

7 THE CITY OF LONDON: FINANCING BT'S PRIVATIZATION

In March 1982, as part of Information Technology Year 1982 (IT-82), Patrick Jenkin, the Conservative government's secretary of state for industry, wrote to Leon Brittan, the chief secretary of the Treasury, to advocate BT's privatization, arguing that it could be "the most lasting legacy of Information Technology Year."¹ Nine months later, in December 1982, Margaret Thatcher opened a conference on information technology at the Barbican Centre, London, as part of IT-82. In her speech, Thatcher spoke about how information technology required free enterprise and competition, necessitating BT's privatization and liberalization. As well as BT, however, Thatcher also spoke about information technology's importance to the City of London, known simply as "the City", a metonym for the British financial services sector. Thatcher explained that information technology had "helped London to become the most efficient financial center in the world, through the City's ability to process vast amounts of information quickly and accurately."²

For Thatcher's Conservative government, information technology was not the only subject that connected BT and the City of London. Just under two years later, in July 1984, John Redwood, current backbench Conservative MP and then director of 10 Downing Street's Policy Unit, explained to Thatcher how the government's strategy of targeting the British public for shares of BT's sale would instead help the government sell BT to British financial institutions in the City of London.³ The illusion that the government could sell large stakes of BT to other markets, such as the British public, would coax the City of London into investing larger sums in BT. In doing so, this would help avoid BT's sale failing, as the government worried it was too large to

succeed. This strategy complicates the traditional narrative of BT's privatization as an act of "popular capitalism," as suggested by ads announcing BT's sale as "a public service goes public," telling audiences that they could become "an owner of a company."⁴ This chapter argues that the ways that privatization and information technology policy connected BT and the City of London cannot be understood as separate from each other. The financialization of British telecommunications and the Conservative government's focus on information technology came together in BT's sale, which presented privatization as a necessary precondition for both the City of London's transformation into a global financial center and Britain's participation in the "information revolution."

This chapter is thus, in part, about how Conservative politicians understood digitalization. Much has already been said about the relationship between the Right and digitalization in the US. The US new Right appropriated digital utopian discourses about digital technology as individualized and emancipatory to advocate for deregulation and the "New Economy."⁵ The quintessential example is the 1994 landmark essay "Cyberspace and the American Dream: A Magna Carta for the Knowledge Age," written by the journalist-investor Esther Dyson, the futurist Alvin Toffler, the economist George Gilder, and George Keyworth, a physicist who later became Ronald Reagan's chief science adviser and founded the Progress & Freedom Foundation think tank, which published "Cyberspace and the American Dream."⁶ These authors described information technology as central to individual freedom and market power and were influential, particularly on Newt Gingrich. Gingrich, the Republican congressman and speaker of the US House of Representatives from 1995 to 1999, emphasized information technology as central to the deregulated "new economy" of the 1990s United States and was featured on the front cover of the digital utopian magazine *WIRED*.⁷ By the 1990s, social, political, and economic ideas about digitalization had blended to produce a vision of IT as enabling individual freedom and entrepreneurialism, and shrinking the state through competition, deregulation, and the "electronic marketplace." But the influence of countercultural, digital utopian visions on the US right-wing does not explain the Thatcherist emphasis on information technology in BT's sale in 1980s Britain.

For that, this chapter turns to the City of London. The traditional narrative of BT's sale as an act of "popular capitalism" presents a particular narrative about Thatcherism and finance. In this narrative, privatization turned

citizens into “financial consumers.” Financial institutions and the Thatcher government promoted individual share ownership, for which BT’s sale was an important test case.⁸ Individual shareholders, however, rarely showed further interest in buying shares, and many quickly sold their stakes. Furthermore, as John Redwood’s memo at the start of this chapter suggests, financial institutions, rather than citizens, were the Thatcher government’s primary target for BT’s sale. This sale was thus not a dramatic or enduring act of popular capitalism, and so this chapter instead investigate the deeper intersection of the Post Office and BT’s history with the changes in Britain’s financial sector in the 1970s and 1980s.

The single moment that dominates histories of British finance in this period is the City of London’s 1986 Big Bang, when the Thatcher government deregulated finance and trading switched from the market floor to computer screens. The Big Bang supposedly transformed the City of London into an international financial center, shaping global finance, and was responsible, for example, for developing a modern global securities market.⁹ Beyond the City, financial liberalization, as seen in events like the Big Bang, apparently drove the “Thatcher revolution” and the “neoliberal revolution.”¹⁰ In this narrative, market liberalization drove financialization, which in turn drove neoliberal policies such as privatization. But the Big Bang was more an “accident” than an “intentional revolution,” an unanticipated consequence of deregulation agreements forged by the British government and the London Stock Exchange.¹¹ Beyond the Big Bang, the abolition of exchange controls in 1979 was also important, as was the longer postwar role of the Bank of England in promoting the City as an international financial center.¹² The City also campaigned for politicians to see finance as essential to Britain’s economic growth throughout the 1970s, undermining social democratic policies intended to mobilize British finance in support of domestic industry. Instead, domestic finance managed to enroll British industry in its plans to financialize Britain, emblematic of a broader trend in organized business facilitating the rise of neoliberalism in the UK.¹³

This chapter thus investigates how the City of London enrolled the Post Office and BT by treating the financial sector as an influential, organized user group in British telecommunications. Studying users has long been an important focus of the history and sociology of technology, and users have been particularly influential in the history of telecommunications.¹⁴ In North America, for example, early residential telephone users actively

showed network providers that the telephone was not just an instrument for business but also for socializing.¹⁵ In contrast, the telephone's social development in Britain was slower. High calling charges meant that, by the late 1930s, there were still few residential users, with the majority coming from the top 5 percent of income distribution.¹⁶ Business, on the other hand was a much more active and influential user base for early British telephony. The commercial and brokerage sectors used telephones heavily, generally for routine information transfers.¹⁷ After World War II, business users placed increasing demands on the public telephone system. As previous chapters have explored, data and international communications became more important to businesses during this period, especially financial institutions and multinational companies. At the time of BT's sale, it was clear that business users, especially the financial sector, had organized to lobby for privatization, and that this had influenced the Thatcher government.¹⁸ These users believed that privatization would free BT of certain public service obligations, and so business users would not need to cross-subsidize residential users as heavily, and that a privatized BT could offer new services, better tailored to their demands. What is less clear is how these users shaped not just BT's privatization, but Conservative understandings of the relationship between information technology and finance, as well as the material infrastructure of British telecommunications.

Financial markets are, after all, not abstract informational networks. They are material, composed of people, objects, and tools.¹⁹ Opening the black box of finance's materiality shows how technologies, such as high-speed fiber-optic links, digital screens, automated trading desks, and predictive pricing algorithms, have not simply eased and accelerated transactions but changed both the nature of markets and the way that people understand this nature.²⁰ This is by no means a product solely of digitalization either, as information and communication technologies, such as the telegraph and the stock ticker, have shaped global finance since the nineteenth century.²¹ In the postwar period, managers and engineers computerized exchanges, from the New York Stock Exchange to the Chicago Mercantile Exchange, as part of strategies to consolidate control and maintain financial centralization.²² The London Stock Exchange was also an enthusiastic adopter of new information and communication technologies.²³ From the 1960s and 1970s, "market engineers" captured British finance, aiming to move the LSE from diverse automated services projects onto single platforms, and found ways to make

these infrastructures resilient to physical and digital threats.²⁴ These histories, however, tend to explore how the material infrastructure of markets has reshaped finance, rather than how finance might have shaped material infrastructures.²⁵ Furthermore, these histories tend to focus on how market engineers deployed technology within the financial sector rather than how these financial sectors connected to and relied on national and transnational infrastructures.

This chapter thus explores the City of London and the Conservatives' focus on BT and IT in two parts. The first part explores the role of financial interests in privatization and digitalization. The chapter shows how the City of London lobbied for telecom liberalization and privatization via its Telecommunications Committee, how financial interests influenced the design of BT's sale, and how BT came to focus on the City of London. In the second part, this chapter examines the relationship between BT's sale and Conservative information technology policy. Strengthening national "information" industries, such as finance, was a key issue, but information technology also fulfilled a Conservative ideological commitment to individual freedom and a small state. This chapter then highlights the broader influence of BT's sale on perceptions of the relationship between privatization and information technology, showing how BT's sale wedded the "information age" and the City of London.

FROM THE CITY OF LONDON TO "LONDON TELECITY"

In 1968, the Bank of England organized the City Telecommunications Subcommittee (CTC), a subcommittee of the Committee on Invisible Exports (CIE), which the Bank of England and the British National Export Council had created in 1966 to promote the City of London's "invisible exports," like financial services. The CIE was one of the City's key strategies for lobbying the government to privilege Britain's financial sector during the 1970s.²⁶ Leading figures from the City's financial community also filled its telecommunications subcommittee. It was chaired by Cyril Kleinwort, chairman of the Kleinwort Benson investment bank, which later became involved in privatization, managing the reprivatization of British Aerospace and flotation of Cable & Wireless in 1981, advising on the privatization of Associated British Ports in 1983, and managing BT's sale in 1984. Other members included W. M. Clarke and P. G. Vermeulen, director and secretary of the

CIE, respectively; R. van Koetsveld of the shipbrokers H. Clarkson & Son; and R. E. Liddiard, chairman of the British Federation of Commodity Associations. In 1969, Clarke took over as chair, and B. D. Townsend replaced Kleinwort as Kleinwort Benson's representative on the CTC.²⁷

The CTC initially acted as the City's technical liaison to the Post Office. London's banks had been relying more and more on the Post Office's telecom infrastructure. The Bankers' Automated Clearing Services, which automated cheque and credit settlements between banks and was owned jointly by London's five largest clearing banks, launched in 1968, the same year that the CTC was created, and shared premises with the Post Office's computer center in Edgware, London.²⁸ Barclays had also already linked sixty branches over Post Office lines to two centralized EMIDEC 1100 computers since 1959 to maintain branch accounts and, from 1967, had networked two thousand branches with Burroughs TC500 computers, automating branch accounting, direct debiting, clearing operations, and more.²⁹ The CTC reported technical issues and requested updates on the rollout of services such as telex and data transmission. This relationship's cooperative dynamic shows in the minutes of joint CTC-Post Office meetings from the CTC's early years. Subjects discussed at these meetings include a brochure on overseas services that the Post Office's External Telecommunication Executive had created for London's businesses and offers from the CTC to track down fault locations and help manage the City's heavy use of telex.³⁰

Even from this early stage, however, the CTC sought special treatment for the City. In the autumn of 1968, the CTC held a luncheon with the postmaster general, John Stonehouse, and requested a priority scheme for international telex service in the City of London. In December, the CTC received a reply from William Ryland, the Post Office's managing director for telecommunications, rejecting the CTC's proposal and explaining that, "The real difficulty is that it would not be realistic to expect that knowledge of a preferential service could be confined for any length of time to a very small number of customers. Once its existence became generally known, the service would, of course, be swamped and cease to have any value."³¹ Here, Ryland rejected the telex priority scheme based on "uniformity," the principle that the Post Office could not offer one level of service to the city and a different level to everybody else. This would change after BT's creation and with further pressure from the City.

Further lobbying came in a 1973 report, "Present Shortcomings of International Telecommunications," by Walter Salomon, chairman of the merchant bank Rea Brothers.³² Salomon complained that the City's users, "who most depend on high speed reliable communication across the international commercial and financial spectrum, are in danger of no longer being able to rely on this vital life line." He named poor operator service, delayed calls, outdated equipment, and too few international call routes as the City's four major grievances and, as a solution, argued for the privatization of the Post Office. This came during a period when international telecom networks were becoming more important for finance. Since 1971, sixty-eight banks in Europe and the US had been collaborating on the Society for Worldwide Interbank Financial Telecommunications, now known as SWIFT, a network that would turn international payment instructions from a mostly postal system to a system linked by international leased lines.³³ Salomon thus called for the Post Office to "be freed from State fetters, and allowed to develop through the media of private financial enterprise and international tender" so that it could prioritize these international connections for the City. Salomon's report was a call to arms, as he asked for the Confederation of British Industry (CBI), the British Bankers' Association, and the Accepting Houses Committee, a group of the City's leading accepting houses and merchant banks, to follow the CIE in exerting political pressure for the privatization of Britain's telecom infrastructure.

In response to Salomon's report, an ad hoc group, the City Telecommunications Group, formed from various organizations with City interests.³⁴ Representing the group's London-centric interest was chairman Geoffrey Finsberg, Conservative MP for Hampstead and, from 1974 to 1979, opposition spokesperson for Greater London. Alongside the CTC's original members and the organizations named in Salomon's report, representatives from the London Chamber of Commerce, the British Insurance Association, the Stock Exchange, and Lloyds of London also attended. The group discussed whether to pursue a cooperative approach with the Post Office or aggressively contact the press, publicize City dissatisfaction, and lobby the government. Clarke, the CIE and CTC's chair, had already obtained permission from Gordon Richardson, the new governor of the Bank of England, to raise the issue with Anthony Barber, the chancellor of the Exchequer, but a new report by the CBI, which took a similar line to Walter Salomon's report, divided

members. Some were uncomfortable having their organizations' names associated with such a report while they still had to maintain good relations with the Post Office. The group thus agreed, to Salomon's discontent, that the CBI report would be toned down and that they would meet with the Post Office to establish a new direction.

The group met with Edward Fennessy, Ryland's successor as the Post Office's managing director for Telecommunications, in January 1974.³⁵ The group discussed the toned-down CBI report, and Fennessy's responses show how the telecommunications business began to change its attitude to uniformity and the City. Fennessy explained that the long lead time for increasing telephone capacity, and the anti-inflationary price restraints imposed by the government in 1972, meant that the Post Office found it challenging to address the City's complaints right away. He also noted, however, that the Post Office was investigating a possible twenty-four-hour fault maintenance service specifically for London's business houses. He concluded the meeting by saying that he "was particularly concerned to know the views of the City on development likely to be required over the next 10 years." The City Telecommunications Group and their calls for privatization had resulted in a small but significant shift from the Post Office's uniformity policy.

The Post Office did not have to wait long to hear the City's views. At a March 1974 meeting, tellingly titled "London as a World Financial Centre," Clarke, the CIE and CTC's director, and C. N. Read, director of the Inter-Bank Research Organisation (IBRO), a think tank set up by the City's banks in 1968, met with representatives from the Post Office's London telephone region.³⁶ Clarke and Read informed the Post Office that the CIE had, as a result of the City Telecommunications Group's concerns and its desire to maintain London as an international financial center, upgraded the City Telecommunications Subcommittee into a full committee, and invited the Post Office to participate. Clarke announced that the CTC's new remit was to deal with "the increasing inadequacies of international and domestic services" and that it would be composed of two joint City-Post Office working groups, one dedicated to the City's future telecommunication needs and one dedicated to current problems.³⁷ Trends from abroad may have influenced this focus on technology's importance to London's status as a world financial center. The New York Stock Exchange had led the way in computerization since the mid-1960s, and while Clarke did not mention it explicitly, the London Stock Exchange had sent a delegation to New York in 1970 to look at how

the competition used technology.³⁸ Accordingly, the London Stock Exchange joined the expanded CTC, alongside the British Insurance Association, the Chamber of Shipping, and Lloyd's of London. From across the City, financial institutions had come together to align British telecommunications with their interests, mirroring the CIE as an avenue through which the City could lobby the government to restructure the British economy.

Despite the Post Office representation, the new CTC and its additional City membership became more aggressive in lobbying the Post Office. In 1977, Francis Sandilands, CIE chairman and CTC member, wrote directly to William Barlow, chairman of the Post Office, complaining about the Post Office's withdrawal of five-year fixed-price line rental contracts. Barlow replied that he appreciated the importance of telecommunications to the City but that the Price Commission had tied the Post Office's hands, ruling that the contracts contravened Price Code.³⁹ Barlow's reply thus accepted that the City might need special treatment, suggesting the Post Office's amenability to City interests, and that it was public ownership that prevented a special relationship between finance and telecom. This may stem from Barlow's own background and ambitions. Barlow had been appointed Post Office chairman in 1977 under the impression that telecoms would split from the Post Office and that he would lead the new telecommunications corporation with greater freedom from government. This was stymied, however, by the industrial democracy experiment covered in earlier chapters, which Barlow resented. In 1979, when Keith Joseph ended industrial democracy and announced that the government would create BT and explore ending its monopoly, Barlow immediately called for privatization.⁴⁰ Barlow thus matched the City in recognizing its claim to special treatment and joining its calls for privatization.

After Joseph's announcement, the CTC lobbied further for marketization and privatization. A 1979 CTC paper by the Foreign Exchange and Currency Deposit Brokers' Association shows the range of issues on which the City campaigned.⁴¹ These included the liberalization of customer premises equipment, so that businesses could buy terminals such as telephones and telex machines from third-party suppliers; a new regulatory authority to oversee the Post Office and its successor, BT; and the complete liberalization of the telephone network, allowing new networks to compete. The paper also attacked uniformity, arguing that the "Post Office interprets this, when it suits them, as meaning that they may only offer equipment in the City of London that

they will also offer to a crofter in the Outer Isles.” Joseph’s announcement also spurred the formation of new City-influenced lobbying groups. In 1979, Barclays, alongside Citibank, Sainsbury’s, Smedley-HP Foods, and Blackwell’s, founded the Association of Telecommunications Users, which lobbied for privatization and liberalization.⁴² Barclays is noteworthy as it was one of the companies, alongside BP and Cable & Wireless, behind the creation of Mercury, the new telecom operator that competed with BT in a duopoly until 1990. In 1980, the British Bankers’ Association also produced a report, “Telecommunications in the City,” which again attacked the uniformity principle and asked BT, now that it had been set up as an operational unit in advance of its formal creation by the 1981 British Telecommunications Act, to review this principle urgently.⁴³ These calls all reinforce that the City saw liberalization and privatization as means to secure favorable telecommunications services for financial institutions.

City lobbying thus came along two lines. First, that the government should end BT’s monopoly and privatize it and, second, that BT should end its uniformity principle. The City’s success is evident in two banks’ roles in designing BT’s privatization and BT’s new focus on the City. Two City institutions, Kleinwort Benson and Barclays Merchant Bank, played significant roles in shaping BT’s privatization as an apparent act of popular capitalism and orchestrating the sale of nearly half BT’s floated stock to City financial institutions. The government had appointed Kleinwort Benson to manage BT’s privatization. Kleinwort Benson had advised and managed the sales of British Aerospace, Cable & Wireless, and Associated British Ports and, as noted above, its chairman, Cyril Kleinwort, was also the founding chair of the CTC. Kleinwort Benson valued BT at more than £3 billion, and both the government and the City of London worried that Britain’s capital market could not bear so large a flotation.⁴⁴ In February 1984, a report for the Cabinet by Barclays Merchant Bank thus proposed targeting individual investors to raise capital and suggested that a beneficial side-effect of this strategy would be developing a “share-owning democracy” in Britain.⁴⁵ The report also noted that the City’s traditionalism had created an aversion to individual share-ownership, and so targeting individual share-owners would create a new market to compete with the City for BT shares. John Redwood, in his note to Margaret Thatcher on this subject, reinforced this point, arguing that the key to getting City institutions to invest was creating the illusion that the government could sell substantial stakes in BT to other investors and so, because

selling huge stakes to overseas financial institutions was politically problematic, individual investors became key.⁴⁶

The government thus targeted the British public as another source of investment, partly to find extra capital and partly to create an illusion of competition for City financial institutions. In 1984, there were only 1.8 million individual investors in Britain, and forecasts suggested that the government would need to raise £1 billion from individual applications. A coordinated PR campaign began, with advertising on the TV, radio, posters, and in the press.⁴⁷ A special train promoting the share issue visited seventeen cities from May 1984, while BT's senior management put on a traveling roadshow that toured Britain, Paris, Frankfurt, and Amsterdam. The campaign aimed to show BT as a high-tech institution worthy of investment and convince the public that privatization was a way of giving back. From 1984, ads with the taglines, "You can share in BT's future" and "A public service goes public" appeared.⁴⁸ By early September 1984, the BT Share Information Office in Bristol had received more than 300,000 requests for information and Market and Opinion Research International, the market research company, reported that 630,000 citizens were sure to buy, with another 3.9 million likely.⁴⁹

At 8 a.m. on Impact Day, Friday, November 16, 1984, underwriters in the City began to accept applications for BT's 3,012 million shares, valued at 130p per share. Within three hours, they had underwritten 2,600 million of those shares. That morning, Geoffrey Pattie, Kenneth Baker's successor as minister for information technology, announced in the House of Commons that Kleinwort Benson was holding promising discussions with City institutions to purchase around half of BT's offered shares.⁵⁰ Twelve days later, at 10 a.m. on Wednesday, November 28, shareholder applications closed. The public had submitted two million applications, outnumbering the number of individual shareholders in the entire nation before BT's sale, and the flotation was hugely oversubscribed. Total sale proceeds reached £3.863 billion and, less the costs of shareholder incentives, marketing, and underwriting and advising fees, came to £3.6 billion.⁵¹ More than six times larger than the government's previous sale of BP at £566 million in September 1983, it was, at that time, the largest stock flotation in world history.⁵² Kenneth Baker, the former minister for information technology, later wrote that BT's sale "made possible all other public utility sales," while Margaret Thatcher, in a 1992 speech, called privatization "one of Britain's most successful exports," trebling individual shareholders and stopping inefficient management.⁵³ In

the end, however, Kleinwort Benson sold 47 percent of BT's shares to the City, 39 percent to individual investors, and 14 percent overseas.⁵⁴ Having lobbied for BT's privatization and shaped the sale strategy to entice more financial institutions, the City had successfully arranged to transfer most of BT's offered shares not from state ownership to citizen ownership, but to City of London financial institutions.

In another City victory, BT also ended its uniformity principle. This started in October 1980, shortly after BT came into being, when Alex Reid, BT's director of business systems, responded to pressure from groups like the CTC and the British Bankers' Association with London TeleCity.⁵⁵ London TeleCity meant that the City would be first to receive new services and infrastructure from BT, which Reid claimed would benefit the City, BT, and "the National Economy." The City was thus the first to receive X-Stream and ISDN services (discussed in chapter 4), and, in October 1983, was one of the first areas in the UK to get high-speed fiber-optic communication cables.⁵⁶ BT's press release proudly announced that London was one of the world's first cities to get fiber-optic and highlighted the business services that the City of London would now be able to use. BT also emphasized that these fiber-optic links would connect the City to London Docklands, where BT was building London Teleport, another piece of dedicated City infrastructure. London Teleport, Britain's new satellite earth station and its third after Goonhilly and Madley, was thus installed in London specifically to provide the City financial district with better international communication links. London Teleport opened on February 1, 1984, and used the City's new fiber-optic network to bring "high-speed telecommunications to the fingertips of the City."⁵⁷ By 1985, two crucial services for British finance, the Bankers' Automated Clearing Services, and the Clearing Houses' Automated Payments System, were also networked over BT's SwitchStream packet-switched network.⁵⁸ Through London TeleCity's rollout from 1980, the year of BT's creation, to 1984, the year that the City became BT's second-largest owner behind the government, the City received digital data services, fiber-optic cables, and a dedicated satellite earth station before any other customer group. As Alex Reid openly acknowledged, the pressure from the City meant that BT had ended its uniformity principle and replaced it with a system where BT prioritized the City above all others.⁵⁹

This history casts a new light on BT's privatization, showing City organizations pressuring for the end of uniformity, lobbying for BT's privatization,

and co-opting the “share-owning democracy” ideology to increase BT’s appeal to financial investors. These findings, however, should be placed in context. Barclays Merchant Bank did not coin wider share-ownership *de novo* in 1984 to increase BT’s appeal. Wider share-ownership had been an ideological commitment inside and outside the Conservative Party since the late 1950s. In the mid-1970s, with Thatcher’s arrival as party leader, Conservative politicians, such as Keith Joseph, began to see wider share-ownership as a method for promoting individual freedom.⁶⁰ Furthermore, another important motivation for BT’s sale was to remove it from the public-sector borrowing requirement, freeing BT to borrow additional capital to invest in the network. As noted several times throughout this book, government spending restrictions had constrained BT throughout the 1970s, and by 1982, George Jefferson, BT’s chairman, was pressuring Patrick Jenkin to privatize so that BT could escape the PSBR.⁶¹ Finally, it is likely that, in any event, financial institutions would have necessarily been a large part of any sale, as BT’s £4 billion privatization was too large for individual shareholders alone. The City of London, however, was not just part of these events, but actively shaped both BT’s sale and its direction of development. Furthermore, BT’s sale played a further important role in linking privatization, the City of London, and the “information revolution.”

PRIVATIZING THE INFORMATION REVOLUTION

Information technology occupied a unique position within Thatcher’s industrial policy. In 1981, she created a post of minister for information technology, the first of which was Kenneth Baker, nicknamed “Mr. Chips” in the press after the government’s fixation on microchip manufacturing.⁶² As previously discussed, Thatcher also announced 1982 as IT-82, a National Information Technology Year, a decision that legitimated “information age” narratives worldwide.⁶³ Patrick Jenkin, Thatcher’s secretary of state for industry, in 1982 also suggested that BT’s privatization could be the “most lasting legacy” of IT-82.⁶⁴ When Kleinwort Benson’s sale of BT was announced to the House of Commons, it was by Geoffrey Pattie, Baker’s successor as minister for information technology, rather than Norman Tebbit, the secretary of state for trade and industry. Why did the Thatcher government emphasize information technology policy, and why was BT’s privatization central to this policy focus?

The broad strokes of an answer appear early in the Thatcher government's first term. In 1979, a Department of Industry report on liberalizing British telecommunications argued that public monopoly would continue to "weaken London's strength as an international centre of commerce," and proposed a new network, owned by a consortium of clearing banks, BP, Cable & Wireless, and ICI, the chemical company.⁶⁵ In July 1980, Keith Joseph subsequently announced that the government would liberalize telecommunications in Britain, ending BT's monopoly and, in 1981, approved the creation of Mercury, a new network owned by Cable & Wireless, BP, and Barclays, because of the "dreadful service" that BT was providing the City.⁶⁶ From this early stage, prioritizing the City of London was a clear objective for information technology policy. But, in addition to focusing on communications, the government also set up the Alvey Programme, a "strategic computing initiative" to sponsor information technology research.⁶⁷ The Alvey Programme was named after John Alvey, senior director of technology at BT, who chaired a report responding to Japan's perceived information age trailblazing, notably its Fifth Generation Computing Project. Projects like Alvey and FGCS, as well as the Strategic Computing Initiative in the US and ESPRIT in Europe, all show governmental privileging of information technology in the early 1980s but represented different political economies of digitalization. SCI was the product of a militarist-capitalist political economy, FGCS a state-led socially responsible political economy, and ESPRIT a European liberal-integrationist political economy.⁶⁸ Alvey, meanwhile became acceptable to Thatcher as a large injection of public funds into the private sector because it was framed as near-market industrial research, which would potentially help entrepreneurs and innovators more than large corporations.⁶⁹ Early IT policy under Thatcher thus seemed to focus on privatizing communications to support finance, and admitted public investment only when framed as a near-market exercise.

Deregulating BT was about more than just supporting finance, however. It was also about turning BT from a national into an international corporation. Patrick Jenkin had informed Parliament in 1982 that one of the main goals of privatization was to turn BT into "a major world force."⁷⁰ This manifested in the Thatcher government's seemingly contradictory policy toward digital exchange procurement, first protecting and centralizing, then opening to foreign supply (as discussed in chapter 3). This policy was in fact about helping BT upgrade its network, which BT's financial users thought was sorely in

need of improvement. BT itself took action to compete more on international markets in this period, securing more business users, and this was supported by the Thatcher government through liberalization and privatization (as discussed in chapter 6). A 1982 white paper announcing the government's plans to privatize BT, *The Future of Telecommunications in Britain*, explained how privatization meant that the government would replace BT's public-sector borrowing requirement with IT regulations that would be "the most liberal in the world" and so "would free BT from traditional forms of government control," allowing it to compete internationally.⁷¹ The paper further equated information technology with market power, explaining that "competition and the advent of new technology are stimulating BT to respond to market opportunities." Privatization was about giving BT more opportunities to serve its business customers, rather than providing competition to make BT work harder for its residential users. This is further shown by how the Thatcher government fought amendments introduced in the House of Lords that would promote competition for BT after it was privatized.⁷² So, while the City was not opposed to liberalization, it was more invested in privatization as an act that would orient BT toward the financial sector. Supporting finance and enhancing BT's international reach were thus important components of the government's information technology policy.

But IT policy, and especially BT's privatization, also provided the Thatcher government with a vehicle to articulate ideological commitments to individualism, entrepreneurialism, market power, and a small state.⁷³ A speech, "Towards an Information Economy," by Kenneth Baker during IT-82 demonstrated information technology's ideological appeal to Conservative ministers.⁷⁴ Speaking to the British Association for the Advancement of Science, Baker contrasted the opportunities of information technology in the "post-industrial society" for greater personal freedom, the retreat of the state, and privatization with a dystopic vision of the "Electronic State." The electronic state had the power "to survey, control and manipulate the citizen," which Baker compared to the technologically manipulated societies of Aldous Huxley's *Brave New World* and George Orwell's *Nineteen Eighty-Four*. Baker did not explicitly reference BT's impending sale but portrayed privatization as a weapon against the electronic state, arguing, "We should enhance the opportunities of private ownership for what the State owns it has to control. The State will provide much, the Electronic State could provide more, but it would exact a price in terms of personal freedom." For Baker, privatization

was an essential precondition to realizing IT's individualist, emancipatory, free-market potential and preventing its Orwellian applications.

Baker's speech shows the politics of privatization as an alternative site of the digital utopian ideologies appearing in the US from the 1970s.⁷⁵ Baker called the "free flow of information" a necessary condition for a liberated information society, greater personal freedoms and private ownership, and the retreat of the state.⁷⁶ This sentiment resembles, yet predates, *WIRED* founder and cyberculture guru Stewart Brand's maxim that "information wants to be free," which has since become one of the rallying calls of digital utopianism.⁷⁷ The "free flow of information," however, has a longer history as a technical term from economic and industrial policy in the late 1970s and early 1980s. The "free flow of information doctrine" was a policy program supported by the US and British governments, the OECD, and transnational companies such as Coca-Cola and IBM.⁷⁸ It meant an openness to "transborder data flows," which were necessary for many transnational companies, especially financial institutions, to operate across multiple countries. Opposing the free flow of information thus meant opposing global capitalism, and so deregulating and privatizing telecommunications was cast as essential to promoting trans-border data flows. Baker's speech shows the early association of deregulatory information technology policy with free-market and individualistic ideologies, brought together in IT-82 and the privatization of BT.

The government also targeted BT's management with this discourse, presenting information technology as a necessary part of economic liberalization, which would release BT to expand commercially. In a July 1982 Q&A with senior BT managers, Patrick Jenkin presented privatization as necessary for the information revolution, explaining that Britain "cannot afford to keep BT trammelled by the mesh of bureaucratic controls at a time when technological and commercial developments really set this organisation at the centre of our electronic future."⁷⁹ BT included this message in its internal communications campaign to persuade staff about privatization. As the 1980 Long Range Strategy Seminar (discussed in chapter 2) showed, these readings of information technology were popular among BT's senior management, who understood liberalization as necessary to BT's technological development, which in turn promised to create a small, individualistic state. BT's senior management was thus quite amenable to privatization. In April 1982, George Jefferson, BT's chairman, wrote to Patrick Jenkin to explain that he

was keen to explore any options that would remove BT from the public-sector borrowing requirement constraints, despite Post Office Engineering Union resistance.⁸⁰ That said, BT's senior management was concerned about the strain of privatization on staff, also reminding Jenkin that the "ingrained attitudes" of the Civil Service among staff would "take a long time to change."⁸¹

BT's management deployed popular capitalist narratives to convince their staff about privatization. Employee share-ownership formed a significant part of BT's internal strategy for involving staff in privatization. Drawing inspiration from the growth of employee shareholding in early privatizations of Britoil, British Aerospace, and Amersham International, the potential for employee shareholding in BT had been identified by November 1982, and by January 1983 was seen as a "highly desirable" strategy for involving staff and bringing the unions onside.⁸² Kenneth Baker and Cecil Parkinson (secretary of state for trade and industry) were also influential supporters, meeting with George Jefferson in June 1983 to discuss BT employee share-ownership.⁸³ Baker was such a staunch supporter that, later in 1983, he inquired if BT could offer staff £600 loans to buy even more shares during the issue, to which Jefferson responded with appreciation for Baker's enthusiasm, but declined because of the legal and tax implications, as well as the moral argument that they should not encourage staff to get into debt.⁸⁴ Regardless, BT still set a UK record for employee share-ownership, with 10 percent of shares reserved for BT staff and pensioners.⁸⁵ BT's scheme was considered a great success, with 96 percent of staff applying for shares, ignoring union directives.

BT and the Conservatives thus both combined popular capitalism and a new discourse of digital liberalism to promote BT's sale. But where popular capitalism's origins in the drive to attract financial institutions to BT's sale is clear, the origins of the Conservative government's discourse of information technology as a technology of individual freedom and small government is less so. Neither Conservative politicians nor BT executives referenced specific figures or works that inspired this discourse, but Kenneth Baker's mention of the "post-industrial society" in his speech "Towards an Information Economy" suggests the influence of Daniel Bell's 1973 book *The Coming of Post-Industrial Society: A Venture in Social Forecasting*.⁸⁶ Bell's ideas had influenced the Post Office's long-range planners (as explored in chapter 2), but Bell's work was also influential politically, helping politicians understand the increasing presence of computers in society during the 1970s.⁸⁷ By reading

mental freedom—"free thinking"—as essential to knowledge production, various US politicians and entrepreneurs began to believe that, as information technology enabled knowledge production, so it would by extension enable individual freedom.⁸⁸ In the late 1970s and early 1980s, the micro-computing industry in Britain took off, and so, as in the US, theories of the postindustrial society and personal computing fused with ideological commitments to individualism, producing visions of information technology as a technology of individual freedom that necessitated the shrinking of the regulatory state.

Even left-wing politicians agreed on information technology's liberating qualities and BT's importance to the information revolution. In a 1982 film, *New Technology, Whose Progress?*, Tony Benn attacked IT-82 as promoting the use of IT "to remove decision-making from the worker and increase management control."⁸⁹ Benn, however, still saw information technology as emancipatory, saying that it could "give people a sense of freedom" and instead argued against the entrenchment of corporate power through IT. In 1984, when Geoffrey Pattie announced Kleinwort Benson's sale of BT to the House of Commons, Alan Williams, the Labour MP for Swansea West, complained that the government "intend to hand over to the whims of short-term profit maximization the very industry that will be at the center of the information technology revolution."⁹⁰ Williams' response showed that left-wing politicians, too, believed in the promise of the information revolution and BT's value to that revolution, albeit under state ownership.

BT became important abroad as well, as its sale cemented the importance of privatization to information technology policy. Tom Forester's 1987 popular science book *The High-Tech Society* referred to the privatization of BT as a necessary move to market access, required to realign the telecommunications industry for the IT revolution.⁹¹ This became the European consensus, with the liberalization and privatization of BT serving as "the model for European telecommunications deregulation" on the way to the European Commission's 1987 Green Paper, which advocated telecom deregulation.⁹² This was followed by a 1994 European Commission report, "Europe and the Global Information Society," by Martin Bangemann, the commissioner for the internal market and industrial affairs under Jacques Delors, which further advocated privatization as a necessary condition for spreading the information revolution, a "market-driven revolution," throughout Europe.⁹³ As Thatcher had said in her 1992 "Principles of Thatcherism" speeches,

privatization had indeed become one of Britain's most successful exports, but what she overlooked was how, with BT, one of the earliest and largest telecom privatizations, Britain had become the leading example of how a country should kickstart its information revolution.

BT's privatization also provided a chance to explicitly connect the City of London to the information revolution, so casting the financial sector as an information industry. Margaret Thatcher, in her speech on information technology at the Barbican in 1982, positioned IT as underpinning both BT's privatization and the success of the City of London. This came after a Central Policy Review Staff paper on "information technology" in 1980 had already described how the "communications revolution" had radical potential to transform the financial sector, and specifically highlighted Britain's telecom infrastructure as crucial to this revolution.⁹⁴ Banks had joined politicians in emphasizing this importance as well. When Gordon Richardson, governor of the Bank of England, opened National Westminster Bank's new Management Services Centre in 1979, he described its "massive battery of computers and automated equipment" as "not just a collection of silicon chips and transistors, but the means of keeping British banking in the forefront of a very competitive league."⁹⁵

In the most public reversal of its uniformity policy, BT also proclaimed its new attention to the City during privatization. During 1984, BT ran an advertising campaign, "The Power Behind the Button," in which it promoted privatization as essential to unshackling BT's technological sophistication and power.⁹⁶ Ads in the first phase showcased BT's wide range of technological products, from optical fiber to System X to Goonhilly earth station. In the second phase, ads focused on the domestic setting of the home telephone, addressing anxieties about privatization and customer service. The third and final phase returned to high technology and emphasized BT's participation in the privatization as essential to the success of the City of London. A TV ad from this phase highlighted services such as BT's City Business System, which money dealers used to place global telephone calls and transactions, and closed with "Helping London stay at the heart of the world's financial markets, British Telecom is the power behind the button."⁹⁷ Thatcher's speech and BT's ad portrayed the City of London, alongside electronics manufacturing, as another national industry important to Britain's information revolution. Moreover, as government ministers repeatedly cast BT's sale as essential to Britain's participation in the information revolution, the implicit message

was that privatization made Britain's information revolution and the City of London's financial success codependent.

In the privatization of BT, neoliberal ideologies about information technology thus met with the financialization of telecommunications infrastructure. BT had become central to narratives about an entrepreneurial, emancipatory information revolution, in which BT made the UK's information revolution happen by focusing on the City of London. This contrasted with 1968, when the CTC formed and when the Post Office would not break with its uniformity principle, nor did politicians position the Post Office or information technology as central to individual freedom and the small state. These changes came from many directions. Institutions from the City of London lobbied for BT's privatization, ensured that financial interests became BT's primary purchasers, and caused BT to prioritize the City of London over the rest of the country. Meanwhile, in contrast to early centralizing approaches to computing, political ideas about information technology's importance to the national economy resulted in a politics that prized deregulated communications and free-market individualism. For the Conservatives, liberalizing and selling BT was key to achieving both, providing an opportunity to solidify BT and the City of London as global players while demonstrating an ideological commitment to individualism, free markets, and the small state. Privatizing telecommunications thus became a necessary precondition for all three, of Thatcherism, financialization, and the information age. One of the earliest and largest privatizations, BT's sale produced the broad consensus that privatizing telecommunications monopolies was the fastest route to the information revolution. This peaked when Margaret Thatcher and BT fused privatization as an act of financialization and digitalization, presenting the City of London as a high-tech industry that privatization and the information revolution would make world-leading.

CONCLUSION: THE LONDON IDEOLOGY

This chapter opened with the premise that BT's privatization as an apparent act of "popular capitalism" cannot be understood as separate from Conservative information technology policy that emphasized both BT and the City of London. While the government's popular capitalism strategy at first seemed a method to increase BT's appeal to the existing market in the City of London, it is clear that a longer history of the City's relationship with the

telecommunications business shaped this strategy. Since the early 1970s, City institutions had called for privatization so that the telecommunications business might start favoring the City over the rest of the country. The City felt this need so urgently that it formed various pressure groups, from the City Telecommunications Subcommittee to the City Telecommunications Group to the Association of Telecommunications Users. These groups successfully pressured for BT's sale, realizing the City's long ambition to get preferred customer status from BT, showing the vital role of business and financial interests in shaping Thatcherism and popular capitalism.⁹⁸ BT's sale kindled the share-owning democracy, but did not ignite it, and clearly, for the government and BT, the more important customer base lay in the City of London. This customer base's power was twofold, deriving from its status as both users and investors. The City could pressure the Post Office and BT not only because it was a well-organized user group but also because it represented the largest group of potential investors in BT's sale. Beyond this, however, BT's sale also tied financial interests to the Thatcher government's politics of information technology, and not just its politics of privatization.

Exploring the City's role thus also addressed this chapter's second task of investigating how BT's privatization influenced information technology policy and rhetoric. Politicians and BT executives aligned privatization with the "information revolution" by arguing that information technology realized their ideological values of individualism, market power, and a small state. Beyond this, however, were two revealing moments from Thatcher and BT, in which Thatcher's IT-82 speech and BT's "The Power Beyond the Button" advertising campaign showed that prioritizing the City of London was an essential part of the British "information revolution," and that privatization would enable this. This discourse shows some similarities to the digital utopianism and the Californian ideology of the 1990s in the US, in which information technology provided the place for countercultural values of individual freedom to meet with deregulatory economic policy.⁹⁹ The events described in this chapter, however, predate 1990s America and illustrate how political and financial interests shaped this ideology.

BT's privatization was thus central not to a Californian ideology but to a "London ideology." The London ideology drew on existing framings of information technology as emancipatory, but then cast the privatization of information technology as essential not only to realizing this emancipation but also to shrinking the state, facilitating free markets, and empowering

the City of London. The privatization of telecommunications became interpreted as a prerequisite for the information age worldwide, from popular writing in Tom Forester's *The High-Tech Society* to policymaking in Martin Bangemann's report, "Europe and the Global Information Society." The London ideology has influenced both the privatization and financialization of digital communications infrastructure around the world. Thatcher called privatization, as an act of industrial efficiency and popular capitalism, one of Britain's "most successful exports." Since then, popular capitalism has disappeared but the London ideology, fueled by BT's sale, remains. It was Thatcherism's most successful export.

This is a section of [doi:10.7551/mitpress/14210.001.0001](https://doi.org/10.7551/mitpress/14210.001.0001)

Visions of a Digital Nation

Market and Monopoly in British Telecommunications

By: Jacob Ward

Citation:

Visions of a Digital Nation: Market and Monopoly in British Telecommunications

By: Jacob Ward

DOI: 10.7551/mitpress/14210.001.0001

ISBN (electronic): 9780262375528

Publisher: The MIT Press

Published: 2024

The open access edition of this book was made possible by generous funding and support from The MIT Press Frank Urbanowski Memorial Fund



The MIT Press

© 2023 Massachusetts Institute of Technology

This work is subject to a Creative Commons CC-BY-ND-NC license.

Subject to such license, all rights are reserved.



The MIT Press would like to thank the anonymous peer reviewers who provided comments on drafts of this book. The generous work of academic experts is essential for establishing the authority and quality of our publications. We acknowledge with gratitude the contributions of these otherwise uncredited readers.

This book was set in Stone Serif and Stone Sans by Westchester Publishing Services.

The “T circle logo” and “stylised Telecom logo” shown within the cover image are trade marks of British Telecommunications Plc.

Library of Congress Cataloging-in-Publication Data

Names: Ward, Jacob (Science and technology historian), author.

Title: Visions of a digital nation : market and monopoly in British telecommunications / Jacob Ward.

Description: Cambridge, Massachusetts : The MIT Press, [2023] |

Series: History of computing | Includes bibliographical references and index.

Identifiers: LCCN 2023013902 (print) | LCCN 2023013903 (ebook) |

ISBN 9780262546294 (paperback) | ISBN 9780262375535 (epub) |

ISBN 9780262375528 (pdf)

Subjects: LCSH: Telecommunication—Great Britain—History—20th century. |

British Telecom. | Digital communications—Economic aspects—Great

Britain. | Digital communications—Political aspects—Great Britain. |

Privatization—Great Britain. | Neoliberalism—Great Britain.

Classification: LCC HE8094 .W37 2023 (print) | LCC HE8094 (ebook) |

DDC 384.0941—dc23/eng/20230724

LC record available at <https://lcn.loc.gov/2023013902>

LC ebook record available at <https://lcn.loc.gov/2023013903>