

Organised business and the rise of neoliberalism: the Confederation of British Industry 1965–1990s

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Let there be no going back.

- No going back to the days of industrial relations chaos.
- To the bogus sham that was the Corporate State; to useless so-called ‘agreements’ that no one can deliver where it matters, on the ground at local level.
- To nationalisation . . .
- To the poisonous politics of envy.

Let there be no going back, in short, to the dreary dreadful days of failure.¹

John Banham, the Director-General of the Confederation of British Industry (CBI), wound up the 1990 CBI annual conference with these words. Shortly afterwards, the CBI published *Business Agenda for the 1990s*, which repeated this message, contrasting itself with a similar CBI report, *The Will to Win*, published 10 years earlier. As an adviser in Number 10 Downing Street put it, ‘[t]he report admits that the CBI thought in corporatist terms when it published the “Will to Win” in 1981, admits the error of its ways and says we must never go back to that.’² *The Will to Win* was the brainchild of Sir Terence Beckett, whom Banham had succeeded in 1987, and is best known for calling for a ‘bare knuckle fight’ to save manufacturing industry at the 1980 CBI conference, which was widely perceived as a direct assault on the government.³ A leading article in *The Times* marking the change from Beckett to Banham summed up the conventional picture of the

relationship between the CBI and Margaret Thatcher's Conservative governments during the 1980s. Thatcher rejected engagement with the CBI and unions in the form of a corporate state, whereupon the CBI's influence 'plummeted'. Only gradually was a relationship re-established and only through the CBI acknowledging the changed circumstances, such that 'the voice of the whingeing tendency' was quietened.⁴

Many features of the conventional portrayal of Thatcherism are visible here: Margaret Thatcher's dislike of the CBI because of its association with 1970s corporatism; the resulting weakness of the CBI as it was 'cold-shouldered' by the government, and 'elbowed out' by the more supportive Institute of Directors (IoD); and that the CBI only had the ear of government once it had moved into line with the government's neoliberal view of the world.⁵ This also fits the more general account of the rise of neoliberalism in the UK in which businesses feature as funders of neoliberal activities such as the Institute of Economic Affairs (IEA), but the CBI, as the voice of industry, was a bystander.

This chapter questions this dominant interpretation by showing that the position of organised business in these developments was more complex and nuanced. There were strands of business support for neoliberal ideas at the heart of the CBI from its creation, and there was less distance between the government and the CBI than is commonly believed during the 1980s. It is suggested that this has been missed in the existing historiography for three main reasons. Firstly, the relationship was private rather than public. Secondly, the contemporary media misrepresented the relationship. Thirdly, the relationship was interdependent, such that the government had to take notice of the CBI. This was because of the CBI's role in pay restraint in the absence of incomes policy (which has also been overlooked in the historiography of Thatcherism), its production of the CBI Industrial Trends Survey and, linked to this, the impact of its public pronouncements on market confidence. The chapter starts by a brief presentation of the key features of the conventional account, followed by discussion of the Industrial Policy Group (IPG). It then moves to relations between the CBI and the Thatcher governments before a section that explains why relations were closer than is commonly understood.

Conventional account

The dominant account of the role of organised business in the rise of neoliberalism in the UK is both straightforward and widely agreed. The spotlight has been on the role of ideas and on a small group of converts to

neoliberal ideas working through think tanks, most notably the IEA.⁶ Although Damian Cahill has criticised this ideational focus as overly simplistic and has highlighted the centrality of business in the process, even he presents the contribution of business as primarily limited to its provision of funds.⁷ In the British case, Ben Jackson has examined business funding of the IEA.⁸ While many large companies were consistent sponsors of the IEA, the CBI and its predecessors played no direct part in these developments.

More generally, despite there being natural affinities between the Conservative Party and the CBI, the relationship was not so straightforward.⁹ With Margaret Thatcher's appointment as leader of the Conservative Party in 1975, it was the CBI's engagement in tripartite discussions and corporate-style incomes policy that was the problem. According to E. H. H. Green, Thatcher referred to corporatism or the corporate state 25 times in speeches over her career, and all were deeply critical: she even told Geoffrey Howe, her first Chancellor of the Exchequer, not to use the word corporate as it was too close to corporatism.¹⁰ Two particular episodes are highlighted for both illustrating and exacerbating this tension. The first relates to a dispute between Campbell Adamson and the CBI's Economic Director, Barry Bracewell-Milnes, which in 1973 resulted in Bracewell-Milnes being forced to leave the organisation.¹¹ On leaving, Bracewell-Milnes became Economic Director of the IoD, a founder of the Selsdon Group within the Conservative Party, and active in the Adam Smith Institute and other neoliberal bodies. Apparently, '[o]ne of his proudest boasts was that he was "sacked in 1973 by Mr Campbell Adamson . . . for supporting capitalism, free enterprise and the market economy"'.¹²

However, it was the second key episode which is more commonly cited as illustrating the chasm between the CBI and Thatcherites. This was Terence Beckett's speech as the new CBI Director-General to the November 1980 CBI conference. With the government's focus on controlling inflation via monetary policy, interest rates rose, the Bank of England base rate reaching a peak that year of 17 per cent. This exacerbated the rise in the value of the pound – from \$2.06 when the Conservatives came to power to a peak of \$2.42 just at the time of the CBI conference – raising the price of UK exports by 17 per cent in just 18 months. British industry suffered the consequences: in August 1980, unemployment rose to over two million for the first time since 1935, with redundancies running at 20,000 jobs per week, virtually all in manufacturing industry. Industrial production and economic growth collapsed. Beckett revised his speech at the last minute to reflect the anger

felt by business: 'We have got to take the gloves off and have a bare knuckle fight because we have got to have an effective and prosperous industry.'¹³ The media presented his speech as 'a fierce attack on the Conservative Party and the Government's economic policies'.¹⁴ With Beckett supposedly summoned by the Prime Minister, the speech became viewed as a 'political and PR disaster': Thatcher was 'infuriated', and Beckett and the CBI President, Ray Pennock, 'were castigated for [their] temerity' by Thatcher and afterwards stood outside Number 10 'looking positively craven'.¹⁵ Resignations from the CBI followed.¹⁶ Beckett and the CBI were seen to be clearly damaged by the episode. John King, one of those to resign from the CBI, mocked them: 'They went in like Brighton rock and came out like Turkish delight.'¹⁷ Likewise, *The Times* suggested that the speech was 'ill-judged and that the degree of subsequent retraction undignified', going on to explore the awkward and uncertain role of the CBI in the government's move away from corporatism.¹⁸

It is unsurprising, therefore, that the CBI's status and influence are perceived as having 'withered dramatically' after 1979.¹⁹ Not only was the CBI leadership regarded by Thatcher as 'unreconstructed bastions of corporatism', but they were also seen as being in cahoots with the wets in Cabinet, notably Jim Prior, the Secretary of State for Employment.²⁰ Her advisers were equally scathing. One noted that '[t]he CBI were loathed more than the Bank of England', while Alfred Sherman, one of Thatcher's closest advisers, claimed that '[a]s a *patronat*-style appendage of the corporate state, [the CBI] served no purpose and should be closed down as soon as possible'.²¹ Instead, it is argued, she consulted ideologically sympathetic businessmen directly or used the overtly free-market IoD as her route to business opinion.²² Walter Goldsmith, the Director-General of the Institute, used every opportunity to play up his support for the government to contrast with the complaints emanating from the CBI.²³ Indeed, his replacement in 1984, John Hoskyns, had come directly from heading the Policy Unit at Number 10.

The period to 1983 was one where conflict between the CBI and the government was 'a marked and continuous feature' and where 'the level of conflict had been deep and mistrust had been more evident than cooperation', according to one account from a Thatcherite sympathiser.²⁴ It was only when the CBI's position shifted to one more clearly in line with that of the Conservative government that it was able to regain some of its status. Even then, although Stephen Wilks refers to the emergence of a new 'corporate state', collective business representation tends to be seen as relatively weak, with the emergence of direct lobbying by individual firms.²⁵ A further complication was that the CBI was firmly in favour of deeper European integration, in contrast to the IoD and many on the right

of the Conservative Party. Thus, the 1980s marks a clear turning point in the existing historiography, as a moment when the status of the CBI was permanently damaged, and what improvement there was flowed from the CBI rejecting its past, illustrated by Banham's speech quoted at the start and the CBI's *Business Agenda for the 1990s*.

An alternative interpretation

It is argued here that there are fundamental flaws with this existing account. While there were repeated tensions between Conservative ministers, including Thatcher, and the CBI, the differences were not as great as presented in the historiography. We begin with the creation of the CBI in 1965. This involved the merger of the Federation of Business Industries with the British Employers' Confederation and the National Association of British Manufacturers, which represented small business. There was a concern that the cost of becoming the voice of industry was that the voice of big business would be watered down, as would the ability of the CBI to speak frankly. Tensions were building between the CBI and the 1964–70 Labour governments, with business increasingly frustrated at the growing intervention in the economy and becoming more vocal in its criticism of government policy.²⁶ As a result, leading businessmen and the Economic Director of the CBI, Arthur Shenfield, came together to create the Industrial Policy Group in 1967. The group was the brainchild of Shenfield, who became its Director, and Sir Paul Chambers, the Chairman of Imperial Chemical Industries (ICI) (1960–8), who became IPG Chairman. Shenfield was active in the Mont Pelèrin Society (MPS), having been its Secretary and later becoming its President. Chambers had good links with the IEA.²⁷ All of the members headed large, well-known British companies and most were active in the CBI and other business organisations. The IPG's membership changed over time but remained at around 20 in number. Table 13.1 sets out the early membership. In 1969, Shenfield was succeeded as Director by John Jewkes, ex-Professor of Economics at Oxford University and another MPS President. Jewkes 'sympathised with the aims of the Group' and believed his views on the importance of 'a vigorous system of private enterprise' were 'similar to those held by the members of the Group'.²⁸ Indeed, Boswell and Peters considered the IPG to be 'the most formidable liberationist [neoliberal] challenge to the revisionist ascendancy in this period'.²⁹

In all, the group published 10 reports before being wound up in 1974. Its objective, as set out by Shenfield, was 'to study the cause of the

Table 13.1 Members of the Industrial Policy Group in January 1968

Sir Paul Chambers	Chairman ICI
Henry Lazell	Chairman Beecham
Lord Cole	Chairman Unilever
David Barran	Chief Executive Shell
Lord Boyd	Chairman Guinness
Sir Joseph Lockwood	Chairman EMI
A. F. McDonald	Chairman Distillers
John Partidge	Chairman Imperial Tobacco
Lord Netherhope	Chairman Fisons
Sir William McEwan Younger	Chairman Scottish and Newcastle Breweries
Sir Charles Wheeler	Chairman AEI
Sir Peter Runge	Senior Director Tate and Lyle
Sir George Bolton	Chairman Bank of London and South America
Sir Cyril Harrison	Chairman English Sewing Cotton
Sir Nicholas Cayzer	Chairman British and Commonwealth Shipping
Sir Reay Geddes	Chairman Dunlop
Sir Maurice Laing	Deputy Chairman John Laings
Lord Pilkington	Chairman Pilkingtons
Sir John Nicholson	Chairman Ocean Steam Ship Co.
Lord Sieff	Chairman Marks and Spencer
Gordon Richardson	Chairman J. Henry Schroder
R. G. Soothill	Chairman Turner and Newall
John Davies	CBI Director-General (<i>ex officio</i>)
Sir Stephen Brown	CBI President (<i>ex officio</i>)

Source: MRC MSS200/C/3/DG1/44, IPG meeting, 4 January 1968.

country's malaise and to make their views public'. 'The "malaise" or weakness in the British economy', he continued, 'is deep-seated and its origins go a long way back – perhaps half a century or more', going on to explain the relatively poor productivity performance of British industry in terms of restrictive practices, particularly those of trade unions, the policy of full employment, a lack of private investment due to excessive government expenditure and the tax system.³⁰

However, the IPG's relationship with the CBI proved ambiguous, as the leadership of the CBI were reluctant to break with political neutrality in public. Having the CBI President and the Director-General in the group *ex officio* meant that any IPG publications might be regarded as having official CBI approval. Indeed, the final IPG report was published with a note of dissent from the CBI President and Director-General. Nevertheless, at the outset *The Times* believed that the IPG 'may well develop into an unofficial inner cabinet of the CBI'.³¹ Moreover, its office was in the CBI's building and its papers were commented upon by CBI staff prior to publication. Shenfield even continued to use CBI headed paper until his retirement in 1969. Originally it was talked about as 'Shenfield's Research Unit' within the CBI and received CBI funding.³²

Clearly, then, the IPG was not a mouthpiece of the CBI, but it was present at the heart of the CBI from its creation, while having members who were clearly sympathetic to neoliberal thinking. Its members' influence continued even as it was being wound up. IPG members took a leading role in manoeuvres which restricted Adamson's freedom, one of which was the creation of the President's Committee, a body of senior industrialists to advise the CBI President.³³ Significantly, the initial committee contained six ex-IPG members as well as other critics of the way the CBI had been operating.³⁴

The Thatcher governments

During the 1970s the CBI remained committed to tripartite discussions. However, in private the CBI moved much closer to the Conservative Party, meeting the shadow ministers increasingly often and sharing draft policy statements for comment prior to publication.³⁵ A senior CBI committee was set up to explore the changes needed in 'the balance of power' with trade unions.³⁶ And, even in public, the CBI was uncompromising in its critique of the Bullock Report on industrial democracy.³⁷ At the CBI Council meeting following the 1979 election, it was clear where political sentiment lay: a spontaneous round of applause followed Lord Watkinson's remark that:

... the new Prime Minister had put her trust in the principles which the CBI stood for, and could be expected to act to back this up. The CBI and its members must justify this trust by making their ideas work. Every company board should therefore consider what it would do to this end.³⁸

Yet, at the first meeting with the Prime Minister, the CBI leadership made clear their concerns about the impact of the high rate of interest.³⁹ As the economic situation deteriorated, so criticism became more vehement and the calls for a reduction in the rate of interest more desperate. Nevertheless, many Thatcherites also believed interest rates were too high. John Hoskyns, now working in Number 10, believed that '[o]nly ministers and civil servants devoid of business experience could think that the private sector could adjust to such ham-handed policy without suffering great damage'.⁴⁰ It is in this context, with manufacturing output and employment falling sharply, that Beckett's 'bare knuckle fight' speech needs to be placed. The government was not surprised, therefore, to be facing attacks at the conference: ministers had been warned that the CBI leadership, caught between the membership and the government, might feel obliged to say some unpleasant things.⁴¹ Six months before Beckett's speech, the Prime Minister's office was informed that Sir John Greenborough, the then CBI President, had given 'a distinctly tougher' speech at the CBI dinner owing to 'increasing pressure from CBI firms'.⁴² Even before then, Greenborough had made clear that the CBI's concerns were rising and there was growing pressure from members for action to alleviate industry's problems, including a reduction in interest rates.⁴³

As the summer progressed, that pressure mounted. In September, Ray Pennock, Greenborough's successor, met with Thatcher. He explained industry's problems and the need for help from the government.⁴⁴ A month later, Geoffrey Howe was warned by his special adviser that 'government policies are quite likely to get a very rough ride at the [CBI] Conference'.⁴⁵ Only days afterwards, Howe heard directly from the CBI about the very real fears of industry and the pleas for action. At the end of the meeting he 'thanked the CBI for their forceful and persuasive presentation. The diagnosis was clear enough; the right answers, as he had attempted to show, were less easy to find'.⁴⁶ Not long after (and just days before the CBI conference) Beckett and Pennock took the opportunity to warn the government again that they might be forced to say some harsh things at the conference and to suggest that a further meeting with the Chancellor might be in order.⁴⁷ In reply, they were told that Howe would be happy to see them, that he was 'certainly well aware of the likelihood of disquiet' at the conference and that he 'would not feel affronted by suggestions that the government ought to do more to control monetary growth by limiting its own borrowing and curbing expenditure and public service pay increases'.⁴⁸

The next day, Howe's special adviser, Adam Ridley, reported that, in Pennock's conference speech:

He will express unstinting admiration for the PM personally (he stressed the word personally), and his own and the CBI's complete support for the fundamental objectives of the government's policy . . . He will then go on to say, however, that there are certain things he must point out to the government.⁴⁹

Ridley stressed to Pennock that he would be 'at his [Pennock's] disposal throughout the conference should he wish me to see anybody, attend any meetings or be helpful in any other way that might occur to him'. That the Chancellor's special adviser was willing to go to such lengths illustrates the extent to which the government was working together with the CBI leadership at this time.

Similarly, while Beckett's speech did cause ructions in the government, including with the Prime Minister, what followed was not evidence of any breakdown in relations, nor of Pennock and Beckett being called into Number 10 and 'given the full handbag treatment'.⁵⁰ Firstly, the meeting was called for by the CBI, not by Thatcher.⁵¹ Secondly, the minute of the meeting paints a very different picture: the overall tone was one of a constructive discussion. Thatcher listened to the industrialists' position for the first 25 minutes of the hour-and-a-half meeting 'in a rare mood of restraint'.⁵² Pennock opened by pointing out that while the CBI conference supported the government's basic aims, 'they questioned whether the government fully understood the gravity of the industrial situation'.⁵³ Beckett then outlined what he had learned on his tour of the regions prior to the conference and his plans for a medium-term strategy for industry to complement the government's monetary strategy. It was only then that the Prime Minister spoke, explaining that, while industry's problems were largely outside the remit of government influence, 'the government were determined to get interest rates down as soon as possible – to give hope to industry if nothing else'. Thatcher did not offer much prospect of respite and there were clear differences of opinion, but there was no 'handbagging' of the CBI representatives. Moreover, Thatcher's reaction to the meeting was positive: 'You have probably heard by now that I had a useful meeting with him [Beckett] and with Ray Pennock.'⁵⁴ And in another letter she wrote: 'I agree with you that the Government and CBI must work together for the longer term success of industry. I had a fairly lengthy and rather good talk a few days ago with Terry Beckett and Ray Pennock; we are not really far apart in my view.'⁵⁵ Indeed, she added, 'Ray Pennock's [conference] speech was very practical and very good. He is a marvellous President.'⁵⁶

This working relationship continued. Geoffrey Howe's 1981 budget is infamous for its controversial nature, and for prompting the critical letter to *The Times* signed by 364 economists. The CBI were critical but, given the state of the economy, nothing like as much as many others and always with qualification. At a private meeting with the Prime Minister and the Chancellor, Pennock opened by making clear that the CBI were not 'moving into confrontation with the government', but, thereafter, he made clear the CBI's dismay in robust terms.⁵⁷ Likewise, Beckett, having also stressed that there was no desire for confrontation, told the Prime Minister that 'the Budget was of no net help to industry, and it was not in any way an *industrial* budget'. The meeting closed with Sir Terence noting:

Although the government's and the CBI's analysis of the underlying situation seemed to be identical, their view remained that the budget had been misjudged. He hoped that the government fully understood their concern; but at least the assurance that the government wanted to reduce interest rates was helpful.⁵⁸

What is more significant in many respects was that the CBI leadership could get to see both the Prime Minister and the Chancellor just one day after making the request. Again, there is no evidence that there had been a breakdown in relations, nor that the CBI had been sidelined. On other occasions the CBI leadership was able to get access to senior ministers, including the Prime Minister, even when there was no time immediately available in the diary.⁵⁹ In all, between Thatcher's election in May 1979 and the end of 1982, the CBI leadership met with her 21 times, of which 14 were small private meetings.⁶⁰ Added to regular meetings with the Chancellor of the Exchequer, which Donald MacDougall estimated as occurring on average every six weeks, and with other ministers, there seems to have been a close working relationship just at the time when the historiography talks about the extent of division.⁶¹ Indeed, one effect of Beckett's speech was to strengthen this dialogue. 'A frank and realistic discussion' over 'a relatively intimate' private lunch for the CBI leadership and Geoffrey Howe at the start of December 1980 was followed by a meeting later that month.⁶² There it was agreed that fairly regular private informal meetings between senior economic ministers and the CBI were needed 'to permit a real exchange of views' to ensure mutual understanding.⁶³

Just as Beckett's 'bare knuckle fight' speech did not lead to a breakdown in the working relationship between ministers and the CBI, so

the 1991 depiction of the 1981 CBI publication *The Will to Win*, with which this chapter opened, does not stand up to scrutiny either. The initiative for the document came from Beckett himself, and the aim was to develop a medium-term strategy to provide a clearer sense of direction for the next five years for CBI members.⁶⁴ A summary of its likely shape was sent to the Prime Minister, and she met with Pennock and Beckett to discuss it at the start of February. An advance copy was sent to her a month later.⁶⁵ Once the budget was out of the way, Pennock and Beckett again met with the Prime Minister to discuss the document.⁶⁶ The CBI paper set out 50 action points for the government, trade unions and industry. Government officials believed that the document should be welcomed for the emphasis it placed on industry's role in restoring the UK's economic prosperity: 'While the government is not prepared to contemplate any dramatic changes in its policy towards industry, it is anxious to maintain a "constructive dialogue" with the CBI.'⁶⁷ More specifically, the CBI's analysis on pay and on competitiveness were flagged for praise: 'We think the CBI leaders deserve congratulations for being willing to tell their members in fairly forthright terms what they should be doing.'⁶⁸ While there were elements of *The Will to Win* which were not in line with the government's outlook, notably on reflation, it would be hard to describe it as corporatist and significantly out of line with government thinking, especially on pay bargaining.

And that picture of broad agreement but with differences on particular aspects of policy remained evident for the rest of the decade. One government official, reporting on the 1984 CBI conference, summed up the situation:

There was throughout the discussions an obvious sympathy for the government. While government policies were criticised, sometimes in a hard and uncompromising manner, these criticisms were almost invariably prefaced by general remarks to the effect that the speaker still supported the broad thrust of government policies.⁶⁹

Many examples of just this situation can be found.⁷⁰ As a 1987 Treasury brief put it:

CBI have various complaints – about rating reform, electricity prices, interest rates, exchange rates, corporation tax, public sector investment and the employment bill – but they freely admit that these are all heavily outweighed by the healthy state of the economy.⁷¹

There is considerable continuity in the working relationship that existed between the Conservative governments and the CBI throughout the 1980s.

Explaining the working relationship

So far, evidence has been presented showing that the CBI was able to get access to the heart of the Conservative government and that, despite differences, there were common understandings which underpinned that working relationship. This begs two questions: if the relationship was not so bad as commonly believed, why was this the case? And why has the historiography emphasised division? Various factors are relevant here. One factor has been the dominance of ideologically focused accounts in establishing the narrative of the rise of neoliberalism in the UK.⁷² Secondly, there was the media coverage, which tended to play up the differences between the CBI and ministers. As already mentioned, Beckett pointed to this over his 'bare knuckle fight' speech, and Pennock believed '[i]t was clear that the media were looking for opportunities to show the government and the CBI in disagreement with each other, and that they would not shrink from selective reporting.'⁷³ It became a fairly common refrain to point to press misrepresentation of CBI views.⁷⁴

Thirdly, and more importantly, there was an interdependent relationship between the government and the CBI. The government relied on the CBI in certain respects and these coloured its dealings with the organisation. This was most important during the first Thatcher government. The Prime Minister was determined not to have an incomes policy – wage inflation was a symptom rather than a cause of inflation – and this was a key test of Thatcherism. 'Under Thatcher', Green has argued, 'wage negotiations were left to management and the private sector was not even addressed indirectly'.⁷⁵ The validity of the second half of the sentence is questionable. By the late 1970s, 74 per cent of all manufacturing firms were members of the CBI, rising to 88 per cent of firms employing more than 1,000 employees.⁷⁶ The CBI had a key role in encouraging its members to show pay restraint, and the government was aware of this: it needed the CBI to be effective in helping to achieve this. Hence, sustaining a constructive dialogue with the CBI was crucial.⁷⁷ This was particularly the case in 1981, with the prospect of emerging from the recession. As Howe was briefed:

This will be an important meeting in terms of concerting views and action with the CBI on the next pay round. Given that the

government will not want to be promulgating pay norms, the CBI have an important role to play in communicating the right message to the private sector. It is important that the government and the CBI are as far as possible at one both on what this message should be and on what is necessary to ensure that the case does not go by default. One objective of the meeting will be to ensure that there is a clear understanding with the CBI about this. Another, which is hardly less important, will be to get the CBI's views on what economic ministers and the government generally need to do and say to facilitate a satisfactory outcome on pay over the coming year.⁷⁸

Two years later, Margaret Thatcher and her advisers were again emphasising the importance of the CBI's role in getting across to its members the importance of pay restraint and, in return, '[s]he would welcome further such exchanges between the government and the CBI'.⁷⁹ Indeed, the discussion of the CBI's approach to each annual pay round remained one of the main reasons for senior ministers, including Margaret Thatcher, to meet with the CBI leadership.⁸⁰

Nor was pay the only issue which illustrated the dependence of the government on the CBI. The CBI also published its Industrial Trends Survey. This survey was begun in 1958 and was originally published three times per year.⁸¹ By 1984, the survey appeared quarterly, used a panel of 1,700–1,800 firms covering 56 per cent of manufacturing employment, and could rely on most of the larger firms replying regularly.⁸² The scale, nature (including data rather than just business opinion) and longevity of the survey gave it, and the CBI, authority not accorded to other business surveys, such as that by the IoD begun in 1983.⁸³ Its significance was such that in the 1980s the Chancellor would usually receive a briefing on it prior to publication.⁸⁴ The survey would also sometimes be the prompt for the CBI to meet with senior ministers.⁸⁵

It was not just the content of the survey that mattered. The tone of the language which the CBI were likely to use in their press conferences and press releases was also crucial. Ministers and government officials were concerned that the CBI downplayed any positive news to 'eke out as much gloom as possible'.⁸⁶ The role of ministers was to counter this. As Thatcher noted to Sir James Clemminson in 1985:

I am sure we are agreed on the importance of presenting your surveys with great care and in a balanced way . . . The prospects . . . of continued prosperity for business are not assisted by propagating the idea that the expansion is about to end, which can only damage

business confidence. It would also be helpful if, as you say, you can keep your pressure on interest rates ‘very low key’. High key pressure makes it harder not easier to lower interest rates, for markets may think that the government has been pushed into taking risks with inflation, which could be very damaging.⁸⁷

Seven years later, her successor, John Major, was making the same point about the importance of presentation for maintaining market confidence to one of Clemminson’s successors, encouraging the CBI to highlight any signs of recovery.⁸⁸ Back in 1982, an official highlighted the CBI’s responsibilities here:

Perhaps the most important point to make is that they can by their statements help or hinder the recovery. They, of course, have a duty to represent their members’ interests as they best see fit. But it does not do them or anyone else a service to encourage gloom simply in order to try to bring pressure to bear on the government. That only weakens confidence still further. The cycle can then become self-reinforcing and the recovery itself is damaged . . .

The CBI, like the government itself, has a duty to weigh its words with care. It has public responsibilities.⁸⁹

Throughout the period of the Thatcher governments, and later, the government remained dependent on the CBI. If the government wanted the CBI to take its public responsibilities seriously, ministers could not ignore the organisation. It had to rely on the CBI presenting a suitable message of pay restraint to its members, particularly during the first Thatcher government, but it also depended on the CBI’s public discourse because of its potential impact on market confidence, especially when the economy was fragile. This provided to the CBI leadership a means of access to ministers at the heart of the government and allowed it to maintain its traditional insider lobbying, which was meant to have disappeared during the Thatcher governments. Instead, the CBI still had opportunities to make its case in small private meetings with the Prime Minister and senior economic ministers.

Conclusion

This chapter has shown that the depiction of the CBI as having been ignored by Margaret Thatcher and her like-minded ministers after 1979

because of its corporatist mindset is overly simplistic and sweeping. This interpretation has been accepted unquestioningly to date – even by the CBI itself – yet appears on the basis of the research presented here to be fundamentally flawed. It is flawed in the way it presents organised business in the form of the CBI; it is flawed in its depiction of the way Thatcher and other senior ministers viewed the CBI; and it is flawed in its presentation of the nature of the relationship between the two groups of actors. From its outset, the CBI faced internal tensions over the desired direction of economic policy. As the case of the IPG illustrates, some senior industrialists were happy to support neoliberal arguments, especially ones about the value of free enterprise, and to employ, and engage with, leading neoliberal activists. The way in which they were able to constrain the freedom of Campbell Adamson in 1974 through the creation of the President's Committee shows that their influence remained real.

With this in mind, it is less surprising that the working relationship between the CBI and the Thatcher governments endured despite the economic pressures pulling them apart in the early 1980s. The relationship was not without its tensions and misunderstandings, but there was a genuine desire from both parties to maintain a constructive dialogue and to get past any difficulties. It is easy to understand why the CBI would want access to Thatcher and her economic ministers, but given the existence of the IoD as an alternative source of business advice, what could the CBI offer to the government? The existing dominant account suggests very little, dismissing the CBI as largely irrelevant in the 1980s. This was not the case: the Prime Minister, the Chancellor and their officials recognised that the CBI had a key position in British society and the government had to work with it if the government was to achieve its goals. This dependency was sufficiently recognised to ensure that dialogue continued and remained constructive and suitably regular.

This should not be surprising. There were natural affinities between the Conservative government and the CBI which did not disappear. Cahill is right to remind us that all forms of neoliberalism are embedded. This also means that influences other than ideology are important in understanding the spread and implementation of neoliberal ideas. Just as business's involvement in this process was more than simply funding think tanks, so one must also not forget that Thatcher was a politician and that she could not ride roughshod over everyone if she was to achieve the changes she desired for the UK. Pragmatic politics and material interests remained important throughout the 1980s. On that basis, the CBI remained a key actor with which to maintain an understanding, even

if Thatcher personally preferred the company of the IoD. It also means she was able to see the significance of encouraging the CBI to disseminate a message of pay restraint to its members, although this does not seem congruent with neoliberal thinking on the causes of, and cures for, inflation: a politician of conviction perhaps, but one who appreciated the value of consensus-building with sympathetic vested interests.

This last point suggests that the conventional account overstates the extent to which 1979 was a turning point in the relationship between the government and the rest of society: there were continuities. Broader implications for our understanding of the development of neoliberalism in the UK, and beyond, flow from this. Firstly, it highlights the interaction between ideas and material interests in which business did more than simply supply funds to neoliberal think tanks. There is a need to recognise the complex and diverse ways in which ideas and material interests interacted, rather than to see them as alternative interpretations of neoliberalism. Secondly, building on this first point, the account given here questions a rigid focus on intellectuals and ideas when defining who should be included in the ambit of neoliberalism. Some businessmen directly promoted neoliberal ideas themselves, as illustrated here through the example of the IPG. At the same time, and thirdly, this account reasserts the diversity inherent in the thinking found in neoliberal circles, where there could be agreement on the broad goals but sharp disagreement on particular policies. Here the CBI, and business more generally, found it difficult to accept monetarism, but so did others in neoliberal circles. On the other side of the coin (and not elaborated here for reasons of space), the CBI was highly critical of the Conservative governments' efforts to control public expenditure and to roll back the state. Lastly, the interdependent relationship between the government and the CBI cautions against overly simplistic depictions of the Thatcher governments as a limited but strong and independent government operating separately from a free economy. In contrast, in this case, the Thatcher governments' necessary reliance on the CBI to achieve their policy goals evokes an awareness of the constraints on their power and independence.

Notes

- 1 'Investing for the New Europe', 6 November 1990, 7–8, TNA: PREM 19/3395, P.242.90.
- 2 'Competing in the New Europe: John Banham's presentation to the Prime Minister, Friday, 26 April', Howell Harris Hughes to Sarah Hogg, 24 April 1991, TNA: PREM 19/3395. See also Confederation of British Industry, *A Business Agenda for the 1990s* (London, CBI, 1991); and CBI, *The Will to Win* (London, CBI, 1981).

- 3 'Director-General's national conference speech 1980', Beckett, 11 November 1980, TNA: PREM 19/490.
- 4 'A changed culture', *The Times* (10 November 1986), 17.
- 5 Andrew Bowman, Julie Froud, Sukhdev Johal, Michael Moran and Karel Williams, 'Business elites and undemocracy in Britain: A work in progress', in Glenn Morgan, Paul Hirsch and Sigrid Quack (eds), *Elites on Trial* (Bingley, Emerald Group Publishing, 2005), 321; Martin Adeney, 'Beckett, Sir Terence Norman', *Oxford Dictionary of National Biography*, <https://doi.org/10.1093/ref:odnb/106777> (accessed 1 August 2017); Keith Middlemas, *Power, Competition and the State, Volume 3: The end of the postwar era: Britain since 1974* (Basingstoke, Macmillan, 1991), 306; and Peter Kerr, *Postwar British Politics: From conflict to consensus* (Abingdon, Routledge, 2001), 205.
- 6 Richard Cockett, *Thinking the Unthinkable: Think-tanks and the economic counter-revolution, 1931–83* (London, HarperCollins, 1994).
- 7 Damian Cahill, *The End of Laissez-Faire? On the durability of embedded neoliberalism* (Cheltenham, Edward Elgar, 2014); and Damian Cahill and Martijn Konings, *Neoliberalism* (Cambridge, Polity Press, 2017), 102.
- 8 Ben Jackson, 'The think-tank archipelago: Thatcherism and neo-liberalism', in Ben Jackson and Robert Saunders (eds), *Making Thatcher's Britain* (Cambridge, Cambridge University Press, 2012), 43–61.
- 9 See E. H. H. Green, *Thatcher* (London, Hodder and Stoughton, 2006), 64.
- 10 Green, *Thatcher*, 113.
- 11 For more on this episode, see Neil Rollings, 'Cracks in the post-war Keynesian settlement? The role of organised business in Britain in the rise of neoliberalism before Margaret Thatcher', *Twentieth Century British History*, 24 (2013), 637–59; and Neil Rollings, 'Between business and academia in post-war Britain: Three advocates of neoliberalism at the heart of the British business community', in Roger E. Backhouse, Bradley W. Bateman, Tamotsu Nishizawa and Dieter Plehwe (eds), *Liberalism and the Welfare State: Economists and arguments for the welfare state* (Oxford, Oxford University Press, 2017), 101–17.
- 12 'Obituary: Barry Bracewell-Milnes', *Daily Telegraph* (24 July 2012), <https://www.telegraph.co.uk/news/obituaries/finance-obituaries/9424562/Barry-Bracewell-Milnes.html> (accessed 19 February 2020).
- 13 'Director-General's National Conference speech 1980', Terence Beckett, 11 November 1980, TNA: PREM 19/490. See also Donald MacDougall, *Don and Mandarin* (London, John Murray, 1987), 254–5.
- 14 Patricia Tisdall, 'CBI leader attacks "narrow" Tory policies', *The Times* (12 November 1980), 1.
- 15 Adeney, 'Beckett'; and Middlemas, *Power*, Vol. 3, 306. Similar imagery can be found in press references to the episode.
- 16 *Financial Times* (14 November 1980), 1.
- 17 Quoted in Wyn Grant, 'Representing capital: The role of the CBI', in Roger King (ed.), *Capital and Politics* (London, Routledge and Kegan Paul, 1983), 72.
- 18 *The Times* (20 November 1980), 15.
- 19 Kerr, *Postwar British Politics*, 205; and Henk Overbeek, *Global Capitalism and National Decline: The Thatcher decade in perspective* (London, Unwin Hyman, 1990), 202.
- 20 'The love affair with Labour is heart on the sleeve stuff', *The Guardian* (2 November 1999), <https://www.theguardian.com/business/1999/nov/02/labourparty.politics1> (accessed 23 June 2021); and Charles Moore, *Margaret Thatcher: The authorized biography, Volume 1: Not for turning* (London, Allen Lane, 2013), 534.
- 21 Quoted by Martin Holmes, *The First Thatcher Government 1979–1983: Contemporary Conservatism and economic change* (Brighton, Wheatsheaf, 1985), 157; and John Hoskyns, *Just in Time: Inside the Thatcher revolution* (London, Aurum Press, 2000), 345.
- 22 Wyn Grant, 'Business interests and the British Conservative Party', *Government and Opposition*, 18 (1980), 143–61; Neil J. Mitchell, 'The decentralization of business in Britain', *Journal of Politics*, 52 (1990), 622–37; and Rob Baggott, 'From confrontation to consultation? Pressure group relations from Thatcher to Major', *Parliamentary Affairs*, 48 (1995), 484–502. One other important difference between the CBI and the IoD was that the former had only company or trade association membership, while the IoD had individual membership.
- 23 Dennis Kavanagh, *Thatcherism and British Politics: The end of consensus?* 2nd ed. (Oxford, Oxford University Press, 1990), 91–2; and Jonathan Boswell and James Peter, *Capitalism in*

- Contention: Business leaders and political economy in modern Britain* (Cambridge, Cambridge University Press, 1997), 154–7.
- 24 Holmes, *First Thatcher Government*, 154, 161.
 - 25 Stephen Wilks, *The Political Power of the Business Corporation* (Cheltenham, Edward Elgar, 2013), 105–13; and Michael Moran, *Business, Politics and Society: An Anglo-American comparison* (Oxford, Oxford University Press, 2009).
 - 26 Anthony Sampson, *The New Anatomy of Britain* (London, Hodder and Stoughton, 1971), 571, 612.
 - 27 John Jewkes, Paul Chambers and Lionel Robbins, *Economics, Business and Government: Addresses given at a dinner on 13 January 1966 to mark the IEA's 10th year* (London, IEA, 1966).
 - 28 John Jewkes, 'Entrepreneurs on the defensive: The Industrial Policy Group: The failure of an experiment', in John Jewkes, *A Return to Free Market Economics?* (London, Macmillan, 1978), 174.
 - 29 Boswell and Peters, *Capitalism*, 76.
 - 30 'Industrial Policy Group memorandum no. 1', 26 March 1968, Modern Records Centre, University of Warwick (MRC) MSS200/C/3/DG1/42.
 - 31 'Industrialists form policy group to study economy', *The Times* (12 October 1967), 17.
 - 32 John Whitehorn, 'Company law and worker participation', 15 August 1967, MRC MSS200/C/3/DG1/44.
 - 33 Middlemas, *Power*, Vol. 3, 27.
 - 34 Wyn Grant and David Marsh, *The Confederation of British Industry* (London, Hodder and Stoughton, 1977), 104–5.
 - 35 Middlemas, *Power*, Vol. 3, 186–7, 211–15; and Green, *Thatcher*, 72. See also A. K. Rawlinson, 'Conversation with Sir Donald McDougall', 9 April 1979, TNA: T 371/1043.
 - 36 Middlemas, *Power*, Vol. 3, 187.
 - 37 Jim Phillips, 'Business and the limited reconstruction of industrial relations in the UK in the 1970s', *Business History*, 51 (2009), 801–16.
 - 38 CBI Council minutes, 17 May 1979, MRC: MSS200/C/3/53/1/2, C.32.79.
 - 39 Sir Adrian Cadbury, 'Record of a meeting between the Prime Minister and the CBI', 9 July 1979, TNA: T 390/410.
 - 40 Gerald Frost, *Making Things Happen: The life and original thinking of Nigel Vinson* (London, Biteback, 2015); and Hoskyns, *Just in Time*, 161.
 - 41 P. V. Dixon to Howe, 'CBI', 17 December 1980, TNA T 390/724. See also Jock Bruce-Gardyne, *Mrs Thatcher's First Administration: The prophets confounded* (London, Macmillan, 1984), 65; and Nigel Lawson, *Memoirs of a Tory Radical* (London, Biteback, 2010), 48.
 - 42 'Prime Minister's meeting with the CBI, M. A. Hall to Tim Lankester (Private Secretary to the Prime Minister)', 30 May 1980, TNA: T 390/595.
 - 43 'Note of a meeting at No. 11 Downing Street: 5 pm, Friday 16th May 1980', TNA: T 390/595.
 - 44 'Note of a meeting between the Prime Minister and Sir Ray Pennock at 1600 hours on Friday 12 September at 10 Downing Street', Lankester, 15 September 1980, TNA: T 390/596.
 - 45 'CBI conference and pay announcement', Adam Ridley to Howe, 16 October 1980, TNA: T 390/596.
 - 46 'Note of a meeting held at 11 Downing Street with the CBI on Thursday, 23 October 1980', P. S. Jenkins, 23 October 1980, TNA: T 390/596.
 - 47 'CBI conference', P. V. Dixon to Howe, 6 November 1980, TNA: T 390/724.
 - 48 'CBI conference', P. V. Dixon to Howe, 6 November 1980, TNA: T 390/724.
 - 49 'CBI conference', Ridley to Howe, 7 November 1980, TNA: PREM 19/490.
 - 50 Margareta Pagano, 'We've got to show that business is a force for good', *The Independent* (5 June 2011), <http://www.independent.co.uk/news/business/analysis-and-features/weve-got-to-show-that-business-is-a-force-for-good-2293044.html> (accessed 23 June 2021).
 - 51 'CBI conference', attached to A. J. Wiggins (Treasury) to Lankester, 11 November 1980, TNA PREM 19/490.
 - 52 *The Times* (13 November 1980), 1.
 - 53 Record of a meeting, 12 November 1980, TNA: PREM 19/490.
 - 54 Thatcher to M. J. Verey, 17 November 1980, Margaret Thatcher Foundation online archive (MTF), <http://www.margaretthatcher.org/document/119887> (accessed 23 June 2021).
 - 55 Thatcher to Sir John Clark, 25 November 1980, MTF, <http://www.margaretthatcher.org/document/119897> (accessed 23 June 2021). Pennock had also briefed the Chancellor of the Exchequer's adviser on his speech prior to the conference ('CBI conference', Adam Ridley to Geoffrey Howe, 7 November 1980, TNA: PREM 19/490).

- 56 'Record of a meeting', 12 November 1980, TNA: PREM 19/490.
- 57 'Record of a meeting between the Prime Minister and the President of the Confederation of British Industry at 1615 hours on Friday, 13 March at 10 Downing Street', 16 March 1981, TNA: T 366/760.
- 58 'Record of a meeting between the Prime Minister and the President of the Confederation of British Industry at 1615 hours on Friday, 13 March at 10 Downing Street', 16 March 1981, TNA: T 366/760.
- 59 Ian Gow to the Prime Minister, 8 September 1982, TNA: PREM 19/1062.
- 60 Note at end of the file, TNA: PREM 19/1062.
- 61 MacDougall, *Don and Mandarin*, 246
- 62 Greenborough to Howe, 3 December 1980, TNA: T 390/724.
- 63 'Note of a meeting at No. 11 Downing Street on Thursday, 18 December 1980 at 5.45 pm', TNA: T 390/724.
- 64 Pennock to Clive Whitmore, 26 January 1981, TNA: PREM 19/490.
- 65 Beckett to Thatcher, 2 March 1981, TNA: PREM 19/490.
- 66 Lankester to John Wiggins (Treasury), 14 May 1981, reporting on the meeting, TNA: PREM 19/490.
- 67 'Brief on CBI discussion paper on the Will to Win (TWTW)', undated but May 1981, TNA: T 440/76.
- 68 'Brief on CBI discussion paper on the Will to Win (TWTW)', undated but May 1981, TNA: T 440/76.
- 69 'CBI conference: Sunday 4 November to Tuesday 6 November', A. Lovell, undated but November 1984, TNA: T 471/105.
- 70 For example, Thatcher to Clemminson, 5 August 1985, TNA: PREM 19/3395; and Clemminson to Thatcher, 20 November 1985, TNA: PREM 19/3395.
- 71 'Dinner for the CBI, Monday 30 November 1987', unsigned and undated, TNA: T 640/856.
- 72 For questioning of this perspective, see Cahill, *End of Laissez-Faire?*; and Middlemas, *Power*, Vol. 3, 279.
- 73 'Note of a meeting at No. 11 Downing Street on Thursday, 18 December 1980 at 5.45 pm', TNA: T 390/724.
- 74 For example, 'CBI Annual Conference 1983', by J. Anson (Treasury), 9 November 1983, TNA: T 471/99; 'Note of a meeting in No. 11 Downing Street at 6.00pm on Tuesday, 17 November', by A. C. S. Allan, comment by John Banham, 19 November 1987, TNA: T 640/856; and 'The CBI', Sarah Hogg to John Major, the Prime Minister, 25 April 1991, TNA: PREM 19/2295.
- 75 Green, *Thatcher*, 126.
- 76 Grant, 'Business interests', 146–7.
- 77 Treasury untitled brief for meeting with CBI, 13 March 1981, TNA: PREM 19/490; 'CBI reaction to the budget', George Younger, Secretary of State for Scotland, to Howe, 25 March 1981, TNA: T 390/724; and 'Brief on CBI discussion paper on the Will to Win (TWTW)', John Wiggins to Caroline Stephens, 8 May 1981, TNA: PREM 19/490.
- 78 'Prospects for the next pay round', brief included in T. J. Burr, 'Economic ministers meeting with the CBI', 5 June 1981, TNA: T 440/76. The meeting had been given this purpose since April 1981 ('Post-Easter meetings with the CBI', D. B. Andren, 24 April 1981, TNA: T 440/76).
- 79 'Meeting with the CBI', Robin Butler to John Kerr, 27 June 1983, TNA: PREM 19/1062. See also Bernard Ingham (the Prime Minister's press secretary) to the Prime Minister, 21 June 1983, TNA: PREM 19/1062.
- 80 For example, 'CBI pay presentations: Letter from Sir T Beckett', Carolyn Sinclair, 7 August 1984, TNA: T 471/102.
- 81 D. R. Glynn, 'The CBI Industrial Trends Survey', *Applied Economics*, 1 (1969), 183–96.
- 82 B. C. Roswell, 'The CBI Industrial Trends Survey and capacity working', in Derek Bosworth and David Heathfield (eds), *Working below Capacity* (London, Palgrave Macmillan, 1987), 3–22.
- 83 Grant and Marsh, *CBI*, 210; and 'Institute of Directors: "Business Opinion Survey"', A. Smith, 7 November 1983, TNA: T 471/114. The CBI survey still continues today and regularly receives press coverage.
- 84 See 'CBI Quarterly Trends Survey – July', R. I. G. Allen, 2 August 1982, TNA: T 440/76; 'Early briefing on the October CBI Industrial Trends Survey', I. Williams, 18 October 1982, TNA: T 440/128; and 'CBI Quarterly Trends Survey – January', R. I. G. Allen, 31 January 1983, TNA: T 440/128.

- 85 For example, 'Meeting with the CBI', Alex Allan, 23 July 1992, TNA: PREM 19/3807.
- 86 'CBI Quarterly Trends Survey – January', R. I. G. Allen, 31 January 1983, TNA: T 440/128; and 'CBI Quarterly Trends Survey – July', R. I. G. Allen, 2 August 1982, TNA: T 440/76.
- 87 Thatcher to Clemminson, 5 August 1985, TNA: PREM 19/3395.
- 88 'Meeting with the CBI', Alex Allan, 23 July 1992, TNA: PREM 19/3807.
- 89 'Prime Minister's meeting with the Scottish CBI', D. R. Norgove, 25 August 1982, TNA: T 440/76.