Back to the Future? Rishi Sunak's Industrial Strategy

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Abstract
Since becoming Prime Minister, Rishi Sunak has been variously described as pursuing a 'furtive', 'surreptitious' and 'apologetic' industrial strategy. Terms such as industrial policy and industrial strategy have been expunged from official speeches and policy documents, yet industrial intervention remains widespread. In adopting this approach, the article argues that Sunak has returned the UK to an industrial policy consensus established under Thatcherism. This consensus places in the foreground pro-market rhetoric and policies suggesting that industrial strategy should be limited to the correction of market failure, while in the background the state actively intervenes to shape the structure of the economy by 'picking winners'. In following this approach, Sunak has a legitimate claim to be the heir to Thatcher's legacy, although not in the manner that either its celebrants or critics believe.

Keywords: Sunak, Thatcherism, industrial policy, industrial strategy

Introduction

MORE THAN THIRTY YEARS after she left Downing Street and over a decade since her death, Margaret Thatcher's spectre still stalks British politics. In the race to become Conservative Party leader and Prime Minister in 2022 the two final candidates, Liz Truss and Rishi Sunak, vied to present themselves as the Iron Lady's rightful heir. Their policy differences notwithstanding, both protagonists were sympathetic to Thatcher's diagnoses of Britain's economic frailties, namely that they stemmed from a surfeit of state intervention. Their analyses augured poorly for those agitating to preserve the industrial policies of the May and Johnson administrations. Having said on the stump that 'I am a Thatcherite, I am running as a Thatcherite, and I will govern as a Thatcherite', Sunak's coronation, following Truss' fleeting premiership, prompted many to conclude that 'the brief Tory experiment with "industrial strategy" … has definitively ended.'[1]

This article argues that Sunak's approach to industrial strategy is indeed reminiscent of the consensus ushered in by the Thatcher administrations, but one more complex than customarily recollected and unlikely to presage the demise of industrial intervention. Whether Sunak's government possesses an industrial strategy is a matter of contention, even amongst its members. The day after a *Financial Times* podcast reported the Chancellor of the Exchequer saying 'we do have an industrial strategy. We have been very clear about that', the same newspaper quoted an ally of the Secretary of State for Business and Trade saying, 'we don't have an industrial strategy as such.'[2] This equivocation on industrial strategy is the essence of Thatcher's legacy. The approaches of all UK governments since 1979

[1] R. Sunak, 'I will be the heir to Margaret Thatcher', *Daily Telegraph*, 20 July 2022; https://www.telegraph.co.uk/politics/2022/07/20/will-heir-margaret-thatcher/; G. Eaton, 'Rishi Sunak isn't a centrist technocrat—he's a proud Thatcherite', *New Statesman*, 25 October 2022; https://www.newstatesman.com/quickfire/2022/10/rishi-sunak-thatcherite-prime-minister-since-thatcher.

[2] 'Does Rishi Sunak have an industrial strategy?', *Political Fix Podcast*, *Financial Times*, 19 May 2023; https://sphinx.acast.com/p/acast/s/ft-politics/e/646796390c37ff001171e509/me; 'Rishi Sunak's lack of industrial strategy attacked by former business secretaries', *Financial Times*, 18 May 2023; https://www.ft.com/content/f568ea6e-51db-41dd-899b-457815a07d8b.

reflect a compromise between rhetorical claims professing faith in market forces (and that industrial policy should be confined to the correction of market failure) and practices which tacitly acknowledge their limits (and that industrial policy is crucial in identifying, and for marshalling the resources needed for economic modernisation). Official government proclamations tend to accentuate the former but, until recently, downplay the latter, meaning they often articulate only a partial account of their industrial policy ambitions. By placing market friendly interventions in the spotlight, governments have pursued a 'dual industrial strategy', casting into the shadows schemes which, while not formally recognised as industrial policy, are nevertheless intended to change the structure of the economy by benefiting selected activities.[3] In developing an industrial strategy dubbed 'furtive', 'apologetic' and 'surreptitious', Sunak has a legitimate claim to be the true scion of Thatcherism, just not in the manner that either its celebrants or its critics may believe.[4]

Thatcher's dual industrial strategy legacy

Definitions of industrial policy abound, but most coalesce around the notion of goal-oriented government interventions planned to shape the composition of economic activity. For those schooled in neoclassical economics, the goal of industrial policy is to overcome market failures. The state might, for instance, bankroll research and development to obviate the free riding that would otherwise hamper innovation or prevent the resulting knowledge from spilling over into the broader economy. In contrast, from a neo-mercantilist or developmental state perspective, the goal of industrial policy is to reconfigure the national economy. Here the state 'picks winners', coordinating and targeting policies to stimulate selected sectors of economic activity. Twenty-first century industrial policy has shifted away from blunt instruments such as taxes and subsidies towards the provision of an institutional architecture that nurtures public-private collaboration. Similarly, contemporary industrial policy goals are frequently 'mission oriented', seeking to harness growth and innovation to tackle 'grand challenges' such as climate change or technological disruption. Though this may still favour specific firms or industries, solving these problems often requires catalysing change across a diversity of sectors and fostering partnerships between them.

Believing that winners would arise spontaneously from individuals pursuing their self interest in competitive markets, Thatcher's industrial strategy is ordinarily portrayed as sitting squarely within the neoclassical camp. Outwardly her industrial policy conformed with this creed, consisting exclusively of measures to instil an enterprise culture by equipping the UK with an institutional climate conducive to efficient market operations. Correspondingly, the Thatcher administrations launched a calculated assault on the ideas, institutions and policies which had abutted her predecessor's efforts to support strategic industries. Industrial assistance expenditure fell precipitously as the Department for Trade and Industry's (DTI's) interventionist instincts were reined in by savage budget cuts imposed by the Treasury. Meanwhile the privatisation process, plus a more relaxed stance toward the foreign acquisition of British companies, increasingly put the commanding heights of the economy beyond government control. Privatisation was complemented by liberalisation of product and labour markets and a slew of independent regulators with remits to promote free and fair competition.

Nonetheless, for all their avowed hostility to intervention a neomercantilist thread was, albeit covertly, woven into the industrial policies of the Thatcher governments which provided ample support to companies across the business spectrum. The UK's forays into renewable energy exemplifies this Janus-faced approach. Speaking in a parliamentary debate, David Hunt, a junior minister in the Department of Energy, claimed the government's 'energy policy priorities rest on the belief that

[3] R. Woodward and J. Silverwood, 'What we do in the shadows: dual industrial policy during the Thatcher governments, 1979–1990', *British Journal of Politics and International Relations*, vol. 25, no. 2, 2023, pp. 348–64.

[4] See G. Wilkes, 'Rishi Sunak should drop his apologetic approach to an industrial strategy', *Institute for Government*, 22 May 2023; https://www.instituteforgovernment.org.uk/comment/rishi-sunak-industrial-strategy.

market forces are the best way of discovering what customers want' and hence should 'ensure that markets operate … with a minimum of distortion.' His confidence in the market did not extend to the development of renewable energy sources where, under the aegis of the New and Renewable Energy Programme, he maintained 'we must be selective and concentrate our resources into the most promising areas…and back the winners.'[5] Afterwards, the 1989 Electricity Act sought to create markets for renewable energy by statutorily obliging electricity companies to procure a proportion of their power from renewables suppliers at a premium price.

Handouts were also forthcoming for cutting-edge scientific industries. A £200 million government loan guarantee prevented International Computers Limited from a shotgun marriage to the Sperry Corporation, an American-based computer manufacturer. Even Keith Joseph, one of Thatcherism's chief architects, conceded that public money was indispensable if Britain was to be in the forefront of the information technology revolution. Schemes to encourage the development and commercialisation of microelectronic devices were extended and expanded, with £350 million being spent to boost industry-university cooperation. The biotechnology sector was also the claimant of 'considerable public funds as part of a strategy to create conditions for new industry to grow.'[6]

The uneasy compromise between the neoclassical and neomercantilist strands of Thatcher's industrial policy was also evident in mature manufacturing industries. In her memoirs, Thacher admitted there was not 'any rational commercial judgement' or 'good reasons for continuing to fund British Leyland.' Yet, between 1979 and 1988 £2.9 billion of state support was poured into the ailing automobile maker as the government first bailed out the company and later aimed to restore its financial stability prior to privatisation. Moreover, Thatcher personally courted Nissan's president, promising the Japanese company tax dispensations in exchange for placing production in Sunderland. As the director of Chatham House's international business programme observed in 1989, Britain 'encouraging Japanese investment has been part of the basic industrial strategy.'[7]

Seen as a bastion of Thatcher's freewheeling capitalism, the City of London was also a recipient of government largesse. The Thatcher administrations 'doggedly promoted financial services as a key British industry', ploughing £8 billion into the new Canary Wharf financial district and the railway infrastructure to service it.[8] Financial institutions also reaped an implicit subsidy, today estimated to be worth between £6 billion and £100 billion annually, arising from the belief that they would be rescued in the event of their failure.[9] By lowering their risk profile amongst creditors, these guarantees enable these institutions to borrow more cheaply. The City's yuppies eagerly adopted the mobile telephone, another new sector fostered by governments to whom industrial policy was allegedly anathema. After privatisation ended British Telecom's monopoly on UK telecommunications services, the government deliberately conferred licenses for the development of cellular networks upon insurgent companies. Spun off from one of the original licensees, Vodafone became the world's weightiest wireless and mobile phone company by 2000. This corporate behemoth was indebted to the DTI, which worked tirelessly to ensure that nascent international telecommunications standards were reliant on an operating system patented by Vodafone.

The May-Johnson interregnum

If 'dual industrial strategy' was pioneered under Thatcher, it was perfected by her successors. Between 1990 and 2017, British governments routinely authored publications

[5]House of Commons Debates, 6th ser. vol. 84, cols, 575–636, 25 October 1985.

[6]J. Agar, *Science Policy under Thatcher*, London, UCL Press, 2019, p. 62.

[7]Quoted in S. Greenhouse, 'Europe's agonizing over Japan', *New York Times*, 30 April 1989, Section 3, p. 1.

[8]D. Willetts, 'Industrial policy–hands-on economics', *Prospect Magazine*, 23 January 2017; https://www.prospectmagazine.co.uk/essays/43297/updated-industrial-policyhands-on-economics.

[9]J. Noss and R. Sowerbutts, 'The implicit subsidy of banks', Bank of England Financial Stability Paper no. 15, May 2012; https://www.bankofengland.co.uk/-/media/boe/files/financial-stability-paper/2012/the-implicit-subsidy-of-banks.pdf.

dismissing activist industrial policy. Relying on the familiar ingredients of tax cuts, labour market flexibility, investments in skills and regulatory tinkering, these documents cleaved tightly to neoclassical recipes restricting the state's role to dealing with market failures and enhancing the business environment. Concurrently, however, every post-Thatcher government undertook selective industrial interventions. For instance, Gordon Brown claimed that 'the best industrial policy for success in a global economy is to help markets work better.'[10] As Chancellor he nevertheless endowed BMW, MG Rover's owners, with a £150 million subsidy to keep production in Britain and further public backing to facilitate the company's sale. This was dwarfed by the package masterminded by Brown's government to bail out financial institutions in October 2008, estimated to have cost the British taxpayer £23.2 billion.[11] The financial crisis shook convictions about the neoclassical paradigm's propensity to deliver economic and social renewal. Through the Department for Business, Innovation and Skills (BIS), the DTI's replacement, governments in the 2010s occasionally verbalised their desire to adopt more interventionist industrial policies. These dreams foundered amidst the clamour for austerity and the Treasury's longstanding scepticism about efforts to steer the economy strategically. Thus, official edicts about industrial policy tended to shy away from advocating a market-shaping role for the state with one Secretary of State for the BIS, Sajid Javid, reputedly prohibiting the expression's use.

What therefore distinguished the May and Johnson governments from their predecessors was not their affection for interventionist industrial policy *per se*, but the *overt* nature of their embrace. Although it continued to riff on neoclassical themes such as the calibre of the business environment, the neomercantilist strand of UK industrial policy assumed a newfound prominence within the May administration's 2017 Industrial Strategy White Paper. Published by the new Department for Business, Energy and Industrial Strategy (BEIS), this document envisaged the state's role extending beyond a commitment to 'fix the foundations: it must also plan for a rapidly changing future, look to shape new markets and industries, and build the UK's competitive advantage.'[12] To this end, May's industrial strategy pinpointed four 'Grand Challenges' (artificial intelligence, ageing society, clean growth and the future of mobility) that would place the UK in the vanguard of industrial change. These were accompanied by 'sector deals', government-industry collaborations designed to enable designated strategic industries to prosper. The White Paper also committed to create an Industrial Strategy Council (ISC), an independent group to oversee and evaluate the strategy's implementation.

Initially industrial strategy also featured conspicuously in Boris Johnson's premiership, but it edged back into the shadows as his term wore on. Our audit of policy documents suggests the Johnson government pursued 196 individual industrial policies across fourteen sectors at a cost of £36.5 billion. This plethora of industrial policy excludes emergency Covid-19 measures during which the government initiated a succession of *ad hoc* packages to support struggling companies or industries including Sheffield Forgemasters, British Steel, Flybe, Nissan, Bulb and the private rail operators. Taxpayers also acquired equity stakes in 591 companies who took loans from the Future Fund, a scheme to assist lossmaking start-ups. The onset of Covid-19 bolstered the penchant for active government. For instance, through the Life Sciences Sector Deal, the government played a decisive role in hastening the development of the Astra-Zeneca vaccine, not least mitigating the risks by guaranteeing a market for the final product.

The turning point came in March 2021 with the announcement that BEIS' industrial

[10]G. Brown, 'A modern agenda for prosperity and social reform', speech to the Social Market Foundation, 3 February 2003; https://www.smf.co.uk/wp-content/uploads/2004/05/Publication-A-Modern-Agenda-for-Prosperity-and-Social-Reform-Gordon-Brown.pdf.

[11]Office for Budget Responsibility, 'Economic and fiscal outlook', March 2018; https://obr.uk/download/economic-and-fiscal-outlook-march-2018/?tmstv=1708009722.

[12]HM Government, *Industrial Strategy: Building a Britain Fit for the Future*, cm 9528, 27 November 2017, p. 32; https://assets.publishing.service.gov.uk/media/5a8224cbed915d74e3401f69/industrial-strategy-white-paper-web-ready-version.pdf.

strategy would be superseded by the Treasury's Plan for Growth, sponsored by then Chancellor, Rishi Sunak. This document gave renewed emphasis to neoclassical concerns with infrastructure, skills and innovation yet, despite promising vast support for business, made no mention of industrial policy or strategy. Industrial policy did not disappear: it was cannibalised, relabelled and parcelled out to other government departments and camouflaged within the Innovation and Net Zero strategies. This is corroborated by BEIS Secretary of State, Kwasi Kwarteng, who told a parliamentary committee that a 'lot of the good elements of the industrial strategy are morphing into other strategies and are being branded differently, but a lot of the substance of what we are trying to do has remained the same.'[13] While the Johnson government remained a 'supremely industrial-strategy minded government', references to industrial strategy were increasingly purged from government outputs.[14] Avoiding any reference to industrial policy or strategy, Sunak's 2022 Mais Lecture decried government attempts to pick winners and the germination of a dependency culture amongst companies whose survival rested on taxpayer support. Drawing upon the neoclassical playbook, his speech called for 'a new culture of enterprise' where 'the job of government is to create the conditions, not determine the outcome.'[15] By pushing neoclassical forms of industrial policy into the foreground and neomercantilist forms into the background, the Treasury, under Sunak's helmsmanship, was hauling the UK back to the Thatcherite consensus. In Downing Street, he would finish the job.

Sunak's surreptitious strategy

As Chancellor, Sunak had overseen a spending splurge to dampen the economic fallout of Covid-19 and the cost-of-living crisis. Instinctively and intellectually however, he remained a devotee of Nigel Lawson, Thatcher's economic lieutenant, whose portrait adorned his study wall. As Prime Minister he would inveigh against industrial intervention, counselling the 2023 G7 Summit about the perils of blanket protectionism to counter China and expressing unease about the distortions arising from subsidies in the United States' Inflation Reduction Act. His ministers were adamant that they would not be lured into subsidy sprees in response to aggressive industrial policies in competitor economies because, as Business and Trade Secretary Kemi Badenoch explained, 'no business secretary can pick winners, but Government can help companies succeed by removing obstacles in their way and focus on improving the business environment to ensure the sector is competitive.'[16] The Chancellor, Jeremy Hunt, reiterated the Treasury's desire to inculcate an 'enterprise culture built on low taxes, reward for risk, access to capital and smarter regulation.'[17] More practically, having already played a leading role in the earlier abolition of the ISC, Sunak set about dismantling the residual institutional apparatus of post-2017 industrial policy. Most notably, in February 2023 BEIS was scrapped, with its constituent parts becoming the Department for Business and Trade, the Department for Science, Innovation and Technology, and the Department for Energy Security and Net Zero. The aversion to industrial intervention was reflected in several high-profile cases where the government refused to assist companies of potential strategic importance. For example, in 2022, the government allowed markets to pull the plug on Britishvolt, a firm building a 'gigafactory' to

[13]Business, Energy and Industrial Strategy Committee, *Oral evidence: The Work of the Department and Government Response to Coronavirus*, HC(2019–21), 301, Q154, 13 April 2021; https://committees.parliament.uk/oralevidence/2009/html/.

[14]G. Wilkes, 'Don't believe the rhetoric—this is a supremely industrial-strategy minded government', Institute for Government, 15 February 2021; https://www.instituteforgovernment.org.uk/article/comment/dont-believe-rhetoric-supremely-industrial-strategy-minded-government.

[15]HM Treasury, 'Chancellor Rishi Sunak's Mais Lecture 2022', 24 February 2022; https://www.gov.uk/government/speeches/chancellor-rishi-sunaks-mais-lecture-2022.

[16]Department for Business and Trade, *Advanced Manufacturing Plan*, 26 November 2023; https://assets.publishing.service.gov.uk/media/65788f51095987000d95df34/advanced-manufacturing-plan.pdf.

[17]HM Treasury, 'Chancellor Jeremy Hunt's speech at Bloomberg', 27 January 2023; https://www.gov.uk/government/speeches/chancellor-jeremy-hunts-speech-at-bloomberg.

fabricate batteries for the UK's electric vehicle (EV) producers.

On the surface, Sunak's tenure in Downing Street looks to have reinstated the neoclassical approach to industrial policy. Like Thatcher, however, the fealty to free markets professed by the Sunak administration in official communications coexists with targeted sectoral support. Having said that governments cannot pick winners, it has proceeded to do precisely that. Beginning with the 2022 Autumn Statement, all recent budgets have contained a commitment to 'supporting growth in the sectors of the future', namely green industries, digital technologies, life sciences, creative industries and advanced manufacturing. For example, computing capacity is critical if the UK is to remain competitive in frontier technology such as artificial intelligence (AI). As such, the government has committed to invest almost £1 billion to build an exascale supercomputer including £300 million to fund the AI Research Resource, a cluster of supercomputers to abet AI research. Similarly, the 2023 National Quantum Strategy promises £2.5 billion to make the UK a leading quantum economy.

The disappearance of the terms industrial policy and industrial strategy from official pronouncements has coincided with a proliferation of programmes devoted to strategic sectors. In addition to the quantum strategy, the Sunak government has launched a welter of new blueprints, including the National Cyber Strategy (November 2022), the Medical Technology Strategy (February 2023), the National Semi-Conductor Strategy (May 2023) and the Battery Strategy (November 2023). Likewise, it has doubled down on the sector specific strategies inherited from May and Johnson in AI, hydrogen, nuclear fusion, critical minerals, energy security, digital security, green finance, and low carbon aviation. The Sunak administration's clandestine pursuit of sectoral industrial policy, but reluctance to bind it into an overarching industrial strategy, is emblematic of the Thatcherite consensus.

These official documents, moreover, offer a fragmentary glimpse of the Sunak government's industrial policy aspirations and activities. His government has intervened in a series of cases precipitated by immediate circumstances rather than longer-term strategic imperatives. In 2022, UK car production fell to its lowest level since 1956. With post-Brexit tariffs looming on vehicles unless 45 per cent of their value comes from the UK or EU, the collapse of Britishvolt exacerbated worries about the viability of UK automobile manufacturing, forcing the government's hand. Tata Steel was wooed with subsidies worth over £500 million from the Automotive Transportation Fund before it committed to build a battery plant in the UK to power its next generation Jaguar Land Rover EVs. Three months later a £75 million subsidy was pumped into BMW as part of its £600 million investment to upgrade its EV factory in Oxford. Subsidies expected to run into the hundreds of millions likewise galvanised a £2 billion investment announced in November 2023 by Nissan and Envision, its Chinese supplier, in their electric car hub in Sunderland. The following month, the government earmarked another £2 billion to underpin the batteries and supply chains for zero emission vehicles, as part of its battery strategy.

Nor is the government's policy of picking winners confined to sectors subject to explicit plans. Moreover, such assistance is not just for the 'green' industries of the future, but is also being bestowed on the 'brown' industries of the past. This is epitomised by the steel industry, where UK producers have long ceased to be internationally competitive. In 2022 the Tata Group, owners of the UK's largest steelworks in Port Talbot, threatened to wind down the venture unless subsidies worth £1.5 billion were provided to offset the costs and risks of the investments needed to decarbonise its operations. Fifteen months later, the government ponied up a £500 million grant as part of a £1.25 billion investment to replace the site's coal fired blast furnaces with cleaner and more efficient electric arc furnaces. These developments were watched vigilantly by the Jingye Group, the Chinese steel making conglomerate which acquired British Steel in 2020, who wanted a similar package for its Scunthorpe plant. In November 2023, Jingye said it would invest £1.25 billion to decommission coal fired furnaces and build two electric arc surrogates, one of which would be in Redcar. Pointedly the company added that its proposals were subject to UK government support thought to be in the region of £300 million to £500 million. Regardless of these investments, over 5,000 jobs are at risk from the restructuring of the Port Talbot and Scunthorpe plants. Alarms have also been raised on grounds of national security. Electric arc furnaces rely on scrap metal and transitioning towards such steel production would involve Britain becoming the first major economy to forgo the capacity to manufacture steel from scratch. In a world characterised by increasing geopolitical instability and concerns about the resilience of global supply chains, the UK could become dependent on imports of a vital input. Steel made from scrap metal is also of insufficient quality for many applications, including those the UK government is keen to promote, such as automobile manufacturing.

Contrastingly, fortifying security by reducing reliance on overseas energy suppliers was pivotal to Sunak's plans, divulged in July 2023, to 'max out' the UK's fossil fuel reserves by awarding over 100 new licenses to drill for North Sea oil and gas. Shortly afterwards Claire Coutinho, the Secretary of State for Energy Security and Net Zero, gave Equinor, a state-backed Norwegian company, the green light to develop the Rosebank oilfield. Besides concerns about the dilution of the UK's dedication to net zero, critics of the project observed that, based on projections about the value of the proposed investment, the developers were poised to enjoy an effective £3.75 billion subsidy. Reflecting practices which typified the Thatcher era, this subsidy arose opaquely from arcane changes to the tax system instigated by Sunak when still Chancellor. In May 2022 he introduced the Energy Profits Levy (EPL), a windfall tax on the abnormal profits of oil and gas companies as energy prices spiked in response to the intensification of hostilities in Ukraine. Starting at 25 per cent and rising to 35 per cent from January 2023, the EPL took the effective headline rate of tax on oil and gas profits to 75 per cent. Concurrently, however, new tax allowances were created which doubled the tax relief for investment in oil and gas projects to 91.25 per cent. Put another way the post-tax cost to a company investing £100 in North Sea oil and gas is just £8.75, with the remainder coming from government coffers. Worse still, the extractive sector is notorious for the lengthy intervals between making investment decisions and achieving profitable production. The likelihood is that the taxpayer will pay the bulk of the costs of developing the new fields but, with the EPL due to expire in 2028, the profits from fossil fuel extraction will be taxed at 40 per cent. These generous tax breaks also risk the approval of speculative schemes that qualify for the tax relief, but whose purpose is to cut tax bills across a corporate group. On top of this, the EPL contains an 80 per cent investment allowance for corporate expenditures to decarbonise oil and gas production. For example, if a company installed wind turbines to power their North Sea oil and gas platforms, 80 per cent of this would be subsidised by the revenues foregone to the taxpayer.

The intricacies of the UK's tax and regulatory systems are a boon to another sector which seldom features in official industrial policy documents: financial services. Normally when financial services and the City of London appear in the UK's industrial policy story, it is in the role of villain. The City's preference for higher interest and exchange rates, the short-termism of its institutional investors, its focus on international commitments, and recurrent financial crisis were variously held to be detrimental to the needs of domestic industry. Exemplified by the post-financial crisis bailout and the implicit subsidies from the Bank of England, financial services, especially those concentrated in the City of London, have been amongst the biggest beneficiaries of government assistance. Far from its usual portrayal as an outcome of the invisible hand, it is high time we reconsider the City's outsize contribution to the UK economy as a reflection of what it truly is: the result of sustained industrial policy by successive governments.

Perhaps reflecting his former calling as an investment banker and hedge fund manager, Sunak has been an enthusiastic proponent of the City of London. During his time as Chancellor, he developed a suite of policies to remedy the City's post-Brexit malaise caused by the loss of its unfettered access to the EU's single market and to fend off competition from rival governments who were themselves machinating to entice business to their own financial centres. These ideas formed the fulcrum of a thirty-one-point plan, outlined in December 2022, touted to realise 'the government's ambition for the UK to be the world's most innovative and competitive global financial centre.'[18] These included the weakening of ringfencing rules which separated retail and investment banking operations, the freeing of pension and insurance funds from the limitations imposed by the EU Solvency II regime, consulting on a retail central bank digital currency, overhauling the regulation of financial prospectuses, and improving the tax rules for Real Estate Investment Trusts. Many of these were technical tweaks to regulatory rulebooks, but others would be given legislative effect, not least by the passage of the Financial Services and Markets Act 2023. Notably, and in an echo of the past, this legislation added delivering growth and competitiveness to the regulator's existing responsibilities for financial stability and consumer protection.

Conclusion

Demonised and celebrated in equal measure, few doubt that Margaret Thatcher's reign rejigged the British political consensus. Challenging the conventional view that the Thatcherite industrial policy consensus rested purely on a free market template, in this article we have shown that her legacy continues to resonate, with the industrial policies of the Sunak administration bearing the hallmarks of those cast in the crucible of Thatcherism. The consensus that emerged during the 1980s placed freer markets in the foreground but in the background, while scrupulously avoiding the term 'industrial policy', the state continued to pick winners. Likewise, under Sunak, selective industrial policy has not gone away but it has gone back underground.

As the manufacturers' organisation Make UK has commented, 'selective industrial policy has thus long formed part of the United Kingdom's economic governance repertoire but much of this activity took place outside the confines of industrial policies formally declared by governments.'[19] Sunak's government possesses an array of documents detailing targeted resources for chosen sectors or quandaries. Yet, nowhere do these documents acknowledge these interventions as industrial policy, a reticence shared by the ministers responsible for them. Nor do these documents encompass the entirety of the government's attempts to sculpt the British economy. The substantial financial injections for the steel industry and the more subtle regulatory and fiscal subterfuges introduced to subsidise the extractive and financial services industries are just three examples of interventions about which its strategic documents are silent. Despite the absence of a clearly codified industrial strategy, some commentators are anxious that Sunak's proclivity for government assistance is spawning an 'economy of subsidy junkies.'[20] The reality is that many were already hooked, paradoxically because of the liberalising measures used since the Thatcher era to unleash entrepreneurial energies. The result is a business environment that is too capricious for companies to take risks unless they are backed by implicit or explicit government assistance.

Indeed, this brings us to the central paradox of Thatcher's economic revolution. Instead of rolling back the frontiers of the state, coping with the complexities, contradictions and challenges unleashed by the imposition of freer markets has required the frontiers of industrial policy to be rolled ever further forward. In Steven Vogel's famous formulation, freer markets have been chaperoned by more rules.[21] Consequently, the tentacles of the contemporary British state are intertwined with business to an unprecedented degree, with almost any decision certain to favour some firms or sectors over others. In these circumstances, irrespective of whether governments admit it, it is almost impossible *not* have an industrial policy.

Next year marks the fortieth anniversary of *Back to the Future*, a film featuring the transtemporal adventures of Marty McFly. One of the stars of the production was a platinum-

[18] HM Treasury, 'Financial Services: The Edinburgh Reforms', 9 December 2022; https://www.gov.uk/government/collections/financial-services-the-edinburgh-reforms.

[19] Make UK, *Industrial Strategy: A Manufacturing Ambition*, 2023, p. 40; https://www.makeuk.org/-/media/eef/files/reports/industrial-strategy-report.pdf.

[20] M. Lynn, 'The Tories have created an economy of subsidy junkies', *Daily Telegraph*, 23 May 2023; https://www.telegraph.co.uk/business/2023/05/23/tories-economy-subsidy-junkies/.

[21] S. Vogel, *Freer Markets, More Rules: Regulatory Reform in Advanced Industrial Countries*, Ithaca NY, Cornell University Press, 1998.

powered time machine built on a DeLorean DMC-12 sports car, a vehicle whose existence was testament to the persistence of the types of activist industrial policy Thatcher supposedly abjured. Downing Street's newest incumbent has grabbed the controls of the UK industrial policy time machine. His destination? 1985.

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