</sup> But whatever the plausibility of the claim, it fitted the experience of 1979–81 into the overarching narrative that it was the intransigence of workers and their unions that was the cause of the problem.

Macroeconomic policy after 1979 had an enormous impact on industry. But this was not its purpose. Its central aim was to reduce inflation, and the dangers of inflation, whilst many, were seen by the government as ultimately moral in character: 'a severe inflation is the worst kind of revolution ... only the most powerful, the most resourceful and unscrupulous. The hyenas of economic life, come through unscathed'.<sup>62</sup> Accompanying this inflation agenda was an equal concern to reduce the size of the state: 'where the State is too powerful, efficiency suffers and morality is threatened'.<sup>63</sup> So alongside suppressing inflation, reducing the size of the public sector was at the core of (morally informed) policy aims after 1979.

A significant part of that public sector was made up of the nationalised corporations. From a Thatcherite perspective, these corporations embodied the very essence of the problems of British industry, where workers had been protected from the realities of the economic world by monopolistic privileges, allowing inefficiency at the expense of the consumer, funded by subsidies at the expense of the tax-payer. This narrative can be contested. The nationalised industries had shed enormous amounts of labour since the 1950s, and their efficiency was a matter of dispute.<sup>64</sup> But there is no doubt that in the early 1980s most publicly owned companies were very susceptible to the effects of the exchange rate appreciation and the overall decline of demand in the economy. As a result, their financial position greatly deteriorated. As in the private sector, the pressure was felt across the board, both in previously flourishing sectors like British Airways and British Telecoms, as well as the traditional 'problem' cases like coal, steel and the railways.<sup>65</sup>

On coming to power in 1979 the Conservatives had very little in the way of an immediate agenda for privatisation of public sector corporations. The idea had been seriously discussed in Conservative circles but had not crystallised into a broad programme of action.<sup>66</sup> Privatisation was mainly pursued in the first Thatcher administration for financial reasons—to sell-off assets to raise money to reduce the size of public borrowing (the Public Sector Borrowing Requirement, PSBR). None of the rather limited sales achieved (such as shares in British Aerospace or those held by the National Enterprise Board) had much direct impact on employment, and none of the big employers of labour such as coal and railways were plausible candidates for an immediate sell-off. The strategically important sale of assets owned by the British National Oil Corporation

was delayed because rising oil prices made this one of the few financially attractive nationalised assets.<sup>67</sup> In general, the severity of the recession was itself a major constraint on selling many state assets.<sup>68</sup>

The key channel from government policy to the nationalised industry levels of activity was through the External Financial Limits (EFLs)—the level of funding from government revenue to the public corporations. Here, the government faced a serious dilemma. On the one hand the EFLs counted as part of the PSBR, the reduction of which was central to the MTFs. On the other hand, the recession was radically undermining the finances of the public corporations, and without an increase in their EFLs this was bound to lead to widespread redundancies. (A further complication was that the government wanted to encourage investment in some public corporations, such as British Telecom, but found it difficult to bring this about within the overall financing pressure exerted upon them).<sup>69</sup> In the short-run the financial position of the nationalised industries was a source of great frustration to the government: Thatcher was cited as complaining that 'They had undermined the Government's whole public expenditure strategy'.<sup>70</sup> In the longer-term it gave much greater impetus to the privatisation drive.<sup>71</sup>

In the recession public corporations like coal and steel were hit hard by the overall decline in manufacturing activity, while shipbuilding, for example, was directly affected by the loss of competitiveness through appreciation of the pound. Because of the strike in 1984/5 over pit closures, the loss of employment in coal is widely seen as emblematic of the Thatcher government's approach to industry. But this issue must be treated with care. First, it needs to be stressed that in quantitative terms job losses in coal in the 1980s followed a long period of decline, dating back to the First World War. In the post-war period the largest falls were in the 1960s. Even more important than the declining numbers are the policies that accompanied them. As has been persuasively argued, the key shift under Thatcher was not the acceleration of job losses, serious as that was for the workers concerned, but the abrogation by the government of a previous moral economy established after the nationalisation of mining in 1947.<sup>72</sup>

In this policy regime, the National Coal Board (NCB) and successive governments, pressured by the National Union of Mineworkers (NUM) and the wider labour movement, accepted that loss of employment in pits would be pursued in a consultative framework. The aim was to facilitate the transfer of miners from closing to continuing pits, and to provide alternative employment to them (and their wives) by encouraging other local industrial employment in coal-mining areas by means of subsidies and grants. This approach never worked perfectly, but in the 1960s especially it allowed an enormous loss of job losses in the pits (over 200,000 under Harold Wilson's governments) with relatively little dissent and without fundamentally undermining the economic and social vitality of mining areas.<sup>73</sup>

This moral economy began to fray in the 1970s as miners' bargaining power increased in the face of price rises in the main competing energy source, oil, and government commitment to full employment policy wavered. Industrial relations in the industry were much more fractious than in the 1950s and 1960s, but closures did continue, albeit on a smaller scale as demand for coal was expected to be much more buoyant than in the immediate past.<sup>74</sup> But in the 1980s the whole approach shifted radically.

Soon after the Thatcher government came to power, the Coal Industry Act of 1980 set out an agenda of financial cuts for the NCB that would mean all grants except those for explicitly social purposes would cease by 1983/4. As the official historian of the industry argues, 'this was an almost impossible result to achieve in the circumstances of the time ...'.<sup>75</sup> Domestic demand for coal fell by 14% between 1979/80 and 1982/3, and in response in February 1981 the NCB proposed significant pit closures.<sup>76</sup> In response to the strength of reaction to these proposals by the NUM, the government backed-off, deeming the time not ripe for a confrontation or for pursuing the policy of closure that it favoured.<sup>77</sup> The coal case shows that while financial considerations were hugely important in the relationship between the government and nationalised industries in this period, they were not the whole story. The Conservatives had long been committed to defeating the NUM and rolling-back the union's role in the management of coal closures, and by 1984/5 this aim was to be pursued without immediate consideration for the public finances, by offering miners generous redundancy terms and sickness benefit as an alternative to less-generous unemployment pay.<sup>78</sup> But though the time was not deemed right for a confrontation in 1981, the squeeze on the NCB's finances saw 27,000 miners lose their jobs between 1978/9 and 1982/3.<sup>79</sup>

In the case of the British Steel Corporation (BSC) there were no such political issues at stake. The major steel trade union was moderate, and its strike in 1980 was aimed at increasing pay rather than resisting the drive to reduce jobs in the industry. The outcome was a bigger wage increase than the government would have liked, but large-scale redundancies went ahead. Between 1980 and 1983 employment at BSC fell from 166,000 to 71,000.<sup>80</sup>

It should be clear that the scale of job loss in these two industries owed nothing to a Thatcherite animus against industry *per se* as opposed to other forms of economic activity. It might be suggested that a trade union as powerful as the NUM would be hard to envisage in a service occupation, and trade unions in Britain have historically been much stronger in industry than the services. But it was the perceived unacceptable strength of the NUM, in what was still generally seen as a sector crucial for national life that the Thatcherites fought against, which had nothing directly to do with the union's industrial character. For them, coal was a 'high cost drain of consumers' and taxpayers' money and a prisoner of trade unionism'.<sup>81</sup>

That so many of the industrial job losses of these years came in the public sector can be partly an unintended consequence of the pattern of public ownership in Britain. In seeking to take control of the 'commanding heights' of the economy as understood in the 1940s, what actually came to be nationalised were labour-intensive industries in long-run decline.<sup>82</sup> While many had previously shed that labour on a large scale, they were still on a trajectory of decline that the recession of the 1980s was bound to exacerbate.

As well as cutting the deficits of the nationalised industries, the government also wanted to reduce public spending on industrial subsidies. Again, this did not derive from an especial focus on *industry*, but from the fact that this was the sector where most (overt) subsidies existed, resulting from many years of previous governments seeking to encourage industrial regeneration.<sup>83</sup>

For the new government cutting these subsidies was both a financial, ideological and indeed, moral imperative, at least for ideologues like Joseph. In the speech at Stockton already cited, he had attacked industrial subsidies, saying they fitted 'neither capitalist nor

socialist economics and ethics, but are simply opportunist'. Their immorality derived from the fact that they ineffectively sought to boost employment in one part of the economy, funded by taxing other parts, who were thereby deprived of legitimate access to resources they should have retained for investment and expansion.<sup>84</sup> For Joseph, moral issues were primary. In his speech in Birmingham in 1974, famous for its eugenic pronouncements, a key theme was the primacy of moral over immediate economic policy issues. But the implication of the speech is clearly that economy and morality are intimately connected: he diagnosed a country beset by 'moral decline reflected and intensified by economic decline'.<sup>85</sup>

The 1979 Conservative Manifesto had made clear that the aim was to 'reduce government intervention in industry' and 'ensure that selective assistance is not wasted'.<sup>86</sup> These were rather general propositions, and lacked the force and emphasis of some Thatcherite pronouncements on the topic.<sup>87</sup> In practice, as with policy on nationalised industries, the desire to cut spending was crucial after 1979, but the scale of the recession made such reductions politically much more difficult.<sup>88</sup> The case of British Leyland (BL) is especially striking. There was little faith in the government that BL could be turned round, but finance was nevertheless found, as its closure was seen as in the short-run as actually *worsening* the PSBR, as well as increasing unemployment to an unacceptable level.<sup>89</sup>

Charles Moore effectively summarises the issue from Thatcher's perspective: 'How could she introduce economic reality without job losses which would cause the Conservatives to lose every seat in the West Midlands where people were dependent on the company for their living?'<sup>90</sup> This continuing subsidy went against the advice of the economic adviser Alan Walters, but was rationalised as allowing time for the benefits of the management regime of Michael Edwardes (appointed in 1977 to head BL) to have effect.<sup>91</sup>

The ambiguities of the government's position on industrial subsidies at this time are nicely captured in a contemporary speech by Geoffrey Howe, the Chancellor of the Exchequer:

'I am aware that many Opposition Members favour the large-scale injection of public funds into British industry. However, such intervention in this country has been shown to be doomed to failure. It can hardly be said that we are not providing substantial sums in any event. Huge sums are being made available to the coal and steel industries, for example'.<sup>92</sup>

Another area of public subsidy where expenditure went overwhelmingly to industry was regional policy. Again, the government had to temper its ambitious aims of cutting spending with concern for the political consequences. In this case the geographical focus of the policy was a weakness from the 'cutters' point of view, as it formed the basis of opposition from the Ministers who represented areas likely to be hit severely by major spending reductions—Wales and Scotland. In the case of the second of these, the Scottish Secretary, George Younger, fought hard against cuts that were accepted by everyone as likely to have a very serious impact on a Scottish economy with already higher levels of unemployment than most of the rest of the UK. As early as June 1979 he was voicing concerns 'about the combined

impact of the proposed review of regional policy, the run down of basic industries (coal, steel, and shipbuilding) and the review of dispersal policy. Following so soon the abandonment of devolution'.<sup>93</sup>

A persistent worry for the government was political unrest in Scotland—this was expected, for example, with the forthcoming closure of more shipyards on the Clyde.<sup>94</sup> There followed the most rapid contraction in industrial employment, hitting Scotland especially hard. As Younger stressed to the Chancellor of the Exchequer in January 1981, the impact of the exchange rate and the high cost of borrowing especially had meant that in the last year Scotland had had to cope with 'major closures and rundowns not simply in the older traditional industries but across the whole range of manufacturing activity in Scotland'.<sup>95</sup> But such political pressures, whilst with some effects at the margins of policy, did not shift the underlying thrust.<sup>96</sup> The Conservatives were, in the longer-run, right to fear the political consequences Scotland's deindustrialisation, as they reflected in the anguished postmortem after the party's losses in Scotland at the 1987 general election.<sup>97</sup>

Regional policy was one area where the traditional practice of favouring industry over services was questioned. When expenditure on this policy was first cut back in 1980 this was not a significant consideration, but when new cuts and reforms were mooted in 1983 it was part of the aim to 're-balance' expenditure to include services. The Secretary of State (Norman Tebbit) in introducing the changes said: 'It is not immediately obvious to me at any rate that it is necessarily more virtuous or more wealth-producing to manufacture ladies' home-perm sets than to run a ladies' hairdressing salon.'<sup>98</sup> This led to the accusation from a Conservative MP that 'My right hon. Friend does not want to maintain jobs in manufacturing industry; he wants to open hairdressing salons instead'.<sup>99</sup> But in the debate as a whole it was clear that Tebbit's view was not based on in any deprecating of the economic role of manufacturing, but a belief that policy should in principle not discriminate against services. This was consistent with the view that the market, not government, should determine the distribution of resources between sectors.

Although the overall thrust of economic policy after 1979 was to cut all the various forms of industrial support, the government was keen to subsidise some forms of industry—what were seen as examples of high technology activity, and also foreign companies seen as bringing more efficient forms of production to Britain.<sup>100</sup>

On innovation and technology, the 1985 White Paper on *Employment* itemised the 'Support for Innovation' programme, costing £300 million in 1984/5, the government-supported collaborative Alvey Programme, focused on developing the next generation of computers, and other new technical and advisory services for companies in these sectors.<sup>101</sup> The subsidies to the Japanese car company Nissan to establish a plant in North-East England (an area especially hard hit by industrial closures in the early 1980s), is an example of the desire to attract FDI.<sup>102</sup> Neither of these support programmes had significant employment effects in the short-run, but in the longer-term Nissan significantly boosted employment in the car industry in the country, even if this never returned to anything like its early 1970s peak.

## Conclusion

This article has emphasised that, while the phenomenon of deindustrialisation did not begin in the 1970s, public discussion framed by use of that term did. And while deindustrialisation was certainly not unique to Britain, the framing of the issue in that country was both pioneering and nationally distinctive. From the mid-1970s a variety of academic and political voices suggested that British industry was shrinking and, in this initial period, all commentators saw this trend in negative terms. In the early 1980s, under the impact of an unprecedentedly rapid contraction, these pessimistic diagnoses were sharpened, and now focussed attention much directly on the employment aspects.<sup>103</sup>

In the early 1980s the Thatcher government was very much on the defensive on the employment issue. Most of the enormous rise in unemployment in the early 1980s came from contraction of the industrial sector, and the government feared that unemployment would lead to its electoral defeat. When, after the general election of 1983, that proved not to be the case, the government still felt the need to defend its views on employment—hence the 1985 White Paper discussed previously. (The absolute level of industrial employment continued to fall down to 1986, even as industrial output slowly picked-up from 1983).

The view that Britain's comparative advantage lay in services rather than industry finds no perceptible support in government documents in the early 1980s. In 1980, when a substantial set of papers was compiled to brief Ministers on a response to an Opposition debate on deindustrialisation, the Minister (Keith Joseph) eventually drafted his own speech on the topic. The final paragraph read: 'The reversal of de-industrialization will begin as we systematically tackle the obstructions-institutional, psychological, cultural, economic, legislative-which have been placed upon adaptability'.<sup>104</sup> This echoes his speech from 1976 cited above, giving no sense that services should be encouraged at the expense of industry. The following year Thatcher explicitly made the same point: 'The Prime Minister said she had never seen the future in terms of services replacing manufacturing'.<sup>105</sup>

In 1985 the government's record on industry came under strong attack from a House of Lords' committee. The Lords' Report focussed primarily on the impact of industrial weakness on the balance of payments, and the argument that after North Sea Oil ran out, services would be unable to compensate for the deficit on manufactured goods which had appeared for the first time in 1983.<sup>106</sup> The key responses to these attacks were given by the Chancellor of the Exchequer, Nigel Lawson, who argued that the Lords underestimated the contribution of the service sector, especially financial services, to exports.<sup>107</sup> But this assertion was *not* coupled to any general claim about where Britain's comparative advantage lay. Rather, Lawson stated, 'The Government's policy is to create the conditions in which business can thrive and prosper-manufacturers and non-manufacturers alike.' What particularly aroused the Chancellor's hostility to the Report, beyond its general gloominess about the state of the British economy, was its advocacy of greater government support for industry what Lawson described as a 'a cocoon of subsidies'.<sup>108</sup>



When the Report was debated in the House of Lords, the respondent for the government, Lord Young, followed the same line of argument. He defended the government's record, above all in encouraging: 'The creation of an enterprise culture (which) is the most important goal we have. He went on to stress that the government believed that this kind of encouragement, along with policies like tax cuts, applied to the whole economy, not just manufacturing.<sup>109</sup> This claim was coupled with a stress on how much the government was spending to support industry (£2b per annum), whilst rejecting further increases in that sum. The key concluding point was that in response to loss of North Sea Oil revenue 'the worst way to achieve such an adjustment would be for the state to discriminate now in favour of one particular sector of the economy: government's "second-guessing" of economic reality has provided few benefits in the past.'<sup>110</sup>

These responses to the Lords' Report make clear that by the mid-1980s talk of needing to do something about 'deindustrialisation' was seen on the Right as code for calling for the revival of dirigiste 'industrial policy', and its corollary of 'picking winners', now anathemized as a failed legacy of the 1970s.<sup>111</sup> The boom in the City of London in the 1980s undoubtedly helped to underpin this position, as it strengthened the non-industrial balance of payments. But this shifting economic context certainly did not lead to a wholesale retreat from encouragement of industry. In one of her last Commons speeches as Prime Minister, Thatcher extolled the successes of her governments. 'Our industry is better managed and better equipped than ever before- from cars to steel, to chemicals, to aerospace, to electronics. New industries are growing up and industries that scraped by under Labour are flourishing under the Conservatives. *We are seeing the re-industrialisation of Britain*' (emphasis added).<sup>112</sup>

In his memoirs, the Prime Ministerial adviser, John Hoskyns, noted that the first Thatcher government had 'accidentally engineered' a major recession by its misguided adherence to monetary targets and 'done the economy a great deal of damage by mistake'.<sup>113</sup> The decline in industrial employment was at the heart of this recession. It was in large part an unintended consequence of the pursuit of anti-inflationary policies whose impact on the labour market was much greater than anticipated. In the light of this politically threatening outcome, the government sought to develop a moral discourse in which rising unemployment was in large measure the consequence of failings in the conduct of workers and unions over preceding years. Thus, it was an unintended consequence given a moral meaning. In the Thatcherite account, it was misbehaviour that was at the root of employment loss, not the policies of the government.

## Notes

1. T(he)N(ational)A(rchives): PREM 19/1807 'A sermon preached by the Archbishop of Canterbury in St Paul's Cathedral, Wednesday 27 May 1986, to celebrate Industry Year'.
2. Though the measure from 1979 to 1983 is conventional, the period of most rapid contraction was much shorter: 'most of the jobs were lost between quarter 2 of 1979 and quarter 2 of 1981 when manufacturing employment fell by 17% and manufacturing output fell by 20 per cent': Nickell, 'The government's policy for jobs', 108.
3. Jones, *Chavs*, 140.
4. Matthews, Feinstein, and Odling-Smee, *British Economic Growth*, 223–224.

5. Margaret Thatcher 'The New Renaissance', speech to Zurich Economic Society 14 March 1977 available at Margaret Thatcher Foundation Website <https://www.margaretthatcher.org/archive> (hereafter MTFW), 103,336.
6. See Phillips, Wright and Tomlinson, *Deindustrialisation*, 69–81.
7. <https://data.worldbank.org/indicator/SL.IND.EMPL.ZS>. The global figure for 2014 was 23.2%, down to 22.8 in 2019, for China the figures were 29.4 to 28.3%; see also Rodrik, 'Premature deindustrialisation'.
8. Edgerton, *The Rise and Fall*.
9. Moore, *Margaret Thatcher I*, 513–518.
10. Crafts, *The Conservative Government's Economic Record*, 29.
11. Thompson, "The Thatcherite Economic Legacy," 37–8, 65.
12. Though this recession was far less serious in terms of output and employment loss than those of the 1980s, 1990s and 2000s, it was accompanied by very high inflation, peaking at 25% in 1975, comparable only to the 22% level in 1980.
13. Bacon and Eltis, *Britain's Economic Problem*. This work drew on Classical, Physiocratic, economic theory. For a critique see Hadjimatheou and Skouras, "Britain's Economic Problem".
14. *Sunday Times*, 10 November 1974.
15. Critics have argued that in fact the rise of non-marketed output was not at the expense of investment, but of consumption, with the implication of rising unemployment as workers sought to offset paying higher taxes. Crafts, *Can De-industrialisation*, 26–7.
16. Hansard, *The Official Report: House of Commons* (hereafter Hansard), 5<sup>th</sup> ser., 15 April 1975, vol 890, c288; the article was 'Tony Benn writes about industrial policy'. *Trade and Industry* 4 April 1975. See also *The Times* 15 April 1975.
17. TNA: CAB 129/193/7 CP (76) 117 Secretary of State for Energy 'The real choices facing the Cabinet' 29 November 1976.
18. Kaldor, *Causes*; for the S.E.T see Tomlinson, *The Labour Governments*, 132–4, 225–6.
19. Singh, "UK Industry".
20. Blackaby, ed., *De-industrialisation*, 268. For other discussions of the 1970s: Sherif, *A De-industrialised Britain*.
21. Wickham Jones, *Economic Strategy*.
22. Sawyer, "Industrial Policy".
23. Barnett, *The Collapse; The Audit*. For a similar line of argument from a literary historian, Wiener, *English culture*. For the cultural arguments see Collins and Robbins eds., *British Culture*.
24. Anderson, 'The Figures of Descent,' 46 describes Barnett's *The Collapse* as a 'philippic without equal in the whole literature of British decline'; for astute commentary, see Edgerton, "The Prophet".
25. Brittan, "On Deindustrialisation Again," *Financial Times*, 1977; idem., "A Lethal cure for a Dubious Disease," *Financial Times*, June 29, 1978.
26. Brittan, 'How British?'
27. *Financial Times*, July 3, 1980. Brittan was partly writing to support the government's abolition of exchange controls, as these enabled an outflow of capital that eased the pressure on manufacturing.
28. A historian with similar views is Rubinstein, *Capitalism*: he argued that Britain's comparative advantage had *always* lain in services: 'Britain's was never fundamentally an industrial and manufacturing economy; rather, it was always, even at the height of the industrial revolution essentially a commercial, financial, and service-based economy whose comparative advantage always lay with commerce and finance' (25).
29. Rodrik, "Premature Deindustrialisation".
30. Joseph, *Monetarism is not enough*, Stockton Lecture, April 5, 1976 MTFW 110796.
31. Speech to Conservative rally in Birmingham April 19, 1979 MTFW 104026.
32. The degree of ideological coherence of policy in the Thatcher era is a key issue in historical debate about the 1980s. For examples, Saunders, "Crisis? What crisis?"; Green, "Thatcherism"; Vinen, *Thatcher's Britain*. On statecraft see Bulpitt, "The Discipline".

33. Sutcliffe-Braithwaite, 'Neo-liberalism, 49; also Marquand, *Mammon's Kingdom*, 111, who quotes Thatcher: 'Economics are the method, the object is to change the heart and soul'.
34. Thompson, "The Moral Economy", reprinted in Thompson, *Customs*, ch.4.
35. Perchard and Phillips, "Transgressing the moral economy"; Phillips, "Deindustrialization"; Gibbs, "The Moral Economy". For a distinct but related usage, Tomlinson 'Re-inventing'.
36. Hont and Ignatieff, "Needs and justice".
37. Marquand, *Mammon's Kingdom*, 3.
38. Cockett, *Thinking*; Jackson, "The think-tank archipelago".
39. Sutcliffe-Braithwaite, "Neo-liberalism"; of course, there has long been debate about the coherence of 'Thatcherism' as an ideology, dating back to 1980, with early contributions collected in Jacques and Hall, eds., *The Politics of Thatcherism*; an important recent contribution is Davies, Freeman and Pemberton, "Everyman a capitalist".
40. Green, *Thatcher*, 76–8; White Paper marked 'Margaret H. Roberts' in Thatcher Papers MTFW 110368.
41. Interview in *The Times* 3 May 1983, cited Green, *Thatcher*, 77. On 'sound money' and the issue of inflation, see footnote 60 below.
42. *Employment. The Challenge for the Nation*, British Parliamentary Papers 1984/5, Cmnd. 9474, para.1.5.
43. *Employment. The Challenge for the Nation*, para.2.5.
44. Hoskyns, *Just in Time*, 263.
45. Treasury and Civil Service Committee, 2<sup>nd</sup> Report 'International monetary arrangements' House of Commons Papers 385, 1982/3, pp. xx, xxi.
46. The pound had been strengthening under the impact of North Sea Oil since 1978, but there is little doubt that it was the expectation of the tightening of monetary policy that accounts for most of the upward movement from 1979–81.
47. Tomlinson, "Mrs Thatcher's economic adventurism"; it is surely extraordinary that this episode does not figure in King and Crewe, *The Blunders*. For Conservative policy-making in opposition: Williamson, *Conservative Economic Policymaking*.
48. Needham, *UK Monetary Policy*.
49. Export volumes fell by approximately 16% 1979 to 1981, broadly in line with total production: Landesman and Snell, 'The consequences, 3.
50. TNA: PREM 19/810, Keith Joseph to Geoffrey Howe 'State of industry' 23 December 1980. Thatcher's private secretary scribbled a note to her on this letter: 'major companies not as gloomy about the immediate future as media portray', which was not an obvious summary of the letter's contents.
51. TNA: FV83/99 'ICI: present position and future outlook' 25 March 1981.
52. TNA: FV83/99 'Ad hoc Committee on the Health of Industry' 13 November 1981.
53. Parker, *The Official History of Privatisation*, I, 70.
54. TNA: PREM 19/490 'Record of a meeting between the PM and the President of the CBI, 13 March 1981'.
55. TNA: CAB134/4447 'Inter-Departmental Group on BL Corporate Plan' 10 December 1980, 4.
56. Hansard, 5 February 1981, 5<sup>th</sup> ser., vol.99c. 418.
57. Tomlinson, *Managing the Economy*, 153–154.
58. Needham, "The 1981 budget". Details of all policy measures are in Britton, *Macroeconomic Policy*, 311–330.
59. Rieger, "Making Britain work again"; in his Mais lecture Lawson argued that 'The plain fact is that the recession of 1980–81 owed much more to the unwarranted cost increases in 1979–80 than to the rise in the exchange rate.' 'Mais Lecture 1984', 11.
60. *Employment: Challenge to the Nation*, 4–5.
61. Nickell, "The government's," 108.

62. Thatcher, citing Thomas Mann, *Hansard* 22 May 1975, 5<sup>th</sup> ser., vol 892, c.1638 See also TNA: CAB 134/4336 Ministerial Committee on Economic Strategy, John Hoskyns, 'Strategy' 20 July 1979: 'We have to show that the healthy economy and the healthy society are closely related. Inflation is the obvious example of a breakdown in economic health leading to a breakdown in moral health'.
63. Thatcher in 1976, cited by Sutcliffe-Braithwaite, 'Neo-liberalism', 512.
64. On the efficiency issue, Millward, "Productivity".
65. TNA: CAB134/4517 Ministerial committee on Economic Strategy, "Nationalised Industries 1981 Investment and Financial Review," July 22, 1981.
66. Parker, *The Official History of Privatisation*, I, 43–44, 53–54.
67. Parker, *The Official History of Privatisation*, I, 89–112.
68. Steel and Heald, "The privatization," 79.
69. Parker, *The Official History of Privatisation*, I, 56.
70. TNA: PREM 19/174. T. Lankester to Chancellor's private office, 13 November 1980.
71. Parker, *The Official History of Privatisation*, I, 77–80; Moore, *Margaret Thatcher*, I, 533–534.
72. Phillips, "Deindustrialization"; and Gibbs, "The Moral Economy".
73. Job losses under Wilson in *Hansard* 6 May 1970, 5<sup>th</sup> ser., vol.801, c.432.
74. National Coal Board, *Plan for Coal* (London: NCB, 1974); Ashworth, *The History*, 329–413.
75. Ashworth, *The History*, 415–416.
76. Ashworth, *The History*, 414, 416–417.
77. Moore, *Margaret Thatcher*, I, 538–539; government grants to the NCB rose from £75 m in 1977/78 to £575 m in 1981/82: Ashworth, *The History*, 406.
78. Phillips, 'Containing, isolating and defeating the miners'.
79. Ashworth, *The History*, 680.
80. Kirby, "Ian MacGregor," *Oxford Dictionary of National Biography*.
81. Phillips, "Deindustrialization", 109.
82. Tomlinson, "A 'Failed Experiment?'"
83. Subsidies to agriculture are the obvious qualification to this point, and in that case the politics were quite different.
84. Joseph, *Monetarism is not enough*.
85. Joseph, Speech at Edgbaston, Birmingham, 19 October 1974. MTFW 101830. For Joseph's complex moral positioning on social policy, see Welshman, *From Transmitted Deprivation*.
86. *Conservative Manifesto, 1979*, MTFW 110858.
87. Burton, *The Job Support Machine*.
88. This conflict was also very clear in the area of social welfare spending, where rising unemployment made the delivery of spending reductions impossible in the short-run: see S. MacGregor, 'Making sense of social security? Initiative and implementation 1979–83' in Jackson, *Implementing*, 229–259.
89. TNA: CAB134/4447 Ministerial Committee on Economic Strategy, 15 December 1980.
90. Moore, *Margaret Thatcher*, I, 514.
91. Williams, Williams and Haslam, *The Breakdown of Austin Rover*, 98–100.
92. Howe in *Hansard*, 10 July 1980, 5<sup>th</sup> ser., vol.988, c.790.
93. TNA: CAB165/1112 P. Le Cheminant, Cabinet Office, 'Regional industrial policy' 27 June 1979.
94. TNA CAB 134/4340 'Ministerial Committee on Economic Strategy, 'Shipbuilding Policy' 2 July 1979.
95. TNA: PREM 19/2481 G. Younger to G. Howe 'Industry and employment in Scotland' 22 January 1981.
96. Thus in July 1979 Prime Minister was said to consider Joseph's proposed cutbacks as 'too harsh, and threatening a future unavoidable 'U-turn': TNA: PREM 19/2481 T. Lankester to P. Stredder, 3 July 1979.
97. TNA: PREM 19/2481 A. Dunlop to PM 'Enterprise Scotland' 2 September 1988; B. Griffiths and J. O'Sullivan 'Scotland' 28 July 1987.
98. *Hansard* 13 December 1983, 6<sup>th</sup> ser., vol. c.846.
99. *Hansard* 13 December 1983, 6<sup>th</sup> ser., vol. c.848 (Nicholas Winterton).

100. For discussion of continuities in Conservative policy in this regards, see Silverwood and Woodward, 'From Maggie to May'.
101. *Employment. The challenge for the nation*, Annexe 2, 28.
102. TNA: CAB134/4443 Ministerial Committee on Economic Strategy, "Most confidential record," December 17, 1980.
103. Examples, Martin and Rowthorn, eds., *The Geography of Deindustrialisation*; Massey and Meegan, *The Anatomy*; Foster and Woolfson, *The Politics of the UCS Work-in*; Levie, Gregory and Lorentzen eds., *Fighting Closures*.
104. TNA: FV83/12 'De-industrialization: cause and cure' February 1980.
105. TNA: PREM 19/810 'Note of a meeting between Lord Trenchard and the PM, 14 January 1981'.
106. House of Lords, *Report from the Select Committee on Overseas Trade*, House of Lords Papers 238 (1984/85).
107. <https://www.gov.uk/government/publications/chancellors-mansion-house-speeches-1985-1994> speech by Nigel Lawson, 17 October 1985, 1.
108. Mansion House speech 1985, p.2. See also *Hansard*, 13 November 1985, vol. 86 cc. 590–591.
109. *Hansard (Lords)* 3 December 1985, 6<sup>th</sup> Ser. vol 468 cc. 1204–1206.
110. *Hansard (Lords)* 3 December 1985 6<sup>th</sup> Ser vol 468 c. 1205.
111. For a very clear articulation of this ideology, see Crafts, *Can De-industrialisation?*
112. *Hansard*, 7 November 1990, vol.180, c.23.
113. Hoskyns, *Just in Time*, 263, 269.

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