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# The Politics of Steel: Western Europe and the Steel Industry in the Crisis Years (1974–1984)

Edited by

Yves Mény and Vincent Wright

with the editorial assistance of  
Martin Rhodes



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## Preface

The publication of a collaborative and international research project such as this is the culmination of a long, difficult but fascinating process. This is particularly so because the subject under study underwent almost daily changes. When, at the European University Institute in Florence, we decided in 1980 to study the various institutional levels of decision-making and implementation in Western Europe, the steel industry seemed the obvious arena in which the interplay of Community, national, regional and local forces could best be observed. No-one could have foreseen at that stage that this industry, which had already paid a heavy price in the crisis, would founder even more deeply into the quagmire and be exposed to further exceptional pressures. Thus, the contributors to this study found themselves having to follow the daily changes in steel policy and its implementation in five producer countries: Belgium, France, Great Britain, Italy and West Germany.

Another difficulty, common to all collective enterprises, lay in forming the research team which should ideally not simply be the sum of the individuals from diverse disciplines and national origins. In this respect, we were successful thanks to the excellent spirit of collaboration which obtained during the four years of the project. This does not, however, mean that the various frameworks and methodological approaches have been reduced to complete uniformity. But the different approach of each contributor has not resulted in any contradictory conclusions. For this all the contributors to this project have to be heartily thanked.

Our thanks are due, too, to the European University Institute and to its various bodies – the Research Council and the Academic Council – without whose support this research would not have been possible. It furnished not only the financial and human resources necessary for a European, multidisciplinary project lasting several years, it also provided the ideal setting for the exchange and resolution of diverse views between economists, political scientists, and lawyers of quite different national backgrounds and training. Our thanks are due particularly to Presidents Konstamm and Maihofer, and also to the Institute's administration, its Secretary-General Marcello Buzzonetti, and members of the academic and finance departments who, less visibly but still effectively, contributed to the outcome of this project. We would like to thank, too, the European Economic Community which financed the research and completely respected the independence of the researchers and which was so cooperative in providing information. Jean-Claude Eeckhout, the EEC representative to the Institute was the personification of both the letter and the spirit of this strong support, and we are most grateful to him. Thomas Grunert and Bruno De Witte helped, as

research assistants, in the early phases of the project and provided invaluable help throughout this phase. Martin Rhodes was the mainstay of the final phase – ceaselessly correcting, revising and updating the material and bringing to this work his own wide knowledge of the steel problem. His general comments and criticisms were no less useful. May we express our gratitude also to innumerable people who helped in the project in specific ways: to the Library staff of the Institute, to the translators, to Professor Maurice Wright, to Dorothea Schlägel and Claus Arndt and to Jonathan Ayles. Our special thanks go to the long-suffering Publication Officer of the Institute, Brigitte Schwab.

Last but not least, mention should be made of Patricia Grunert and Alison Tuck, secretaries at the European University Institute whose help was indispensable from the very beginning of the project. Patricia Grunert helped with making a collection of press cuttings and articles which has been deposited in the Institute Library and will be a most useful tool for anyone interested in industrial policy and steel in particular. Alison Tuck was a constant source of strength, and displayed extraordinary patience in preparing, revising, and typing the texts, and in overseeing an ambitious enterprise, thus infusing into the final product a sense of order which was not always the cardinal virtue of the two directors of the project.

Apart from the problem of the differing intellectual traditions of the contributors the project not surprisingly raised a number of other problems of an intellectual, technical, conceptual and methodological nature. How, for instance, to compare national steel industries which differ so greatly in terms of size, employment, production, capacity, ownership, financing, indebtedness, product mix, industrial, financial and geographical concentration, quality and stability of management, innovative capacity, labour productivity, investment rates and structure of the market? Was it meaningful to compare the five countries' 'political management of the steel crisis' when countries differ so greatly in their political systems, their industrial culture, the structure of their industrial policy networks, and in their financial capacity to cope with the crisis? Equally, was it possible to make valid comparisons based on data (for example, on productivity or manpower or on the financial balance sheets) which are themselves sometimes based on different criteria? How valid was it to compare the reaction of States to the steel crisis when the overall importance of the industry differs so widely, and when the extent, impact and timing of the crisis varied from country to country? How, indeed, to tackle an industry which displays such great variety even *within* each of the States studied? What general conclusions about industrial policy-making could be drawn from a study of the steel industry when several observers had already indicated that each industry had to be treated as *sui generis*. Similarly, was it possible to make generalisations about industrial policy-making based on the study of an industry which was in the throes of an enduring and dramatic crisis? In other words, did the very extent and depth of the crisis impose its own logic upon decision-making? Finally, there were a series of problems related to the inevitable 'zones d'ombre' of any enquiry: for instance we were able to glean only little information about the precise relationship between the banking sector and the industry, about the internal 'politics of the

firm' (to use Len Tivey's phrase) or about the bargaining which took place within the industry's sponsoring ministries. The result is that the project has not – and probably could not – resolve all the problems it raised. Of course, some of these problems confront all comparative research enterprises: but they should represent an invitation to prudence not an appeal to despair. With all its limitations, we believe that this project furnishes a great deal of basic information about the steel crisis, its impact and its political management, provides a useful case-study of industrial policy-making in a period of crisis, and points, albeit tentatively, to some lessons for policy-makers. For those reasons we should like to thank all those who so enthusiastically took part in it.

Yves Mény  
Vincent Wright



## Introduction

### State and Steel in Western Europe

YVES MÉNY AND VINCENT WRIGHT

Steel-makers' strategies are forged in two environments: a geographical, technological, economic and financial environment – the primary environment in which industrial activity is carried out – and a political environment which orders, structures and sometimes determines that activity.<sup>1</sup> The purpose of this work is to examine in some detail the second of these environments, which became almost as important as the first during the crisis years from 1974 to 1984. In this Introduction we shall focus particularly upon the increasing role of the State in steel policy-making, the reasons for State intervention, its extent and nature, and upon the constraints upon and limits to State power or influence. Before doing so, it is perhaps useful to recall the scale of the industrial and financial challenge confronted by the West European States in their handling of the steel crisis, as well as the strategies employed or encouraged by them.

#### **I. The Crisis: the Scale, the Causes and the Responsibilities**

By the early 1980s, the world steel industry was deep in crisis.<sup>2</sup> The crisis, which began in 1974, was initially dismissed as yet another cyclical downturn in an industry which had grown accustomed to them, and it took some time before its structural character was fully appreciated. In some quarters, however, fears were being expressed from the outset that the steel industry was heading for its worst crisis since 1929,<sup>3</sup> and those fears were to be fully justified. In fact, there had already been clear signs of overcapacity in the 1960s. The crisis which broke in 1974 merely revealed and then exacerbated existing problems<sup>4</sup> – problems which were aggravated by the frenetic bouts of heavy investments which had occurred in the industry in the late 1960s and early 1970s.<sup>5</sup> This is not the place to examine

<sup>1</sup> STORA, 1979.

<sup>2</sup> HOGAN, 1972; 1983; DEILY, 1981; GOLD, 1982; WOOLCOCK, 1982; THE METAL SOCIETY, 1979; DOURILLE, 1981.

<sup>3</sup> ROUME, 1974.

<sup>4</sup> KERN, 1982; SPENCER, 1972.

<sup>5</sup> KERN, 1982.

the unfolding of the steel crisis – this is presented in the contributions which follow and has been examined elsewhere.<sup>6</sup> Suffice to note that, with the exception of two brief moments of respite, the steel crisis both spread and deepened in seemingly ineluctable fashion during the period 1974–1984, eventually affecting countries and firms which had hitherto appeared impregnable.

At the annual congress of the International Iron and Steel Institute (IISI) in Tokyo in October 1982 – ‘a congress of tears’<sup>7</sup> – the disasters of that year were catalogued, and it was reported that forty one of the fortyfive member States envisaged no improvement in the appalling situation.<sup>8</sup> In the Spring of 1983 the already gloomy estimates of the IISI of the previous Autumn were lowered and the entire industry was imbued with pessimism.<sup>9</sup> By Autumn 1983, at the seventeenth annual congress of the IISI in Vienna, there was a general air of disappointment and despondency and a widespread realisation that ‘King Steel no longer rules’. The Congress took place in an atmosphere of suspicion and mutual recrimination.<sup>10</sup> The 1982 annual report of the OECD painted a grim picture: the year saw an unprecedented decline in world steel consumption, a fall in the rate of utilisation of plant, a decline in steel prices, in production and in employment (between 1974 and the end of 1982 a loss of 550,000 steel jobs (29 per cent) was registered in OECD countries, with 150,000 lost in 1982 alone), and the outlook for 1983 was reported to be depressingly bleak.<sup>11</sup> The end of 1983 and early 1984 saw the glimmerings of a slight recovery in the USA and hopes that the pace of decline was slowing down in Great Britain and Germany and elsewhere, but it was universally recognised that the halcyon days of the pre-1974 steel industry were unlikely to return.

No country in Western Europe was spared the impact of the steel crisis. In all, it is expected that Western Europe’s share of total steel capacity will fall from 38 per cent in 1974 to 31 per cent in 1990.<sup>12</sup> In Spain, the industry was already deeply in trouble by the end of 1976,<sup>13</sup> and the situation was to worsen dramatically, particularly in the politically sensitive areas of Galicia and the Basque Country. In Austria, steel – the pillar of the extensive public sector – was running into disastrous deficit: Voest-Alpine, the nationalised steel holding, announced deficits of 1 billion schillings in 1980 and 3 billions in 1981, while the cost of essential restructuring was put at 8 to 10 billion schillings over a five year period.<sup>14</sup> Within the EEC – the focus of this study – the situation was appal-

<sup>6</sup> For the period 1974 to 1979 see HEUSDENS and HORN, 1980; see also MESSERLIN, 1982; this is a mine information on the general state of the steel industry in the 1970s. See also MESSERLIN and SAUNDERS, 1983.

<sup>7</sup> *La Repubblica*, 12 October 1982.

<sup>8</sup> *Financial Times*, 24 November 1982.

<sup>9</sup> *Economist*, 14 May 1983.

<sup>10</sup> *Observer Business*, 9 October 1983.

<sup>11</sup> OECD, 1983.

<sup>12</sup> STEWART, 1977; *Financial Times* 25 January 1977.

<sup>13</sup> *Le Monde*, 17 November 1981.

<sup>14</sup> *Economist*, 8 October 1983.

ling, so appalling that one senior official in Brussels could warn that the steel crisis might lead to the break-up of the Community.<sup>15</sup> Between 1974 and 1984 the workforce of the industry was slashed by two-fifths – although there were wide variations between the steel producing countries. In the United Kingdom, the total workforce fell from 194,500 in 1974 to 67,400 by the Summer of 1983 (a drop of over 65 per cent) while the corresponding figures for Italy were 95,700 and 91,700 (a fall of less than 5 per cent). The figures for the other major steel producing countries were West Germany 232,000 to 168,000 (a fall of 27.5 per cent), France 157,800 to 92,400 (41.4 per cent fewer workers), Belgium 63,700 to 40,400 (a decrease of 36.6 per cent), and Luxembourg 23,500 to 11,700 (a cut of almost exactly half). At the beginning of 1984 the EEC was producing less steel than it had been thirty years previously, and the signs were unpromising, since the big consumers of steel (ship-building, cars and railways) were still in a depressed state. Furthermore, the hesitant and brittle economic upturn was unlikely to have any real impact on the industry, because of the uncoupling of steel and economic growth (see below) and because, inspite of the massive cut-back, there was still excess capacity. Indeed, in January 1983 the EEC Commission warned that by 1986 a further 150,000 jobs would probably have to go,<sup>16</sup> whilst in May of that year an unpublished draft of the EEC steel objectives working paper estimated that by 1985 excess capacity would be over 50 million tonnes. And some observers in the industry considered even that gloomy forecast to be too optimistic.<sup>17</sup> The fears of such observers appear to have been shared by Davignon, the EEC Commissioner responsible for steel, who in November 1983 claimed that ‘things are going from bad to worse’.<sup>18</sup>

The extent of the crisis of the EC steel industry is merely underlined by an analysis of each member’s position in the early 1980s. In Luxembourg, where steel production fell by 42 per cent between 1974 and 1982, Arbed, the country’s steel giant, the very prop of the country’s industrial structure, was in a catastrophic state: a major restructuring plan which had slashed production and the workforce (and which had required a new State budget to finance it) proved inadequate, and by 1983 a new plan was presented involving further closures and lay-offs. The debts of Arbed were such that the firm’s financial problems were beyond the capacity of Luxembourg to solve – a fact admitted by Pierre Werner, the Prime Minister, who also made clear that 5 to 7 billion francs of Belgian money would be needed to recapitalise the firm.<sup>19</sup> In neighbouring Belgium, the by now largely State-owned steel group Cockerill-Sambre, ‘a coop for lame ducks’, was lurching from crisis to crisis: the various rescue plans of the Walloon steel industry had been major political headaches for Belgium’s political leaders, and more than once had threatened the political and constitutional stability of the country. By the end of 1983 the group was in the throes of yet another plan,

<sup>15</sup> *Le Monde*, 29 July 1981.

<sup>16</sup> *Financial Times*, 28 January 1983.

<sup>17</sup> *Economist*, 14 May 1983.

<sup>18</sup> *Financial Times* and *La Repubblica*, 15 November 1983.

<sup>19</sup> *Le Soir*, 26–27 November 1983, 1 December 1983.

involving further closures and job losses.<sup>20</sup> The position of Usinor and Sacilor, the recently nationalised French steel groups which totally dominated the country's bulk steel industry, was serious enough to push a previously reluctant Socialist government into a more realistic assessment of the industry's modest prospects: the Socialist steel plan of 1982 which envisaged break-even by 1986 was in a total impasse, undermined by the huge losses of the State steel sector, the failure of demand to pick-up, and the collapse of parts of the private steel sector (Valexy, CFEM, Creusot-Loire) which were absorbed into the public sector which had to finance the operation. The 1982 plan had envisaged production of 24 million tonnes for 1986, but in 1982 it was continuing to decline and by 1983 had reached only 17 million tonnes.<sup>21</sup> By March 1984 an exasperated Finance Ministry pressurised the government into lowering aid to the industry for 1984 to 5.5 billion French francs.<sup>22</sup>

In the United Kingdom, the British Steel Corporation (BSC), the nationalised steel group which dominated the country's crude steel industry, underwent a punishing restructuring programme – 'a restructuring without parallel in scale and speed in post-war Britain'.<sup>23</sup> In 1982–1983 its output had declined to only 11.7 million tonnes, the lowest since nationalisation in 1967, and its workforce, which in 1967 stood at 257,000, had been decimated: successive 'slim-line' plans, as they were euphemistically called, had reduced the force to a mere 67,000.<sup>24</sup> The once proud British steel industry which in 1870 had enjoyed a 37 per cent share of world steel production was struggling in 1980 to retain its 2.7 per cent share. BSC shed more jobs and lost more money than any other enterprise in British history,<sup>25</sup> yet in spite of vast and immensely costly (in both financial and social terms) restructuring between 1974 and 1984, profitability seemed as elusive as ever.<sup>26</sup>

The crisis visited Italy rather later than elsewhere. Indeed, during the 1970s the Italian steel industry increased both its production and its workforce, and it was not until 1980 that the first clear signs of trouble emerged.<sup>27</sup> But the impact was felt fast thereafter, and by 1981 Finsider, the steel holding of the State conglomerate IRI, was in crisis. Early in that year the firm was reduced temporarily to cutting wages by a third, and to postponing the payment of its electricity and other bills for six months whilst awaiting a State rescue package.<sup>28</sup> In 1982 Finsider lost 1,436 billion lire or 20 million lire per worker employed,

<sup>20</sup> *Financial Times*, 14 November 1983. For an account of the Belgian steel crisis, see CAPRON in this volume, and 1981.

<sup>21</sup> *Le Monde*, 28, 29 September 1983.

<sup>22</sup> *Economist*, 10 March 1984.

<sup>23</sup> MORGAN, 1983.

<sup>24</sup> *Financial Times*, 31 August 1983.

<sup>25</sup> *Sunday Times*, 27 December 1981.

<sup>26</sup> *Observer*, 2 October 1983.

<sup>27</sup> For a very good summary of the previous situation see *Mondo Economico*, Anno 33, No. 46, 25 November 1978. On the development of the Italian Steel Industry, see CLUSF.

<sup>28</sup> *Economist*, 23 May 1981, *Times*, 27 February 1981, *Le Monde*, 3 March 1981.

and Romano Prodi, Chairman of IRI, announced the bleak yet inevitable consequence: *'insomma, bisogna tagliare, tagliare, et ancora tagliare'*.<sup>29</sup> By January 1983, steel production of Finsider had dropped 27 per cent from its level a year previously,<sup>30</sup> and for nervous politicians in Rome *il momento della verità* had at last arrived.<sup>31</sup> The situation continued to deteriorate: between January and June 1983 domestic demand fell by 19.1 per cent, Finsider's production plummeted by 17 per cent and sales by 13.4 per cent,<sup>32</sup> and with losses running at 1,620 billion lire in the first nine months of 1983 there was a real danger of the group not meeting its commitments if the Government did not provide an immediate injection of capital.<sup>33</sup> It was during the late summer that Prodi, who had already made several pointed references to *la cura Fiat*,<sup>34</sup> produced his plan involving 25,000 job losses and a major contraction of capacity.<sup>35</sup> By 1981, too, the Italian private steel sector was also in trouble, and the famed *Bresciani* shared that trouble, being plagued by falling demand, the rising costs of electricity and the increasing price of scrap.<sup>36</sup> By 1983 the private sector was humbly requesting State aid, and was granted handsome subsidies under a scheme previously denounced as intolerable and iniquitous by Luigi Lucchini, one of the major private steel bosses.<sup>37</sup> Already in 1981 de Michelis, the Minister for Shareholdings, could describe the steel crisis as Italy's biggest single economic problem,<sup>38</sup> and by the end of 1982 it could be presented as 'the major economic disaster in the history of industrialised Italy'.<sup>39</sup>

The crisis was felt initially in West Germany in 1975, but more especially after 1980.<sup>40</sup> The first parts of the industry to suffer were relatively small plants (including those of Röchling Burbach and of Neunkirchen Eisenwerke) in the old mining and steel region along the banks of the river Saar: their vulnerability lay in their size, their divided ownership structures, their poor product mix (there was an excessive concentration on bulk steel), their high transport costs due to their inland location and their lack of an associated steel-processing industry. The 2 billion mark restructuring plan of 1977 which is described by Esser and Vāth in their contribution to this study, might have worked but for the renewed and much more serious crisis in 1980. In spite of slashing crude steel production by 37 per cent between 1977 and the end of 1982 the Saar steel industry was again at the point of collapse and was in desperate need of a new

<sup>29</sup> *La Repubblica*, 24 March 1983.

<sup>30</sup> *Financial Times*, 24 March 1983.

<sup>31</sup> CARINI Alessandra in *La Repubblica*, 3 February 1983.

<sup>32</sup> *La Repubblica*, 7 September 1983.

<sup>33</sup> *Financial Times*, 5 January 1984.

<sup>34</sup> *La Repubblica*, 7 July 1983.

<sup>35</sup> *La Repubblica*, 15 November 1983.

<sup>36</sup> *Financial Times*, 17 February 1981.

<sup>37</sup> *Il Sole - 24 Ore*, 11 September 1983.

<sup>38</sup> *Financial Times*, 13 November 1981.

<sup>39</sup> *La Repubblica*, 3-4 October 1982.

<sup>40</sup> GOUAZE, 1982.

government-aided restructuring plan.<sup>41</sup> It was baled out by two hefty injections of State capital in 1982 and in 1983, but was still deep in trouble in 1984. By that time the steel crisis had spread to the industrial heartland of the Ruhr and other parts of Germany. West German crude steel production which stood at 53 million tonnes in 1974 dropped to only 36 million tonnes in 1983. No major steel firm was spared in the catalogue of collective misery. Thyssen, the biggest private steel producer in Western Europe, ran into acute financial problems from 1981 (when it lost 68 million marks), problems which worsened in 1982 and again in 1983 when the Thyssen group, largely, because of steel, omitted its dividend for the first time since 1956. In November 1983, Thyssen unveiled a project entitled 'Concept 900' which involved a cut-back in steel capacity and a loss of up to 10,000 jobs by 1985.<sup>42</sup> Klöckner, after breaking even in 1980, dipped sharply into loss in 1981 when it had 'the worst result for thirty years'.<sup>43</sup> The source of Klöckner's troubles was its Bremen works, Europe's most modern wide-strip mill, which cost 1 billion marks, but which came into operation in 1973 at the time of the first steel crisis and when there also developed a parallel crisis in the ship-building industry which it was designed to serve. By September 1982 it was working at only 48 per cent capacity, and by February 1983 Klöckner, the fourth biggest steel firm in Germany, was threatened with *vergleich*, composition proceedings to allow protection from creditors.<sup>44</sup> Shortly after, in March 1983, the holding company of Willy Korf's battered steel and engineering group was declared bankrupt, after failing to gain a court-supervised debt settlement.<sup>45</sup> By this stage it was calculated that losses in the West German steel industry were running at 1 million marks per day per company.<sup>46</sup> In January 1983 the industry went to Bonn, requesting aid worth 15 billion marks,<sup>47</sup> and in response the government insisted on a vast rationalisation programme within a framework recommended by three 'moderators' appointed by the government. The plan was never implemented, however, being the victim of bitter inter-firm rivalries (see below).<sup>48</sup>

The extent of the European crisis may be grasped by looking briefly at the financial performance of the steel producers. It is, of course, extremely difficult to make direct comparisons between the various producers, because they differ so sharply in product mix, their degree of integration and the extent of their diversification. And to complicate matters, taxation systems and accounting methods (which are important in assessing key factors such as depreciation allowances) differ from country to country. Financial comparisons must, therefore, be treated with caution.<sup>49</sup> Nevertheless, they do give some very clear

<sup>41</sup> For details see *Financial Times*, 11 December 1982.

<sup>42</sup> *Financial Times*, 9 April 1983, 24 January 1984 and 3 February 1984.

<sup>43</sup> *Financial Times*, 3 March 1983.

<sup>44</sup> *Financial Times*, 3 March 1983.

<sup>45</sup> On *Vergleich* see DYSON, 1984.

<sup>46</sup> *Financial Times*, 18 January 1983.

<sup>47</sup> *Financial Times*, 18 January 1983.

<sup>48</sup> DYSON, 1984: 35-37.

<sup>49</sup> KEELING, 1982.

indication of the parlous state of the West European steel firms during this crisis period.<sup>50</sup> A few figures on the losses made in each country underline the point.

In Luxembourg, Arbed incurred losses of more than 20 billion Luxembourg francs between 1974 and 1982,<sup>51</sup> while in Belgium, the losses of Cockerill-Sambre mounted throughout the 1970s and early 1980s (see the chapter by Michel Capron), but particularly after 1979 (a good year in which it made losses of 'only' 2.4 billion Belgian francs, compared with 7.3 billion in 1977 and 6.4 billion in 1978): in 1981 and 1982 it lost 17 billion and 12 billion Belgian francs respectively – huge and politically damaging figures. The disastrous losses of the French steel industry<sup>52</sup> may be appreciated by looking at the figures after 1980: in that year Usinor lost 1.2 billion French francs and Sacilor 1.9 billion (on a turnover of 10.7 billion); in 1981 Usinor tripled its losses to 3.9 billion and Sacilor increased its losses to 2.8 billion; in 1982 and 1983 the combined losses of the two State groups were evaluated at over 8 billion French francs (when the Government was optimistically projecting losses of 2.6 billion) which were more than the new capital endowments accorded by the Socialist government.<sup>53</sup> It was also admitted in 1983 that losses would continue for 'three or four years'.<sup>54</sup> In the United Kingdom the private steel sector remained in profit throughout the 1970s but after 1979 it joined BSC as a loss-maker.<sup>55</sup> BSC made a profit in only four years during the 1970s, and not once after 1976:

*Profits and Losses of BSC 1974–1983*

<i>Year</i>	<i>Results £</i>
1974–75	+75
1975–76	–255
1976–77	–95
1977–78	–433
1978–79	–309
1979–80	–545
1980–81	–668
1981–82	–358
1982–83	–869

By the end of 1983 the signs were that the worst was over, but the Corporation was still losing 3.5 million pounds a week or 16 pounds on every tonne of steel produced.<sup>56</sup> Acquiring reliable and consistent figures for the losses of Finsider is

<sup>50</sup> KEELING, 1982: 48–49; For other comparative data see WOOLCOCK, 1982: 56; RIVET, 1978: 105; *Economist*, 24 September 1977; *Financial Times*, 4 July 1979.

<sup>51</sup> 3 billion in 1975, 1.3 billion in 1976, 4.6 billion in 1977, 1.9 billion in 1978, 218 million in 1979, 1.6 billion in 1980, 3.2 billion in 1981 and 4.3 billion in 1982. See ALS, 1982; *Financial Times*, 23 April 1983.

<sup>52</sup> *Actualités industrielles lorraines*, October 1981: 2–20.

<sup>53</sup> *Financial Times*, 16 April 1981, 18 June 1981, 28 September 1983, 15 November 1983.

<sup>54</sup> *Le Monde*, 3 and 15 November 1983; *Financial Times*, 3 November 1983.

<sup>55</sup> COTTRELL, 1981: 155, 177.

<sup>56</sup> *Financial Times*, 9 December 1983.

not always easy,<sup>57</sup> but what is clear is that the group's losses escalated during the crisis. After 1974 Finsider made no further profits, and between 1974 and 1982 losses per worker multiplied eight-fold, from 2.5 million lire to 20 million, and this figure was expected to climb to 40 million for 1983. By 1982 Finsider's losses accounted for about two-thirds of the colossal losses of IRI.<sup>58</sup> In West Germany, some companies fared better than their European rivals in the 1970s. Others, however, shared the general misery: the steel industry of the Saarland piled up vast losses every year, whilst Krupp made profits in 1974 and 1979 only, but none in the intervening years. Overall, the financial performance of the German steel industry was poor: it was calculated to have lost some 10 billion marks between 1975 and 1982, and the outlook was not promising. By Spring 1983 the industry was losing 1 million marks per day per company and the total loss for the year was forecast at 3 billion marks.<sup>59</sup>

The indebtedness of the industry also reached alarming proportions.<sup>60</sup> In 1975 debts as a proportion of turnover ranged from 100.1 for Italy, 99.8 for France, 44.6 for Great Britain, 37.4 for Luxembourg, 34.0 for Belgium and 16.0 for West Germany. During the crisis years the burden of interest repayments was to become crippling for some companies: already by 1978 the interest repayment per tonne of steel represented for Italsider (the major bulk-steel subsidiary of Finsider) £ 29.9, for Sacilor £ 17.1, for BSC £ 12, for Klöckner £ 11.4, for Cockerill £ 10.8, for Arbed £ 7.7, for Krupp £ 7.1, for Thyssen £ 6.5, for Mannesmann £ 5.8 and for Salzgitter £ 5.4.<sup>61</sup> The intensification of the crisis in the 1980s turned precarious financial balance-sheets into catastrophies and most firms were collapsing under the burden of financing debt. By the end of 1982, Saarstahl was 2.8 billion marks in debt for a turnover of 2.1 billion marks,<sup>62</sup> and as already noted, Klöckner was threatened with *vergleich* and Willy Korf's holding company was in danger of being declared bankrupt. In Luxembourg, by the same date, Arbed had accumulated debts worth 55 billion Luxembourg francs, and was servicing that debt to the tune of 5 billion Luxembourg francs a year – a situation which represented '*une fragilité mortelle*' according to Jean Gandois, the expert called in by the government to assess the ailing company.<sup>63</sup> The Belgian steel industry borrowed heavily to cover its debts, thus increasing its debt burden, and a dangerous spiral was created: between 1974 and 1977 debts increased from 20 per cent to 61 per cent of turnover,<sup>64</sup> although, as Michel

<sup>57</sup> See AUDIER, 1980: 578; *Mondo Economico*, 25 July 1983; *La Stampa*, 11 December 1982; *La Repubblica*, 3–4 October 1982, 28 May 1983, 28 June 1983; *Financial Times*, 17 June 1983; *Le Monde*, 3 March 1981.

<sup>58</sup> *Mondo Economico*, 25 July 1983; *Panorama*, 18 July 1983.

<sup>59</sup> *Financial Times*, 18 January 1983 and 4 May 1983.

<sup>60</sup> STOFFAES, 1980: 502, and by the same author 1979: 121; *Le Monde*, 14 December 1976; RIVET, 1978: 107.

<sup>61</sup> The figures are those of the ISTC quoted by DOCHERTY, 1983: 144; See also *Financial Times*, 4 July 1979.

<sup>62</sup> *Financial Times*, 9 November 1983.

<sup>63</sup> *Le Monde*, 4 May 1983, 17 May 1983.

<sup>64</sup> AUDIER, 1980: 57.

Capron points out in his chapter, a high proportion of the debt repayment was going into the coffers of the financial interests which controlled the industry.<sup>65</sup> By the time of the 1978 restructuring plan Cockerill confessed to medium and long-term debts of more than 32 billion Belgian francs and short-term debts of 10 to 15 billion Belgian francs.<sup>66</sup> By all normal commercial criteria BSC was totally bankrupt: already by 1979–1980 it had 1,289 million pounds in long-term debt obligation.<sup>67</sup> But being a statutory body it could not be liquidated like a private sector enterprise, and taxpayers were left to fund the debt, through the process of writing off vast capital sums (see below).

Heavy debts were always a feature of the post-war French steel industry, and by 1965 the industry's debts already represented 70.7 per cent of turnover – a figure which rose, largely as a result of its audacious investment policies, to 100 per cent in 1975 and 1976<sup>68</sup> and 111 per cent in 1977 (compared with 22 per cent in West Germany).<sup>69</sup> On 1 January 1978 the industry had medium and long-term debts standing at 38 billion French francs, compared with the 1977 turnover of 34 billion, and servicing the debt reached 14 per cent of gross sales.<sup>70</sup> With the industry on the verge of bankruptcy the State had to move in and take a direct stake and to attempt to reduce the weight of interest charges to 5 per cent. However, five years later, in 1983, financial charges were hovering just below 10 per cent (compared with 2 or 3 per cent for West Germany).<sup>71</sup>

The European steel company to suffer most from debt charges was unquestionably Finsider which was a heavy investor and which had to borrow heavily – generally through short-term loans which attracted very high interest rates, especially after the cost of money sharply increased in Italy after 1974.<sup>72</sup> Finsider was vastly undercapitalised because endowment funds to IRI which were channelled by the Treasury were inadequate and generally arrived very late (see below). By 1983 Finsider's debt was put at 4,000 billion lire – a situation described as '*un buco nero di cui non si vede il fondo*'.<sup>73</sup> Servicing the debt ranged from 15 to 25 per cent of total turnover during the period<sup>74</sup> – a demoralising situation: in 1979 and 1980, for example, Italsider enjoyed operating profits but these were obliterated by debt service charges.<sup>75</sup>

By the winter of 1983–1984, therefore, the European steel industry was in a disastrous state, with no country and no firm (private or public) spared, with

<sup>65</sup> See also CAPRON, 1981.

<sup>66</sup> *Le Soir* (Brussels), 8–9 February 1981.

<sup>67</sup> COTTRELL, 1981: 163; REDWOOD, 1980: 81–82.

<sup>68</sup> *Le Monde*, 14 December 1976; *Economist*, 8 January 1977; BOUBLIL, 1977: 269–270; *Expansion*, 23 November 1979 and 19 January 1980; STOFFAES, 1979: 117; AUDIER, 1980: 562–565; GALAMBERT, 1982: 90.

<sup>69</sup> *Le Monde*, 27 September 1978.

<sup>70</sup> *Economist*, 19 January 1980.

<sup>71</sup> *Financial Times*, 28 September 1983; *Le Figaro*, 24 January 1984.

<sup>72</sup> CAPANNA et al., 1979: 25–26.

<sup>73</sup> *Panorama*, 18 July 1983: 115.

<sup>74</sup> *Le Monde*, 24 February 1981, 3 March 1981; *Financial Times*, 7 April 1981.

<sup>75</sup> *Economist*, 21 March 1981, 23 May 1981; *Financial Times*, 20 March 1981.

punishing losses and colossal debts, with virtually new plant being scrapped,<sup>76</sup> or moth-balled and all plant being under-utilised, and with steel communities left devastated. Moreover, in spite of huge capital write-offs and a vast and costly adjustment programme involving modernisation, rationalisation and savage contraction the prospects for the decimated industry and workforce remained gloomy.

A detailed account of the reasons for the European steel crisis of 1974–1984 is given in the chapter in this work by Patrick Messerlin, and has also been provided by many other authors.<sup>77</sup> Yet it is important briefly to summarise the reasons, because they point to the nature of the task confronting the European States in dealing with the crisis. More specifically, an analysis of the causes indicates that some of the problems of the bulk steel industry were beyond the ability of individual nation States to influence, because they were linked to the state of the world economy, to the uncoupling of steel demand and general economic growth, to technological changes within the steel industry, and to the changing pattern of world steel production – the so-called ‘new geography’ of steel. Moreover there was a second set of important problems situated at plant or firm level – the ‘micro-industrial level’ – which could be solved only at that level. In other words, an analysis of the reasons for the crisis indicates the nature of the problems facing the European States but also defines the limits of their capacity to solve them.

There were three general causes for the crisis which affected the entire European industry:

– *The secular decline in the demand for steel* due to the changing elasticity of steel demand. As the structure of an industrialised economy develops the relative position of heavy steel-intensive industries declines: present and future growth industries such as space technology, telecommunications, information technology, robotics, bio-technology, services and leisure industries use relatively little steel. Steel is dependent on sectors which are themselves in decline (ship-building, railways, the steel industry itself). The secular decline in steel demand is related, too, to product-substitution, as steel is being increasingly replaced by materials such as aluminium, plastics, resistant glass and ceramics, which are light and strong, functional at high temperatures, enjoy superior electrical and magnetic qualities, and are energy efficient in manufacture and use.<sup>78</sup> Finally,

<sup>76</sup> For example the steel plant of Neuves-Maisons was closed before producing a kilo of steel; the Valfil plant in Belgium started production at the end of 1983 and was closed at the beginning of 1984; two direct reduction plants at Hunterston in Scotland, built in 1979 at a cost of over £ 60 million, lay idle for over three years. See *Economist*, 14 February 1981; *Le Soir*, 17 November 1983.

<sup>77</sup> See also OECD 1980; the two works of HOGAN, 1972, 1983; COCKERILL, 1974; STORA, 1979; WITTMANN and THOUVENOT, 1972. There are good summaries in a special issue of *Mondo Economico*, 33, No. 46, 25 November 1978; by GOLD 1982: 45; BALLANCE and SINCLAIR, 1983: 104–128.

<sup>78</sup> *Financial Times*, 16 December 1982 on the ten year research programme of the Japanese Ministry of International Trade and Industry into these materials.

improvements in steel technology and processes such as continuous casting for liquid steel, rolling and finishing, mean that steel-makers' requirements of crude steel per unit of finished steel is reduced. Since steel is now better, stronger and lighter less is required in ships, cars, machinery, bridges, rails. It has been calculated that a constant level of activity involves a fall of two per cent in steel consumption.

– *The 'changing geography of steel'* or the strengthening of traditional and the emergence of new steel producing competitors: in 1960 sixty countries produced steel, by 1980 this number had risen to ninety. The meteoric rise of the Japanese steel industry in the 1960s – perhaps the major cause of the structural imbalance in the world steel industry<sup>79</sup> – was accompanied by the steady expansion of the steel enterprises of the USSR, of China and of the East European countries, and followed by the emergence of countries such as South Korea, Brazil, Venezuela, India and Mexico as steel producers. The consequences of increased competitive pressures in the post-1974 recession were felt quickly in Western Europe – not so much in terms of import penetration (by 1980 the EEC imported only 10.8 million tonnes of crude steel) or the decline in the share of the world's steel production of the EEC producers (although this was relatively sharp), but rather in terms of the protectionist responses these pressures provoked on the part of steel customers such as the USA, and the destabilising impact they had on the market generally. A relative general decline in steel prices was punctuated by sudden collapses: in 1981, the price of steel in real terms was only 75 per cent of the pre-crisis price.<sup>80</sup> It was this chronic instability in prices which pressurised European countries into some form of EEC coordinated response.

– *The general post-1974 world recession* in which heavy capital goods were first to feel the impact, and in which the steel industry was disproportionately hit. All European steel industries were affected by the collapse of internal demand which resulted from the general recession, but none more so than the United Kingdom industry:<sup>81</sup> between 1972 and 1981 internal demand fell by 37 per cent in the United Kingdom, compared with 21 per cent in France, 18 per cent in West Germany, 15 per cent in Belgium and Luxembourg – and an increase of 9 per cent in Italy.<sup>82</sup> By 1982 demand for steel was at its lowest point since 1951, and the four sectors which accounted for three quarters of steel consumption were all in decline.<sup>83</sup> The car industry was especially badly affected: between 1974 and 1982 the number of cars produced in the United Kingdom fell by 50 per cent, compared with 'only' 22 per cent in France and 27 per cent in Italy.<sup>84</sup> BSC, which underwent a vast and costly restructuring programme in the 1970s and early 1980s, was faced with this catastrophic situation: as one expert noted, 'the great tragedy of British steel is not the decline of BSC but the decline in the British

<sup>79</sup> *Economist*, 31 December 1977.

<sup>80</sup> *Financial Times*, 9 November 1981.

<sup>81</sup> *Financial Times*, 28 June 1982; COCKERILL, 1980.

<sup>82</sup> MORGAN, 1983: 185–187.

<sup>83</sup> AYLEN, 1982.

<sup>84</sup> *Financial Times*, 28 June 1982.

manufacturing industries', or as another observer put it, 're-equipment of BSC became over-investment because of under-investment in the general private sector'.<sup>85</sup>

Apart from these secular or general causes, there were other country-specific factors contributing to the woes and weaknesses of the steel industry:<sup>86</sup>

– *The fragmented industrial structure of the industry*, as in Belgium,<sup>87</sup> the United Kingdom<sup>88</sup> and Italy<sup>89</sup> where there was lack of internal co-ordination within the State-controlled industry and between it and the private sector. In France inter and intra-firm rivalries had highly damaging effects<sup>90</sup> and even after the rationalising programmes of the 1970s wasteful duplication was still widespread.<sup>91</sup> The nationalisation of the steel industry and the creation of *ad hoc* co-ordinating arrangements between the two State groups made little difference: the arrangements did not work, and the continuing rivalry between Sacilor and Usinor led Raymond Levy, head of the latter, to comment that '*je ne vois pas la nécessité de la concurrence entre l'Etat et l'Etat*'.<sup>92</sup> However, it was probably in West Germany that inter-firm rivalry was strongest, provoking endless attempts to rationalise the industry, all of which fell victim of that rivalry (see below).

– *Archaic plant* in the 1970s in the United Kingdom,<sup>93</sup> Belgium (Cockerill was responsible, for example, for the maintenance of over 300 kilometres of rail track<sup>94</sup> whereas no Japanese firm maintained more than 50 kilometres), France and West Germany (not only in the Saar industry, but also on the Ruhr).<sup>95</sup> The move to the coastal sites took place too late and often did not replace the traditional and unprofitable areas.<sup>96</sup>

– *A failure rapidly to adopt process innovations*, as in the United Kingdom<sup>97</sup> and

<sup>85</sup> Quoted in *Financial Times*, 28 June 1982 and *Guardian*, 23 April 1980.

<sup>86</sup> For the European situation, see RIEBEN, 1977. For useful summaries see KEELING, 1982; BAUMANN, 1982; STORA, 1980; EUROPEAN ECONOMIC COMMUNITIES 1981.

<sup>87</sup> WASSEIGE, 1978: 465.

<sup>88</sup> BRYER, BRIGNALL, MAUNDERS, 1982; *Financial Times*, 10 November 1983 on the struggles within BSC between Llanwern and Ravenscraig for new investment to keep down their unit costs.

<sup>89</sup> It was suggested that Taranto alone could meet the demand of the Italian crude steel market (see *La Repubblica*, 21 July 1983); on the general problem in Italy see BASCONE and FIGLIOLIA, 1978; *La Repubblica*, 5 July 1983.

<sup>90</sup> HAYWARD, 1974: 269; STOFFAES and GADONNEIX, 1980; BELLON and CHEVALIER, 1983: 146.

<sup>91</sup> A case in point was the abandonment of Chiers-Chatillon's brand new steelworks at Neuves-Maisons in Lorraine before completion because it duplicated a modern Usinor plant at nearby Longwy. *Economist*, 23 September 1978.

<sup>92</sup> *Le Monde*, 29 September 1983.

<sup>93</sup> COCKERILL, 1974: 444.

<sup>94</sup> MOERS, 1977.

<sup>95</sup> Thyssen Hütte in the 1970s was maintaining 600 km of rail track. GOUAZE, 1982: 58–59.

<sup>96</sup> GILLON, 1977: 412.

<sup>97</sup> AYLEN, 1980: 200.

Belgium. European steel technology in the 1970s was generally antiquated compared with that of the Japanese.

– *Relatively high energy costs almost everywhere* in Europe compared with countries such as Mexico and Venezuela.

– *Overmanning*, with labour in most European industries which was well-paid compared with competitors from the industrialising world, which enjoyed substantial fringe benefits, and whose productivity was relatively low.<sup>98</sup>

– *The frenetic and uncoordinated investment programmes of the late 1960s and early 1970s* based on unwarranted expectations, and which led to overcapacity<sup>99</sup> when the crisis broke.

– *The increasing costs of anti-pollution legislation;*

– *the impact of heavy taxes at national and local level;*

– *over-dependence on exports*, as in Belgium<sup>100</sup> and Luxembourg;

– *overspecialisation and overdependence on bulk steel* as the result of insufficient diversification, as in Belgium, France, the Saar in West Germany, and in the United Kingdom;

– *the burden of high debt levels*, and the cumbersome and costly system of financing investment, as in France<sup>101</sup> and in Italy;<sup>102</sup>

– *import penetration*, as in the United Kingdom, West Germany and France;<sup>103</sup>

– *import penetration of steel-intensive goods*: for instance, car imports into the United Kingdom reduced the home steel market by 1 million tonnes of crude steel;<sup>104</sup>

– *undercapitalisation of the industry*, particularly in Italy<sup>105</sup> (although this has been vigorously denied by some)<sup>106</sup>;

– *the excessive optimism of steel decision-makers* everywhere in Western Europe.

Even after the crisis had broken the underlying, if often unspoken, assumption was one of growth: too many decision-makers perceived the post-1974 steel crisis as a short-term cyclical down-turn.<sup>107</sup> The result of such optimism was a series of unjustifiable decisions,<sup>108</sup> and the tolerance of over-capacity (in some

<sup>98</sup> COCKERILL, 1974: 44.

<sup>99</sup> DEBRA, 1977; INSTALLE, 1975; BOCCA, 'L'avventura dell'acciaio', *La Repubblica* 19 July 1983; *Le Monde*, 14 December 1976; MANUELLI, 1974; STOFFAES, 1980: 122.

<sup>100</sup> AUDIER, 1980: 575; MALEZIEUX, 1977.

<sup>101</sup> BELLON and CHEVALIER, 1983: 122.

<sup>102</sup> See below. See also SARACENO, 1977; *Financial Times*, 28 May 1983; *La Repubblica*, 3–4, 30 October 1982, 29 June 1983; FAUSTO, 1982; ADANI, 1981; CAPANNA, et al., 1979: 26–27, 35–36.

<sup>103</sup> BELLON and CHEVALIER, 1983: 145; MORGAN, 1983: 187; *Economist*, 19 November 1983.

<sup>104</sup> WOOLCOCK, 1982: 95.

<sup>105</sup> MUSSATI, 1981.

<sup>106</sup> Giorgio La Malfa, when Budget Minister, asserted that one of the problems of Finsider was not scarcity of funds but their excess. See *Paese Sera*, 30 October 1981.

<sup>107</sup> On Italy, CAPANNA, 1979: 50–51; on France, PADIOLEAU, 1981; on Belgium, CAPRON, 1981: 86–89.

<sup>108</sup> CAPRON, 1981: 88–89.

countries capacity even increased between 1974 and 1981).<sup>109</sup> Only slowly and reluctantly did decision-makers accept that long-term changes were occurring, requiring radical responses and painful solutions. Yet even in the 1980s, in spite of all the evidence, many persisted in their over-optimism which in some cases bordered on the extravagant and the perverse.<sup>110</sup> Perhaps some of the optimism was understandable. In the first place, the industry was prone to cyclical recession, with down-turns being followed by recovery and growth to new high points (1957, 1961, 1965, 1970, 1974), so that there was an ingrained habit in periods of crisis of waiting for the good years to return. Secondly, forecasting in the industry was traditionally unreliable, and steel-makers were sceptical of the relentlessly bleak projections being made. Finally, the illusion that the crisis was cyclical and not structural in character was sustained by the fact that not all the years in the period 1974–1984 were disastrous. 1979, for example, was a boom year in certain countries (almost all German steel firms moved into the black), before the boom was destroyed by the new crisis triggered off by American protectionism, the upheaval in Iran, and the breakdown of the EEC voluntary quota system because of the indiscipline of certain steel enterprises.<sup>111</sup> It was, therefore, not altogether surprising that firms were sometimes reluctant to close plant and shed skilled labour which might be needed quickly in the event of an up-turn.

Finally, when analysing the causes of the West European steel crisis mention must be made of a series of problems at the level of the plant: managerial instability or incompetence; short-sighted sales policies<sup>112</sup> or unreliability in supplying steel;<sup>113</sup> poor labour relations manifested in excessive manning levels, inflexible work practices, absenteeism, demarcation disputes and disruptive and costly strikes.<sup>114</sup>

It is important, therefore, in order to assess the causes of the European steel crisis to disentangle the industrial, the economic and the technological factors,

<sup>109</sup> *Economist*, 7 February 1981.

<sup>110</sup> As late as 1981 Finsider was forecasting a growth in consumption of 7 per cent, *Il Sole – 24 Ore*, 5 October 1982. On the general optimism of Finsider, see *Panorama*, 18 July 1983: 19; and PONTARELLO, 1983; the Belgian Government's May 1981 restructuring plan was based on untenable assumptions about prices and output, *Financial Times*, 9 March 1982; and Vandestrück, Managing Director of Cockerill-Sambre, was still talking in the Winter of 1982 of the need to 'passer le cap du creux conjoncturel', *Le Monde*, 25 November 1982; the French Socialist government's Plan of Summer 1982 was based on the most optimistic of the three scenarios contained in a report by Professor Judet whose most pessimistic projections were to prove over-optimistic, *Le Monde*, 25 November 1982 and 29 September 1983. The underlying assumptions of the BSC 1979 Plan were openly admitted by the management to be optimistic, *Financial Times*, 25 February 1981; in August 1981, the West German Steel Baron Willy Korf expressed his belief in the future expansion of the steel industry, *Financial Times*, 3 August 1981.

<sup>111</sup> RENARD, *Le Monde*, 9 October 1980.

<sup>112</sup> MOERS, 1977: 384–385.

<sup>113</sup> *Economist*, 28 May 1977; *Financial Times*, July 1979 on BSC.

<sup>114</sup> AYLEN, 1982: 74–75.

and to distinguish the international from the national and the local. West European States, when attempting to manage the crisis were not confronted with a common problem, but a problem with common elements. Each State was also obliged to face problems peculiar to its own steel industry, problems related to the timing, the extent and the nature of the crisis. It is equally clear that any analysis underlines the fact that some problems of the industry (the secular and the international) fall outside the control of any single State, while the solution of others (those at the level of the plant notably) depends largely on other local actors.

It is possible to interpret the crisis of the steel industry as yet another example of the accumulation crisis of Western capitalism,<sup>115</sup> and the restructuring process as part of a wider political strategy to create the optimal conditions for private capitalist accumulation.<sup>116</sup> On the other hand, there are those who argue that the problems of steel were to be found in the industry's failure to rapidly adjust to the healthy pressures of the market place, and that the restructuring of the industry, though belated, is the sign of capitalism's capacity for renewal. Observers also disagree when attributing responsibility for the crisis. Some put it at the door of the workers who are accused of being too numerous, overpaid, insufficiently assiduous, inadequately skilled or motivated, obsessed with job security, unimaginative, resistant to change, inflexible in defending intolerable manning levels and abusive work practices, zealous only in the exercise of their disruptive strike power.<sup>117</sup> There is some truth in some of the allegations, but the claims should not be exaggerated. The workforce in every steel industry in Western Europe during the period of the crisis were to make concessions in terms of wages, manning levels and work practices, were to embrace new technology and drive up productivity. The steel workers of BSC, who enjoyed a notorious reputation, were to be highly praised for their cooperation, hard work and understanding in improving the industrial performance of the group by MacGregor, Chairman of the Corporation and a man not known for his generosity of spirit.<sup>118</sup>

For other observers, the problems of the industry must be placed on the shoulders of the owners or their bankers who are accused of failing to coordinate their activities and of imposing a financial and not an industrial logic upon the

<sup>115</sup> BRUENNING and ZUNDEL, 1981: 13; BIESMANS, JOIRIS, OPTEINDE, 1976; CAPRON, 1981: 94-95; JOYE, 1978: 17-27; MARX, 1980: 134.

<sup>116</sup> MORGAN, 1983.

<sup>117</sup> On the uneconomically high salaries in Belgium see the complaint of Baron Van der Rest, quoted in BIESMANS, *et al*, 1976. GOUAZE, 1982: 66 (for West Germany); and on Italy ADANI, 1981: 70-72 and BARISI, 1982. On the inflexibility of the workforce, absenteeism and strikes in the British steel industry, *Economist*, 21 January 1978; AYLEN, 1980; COTTRELL, 1981: 111-112, 118-120; in the Italian steel industry, PONTAROLLO, 1983: 46; SABATINO, 1979: 105-106, (Sabatino points out that between 1969 and 1976 strikes cost the Italian industry 8 million tonnes - a record which was worse than the rest of the EEC combined); in the Belgian steel industry VANDEBOSCH, 1981.

<sup>118</sup> MACGREGOR, 1982.

steel groups.<sup>119</sup> Or the managers are blamed for their over-optimism, their weakness,<sup>120</sup> their incompetence,<sup>121</sup> their unwillingness or inability to strike up a proper relationship with the workforce,<sup>122</sup> for their tolerance of technological obsolescence, and for their lack of interest in the quality of the product and in an active exports policy.<sup>123</sup> The management of Finsider was the object of several bilious attacks and not a few calls for resignations.<sup>124</sup> Again, the accusations are not totally without foundation. But they are excessive, for they fail to appreciate the extraordinary constraints upon owners and managers, and those constraints were imposed by an unstable and unpredictable market, by other steel owners and managers, in some cases by a powerfully unionised workforce (at the outset of the crisis) and in almost all cases by the State.

Finally, the industry's ills have been viewed as the inevitable consequence of persistent State intervention. The State is accused of a variety of sins which range from its distortion of the laws of the market to its unwillingness to distort those laws by refusing essential protectionism (a frequent complaint of the Left and of the unions). It is blamed for destroying initiative and enterprises through nationalisation,<sup>125</sup> for interfering in too detailed a fashion in the business of management,<sup>126</sup> for saddling the industry with the duty (often of a statutory nature) to take account of the social effects of its actions,<sup>127</sup> for delaying, for political reasons, the implementation of management's plans,<sup>128</sup> for holding down steel prices (a constant complaint of the industry),<sup>129</sup> and for imposing major decisions about location and closures upon reluctant owners and managers (see below for numerous examples.) Now, many of these allegations are perfectly well founded, and are substantiated later in this Introduction and throughout the remainder of this work. State interventionism could be very costly: for example, BSC's 1973 investment plan was mauled by a Conservative government and its Labour successor for some three years, during which time costs escalated from

<sup>119</sup> An attitude widely shared on the political Left. For a typical view see REMÉ, 1982; see also *Le Soir*, 8–9 February 1981 for the views of the Belgian F.G.T.B.

<sup>120</sup> *Panorama*, 18 July 1983: 115; COTTRELL, 1981: 118–119.

<sup>121</sup> BRYER, *et al.*, 1982; GOUAZE, 1982: 65.

<sup>122</sup> DOCHERTY, 1983: 159–160.

<sup>123</sup> *Le Monde*, 25 November 1982.

<sup>124</sup> See for example the barely disguised demands of Enrico Manca, Chairman of the Industrial Commission of the Chamber, for the resignation of the management of Finsider at a meeting in Rome in January 1983. For details see *La Repubblica*, 14 January 1983.

<sup>125</sup> See, for example, the remarks of Sir Keith Joseph in *Hansard*, 24 February 1981: 749.

<sup>126</sup> One of the major themes of GOUAZE, 1982, and COTTRELL, 1981.

<sup>127</sup> *Economist*, 3 May 1975.

<sup>128</sup> COCKERILL, 1974: 448–450; AYLEN, 1980: 227–228 for the UK; *Le Monde*, 29 July 1981 for Belgium; RENARD, 1979, 'Crise de la sidérurgie', *Le Monde* (dossiers et documents), for France; *La Repubblica*, 3–4 October 1982 for Italy.

<sup>129</sup> BSC, according to Professor Silberston (*Financial Times*, 4 September 1980), had estimated that had it not been for pressure to hold down prices between 1967 and 1975, an additional £ 783 million of revenue would have been generated. See also MORGAN, 1983: 185; on France, see Chambre Syndicale de la Sidérurgie, 1978.

£ 3 billion to £ 4 and a half billion,<sup>130</sup> while delays in providing Finsider with funds for recapitalising which had been voted by Parliament cost the firm an estimated 100 billion lire.<sup>131</sup> Attempts have been made to calculate the cost of Government intervention and the value of its assistance but they often result in widely differing results: for instance, one calculation about BSC claims that assistance was no greater than the cost of intervention,<sup>132</sup> whereas another suggests that about half the money given by the State was to compensate for the impact of government policies.<sup>133</sup> There are, in fact, enormous problems in calculating the balance sheet. The industry is always ready to point out the cost of price pegging, of maintaining unprofitable plant or of being forced to buy energy from State enterprises at above the world market price,<sup>134</sup> but it is naturally more discreet when assessing the cost to the State of the vast panoply of direct and indirect subsidies it receives. Some authors have claimed that State aids of various sorts are 'more often drugs than vitamins'<sup>135</sup> but there is no doubt that in the case of the European steel industry they were vital. Indeed, the experience of the United States steel industry suggests that innovation and investment cannot always be left to the market.<sup>136</sup> It is also worth pointing out that State interventionism was not infrequently the result, and not the cause, of the industry's inadequacies and inefficiencies,<sup>137</sup> and the damaging consequences have been exaggerated<sup>138</sup> or have been more than counterbalanced by the beneficial effects.<sup>139</sup> In truth, there are various types and degrees of interventionism, and all too often the debate about its impact on the steel industry has been obscured by ideological arguments about the desirability and legitimacy of State interventionism in general. If responsibility for the problems of the industry is to be attributed, it must be done so widely, if not evenly: the State, the firms and the unions were all, in some measure, guilty.<sup>140</sup>

## II. State Intervention – The Extent and Nature

State intervention in the steel industry during the crisis could be modernising and innovative in nature or defensive, being designed to sustain or ensure the orderly contraction of the industry. It could be industrial, economic, financial, political

<sup>130</sup> *Economist*, 3 May, 9 August 1975.

<sup>131</sup> *La Repubblica*, 7 September 1983.

<sup>132</sup> COCKERILL, 1974: 455.

<sup>133</sup> According to the British Iron and Steel Consumers Council, *Financial Times*, 4 March 1981.

<sup>134</sup> DENTON, O'CLCEIREACAIN and ASH, 1975: 280; COCKERILL, 1974: 453.

<sup>135</sup> MOLITOR, 1980.

<sup>136</sup> AYLEN, 1980; WARNECKE, 1981; STRANGE and TOOZE, 1981: 137–149.

<sup>137</sup> Between 1971 and 1975 the French steel industry had to borrow 17 billion francs out of a total investment of 20.7 billion. BOUBLIL, 1977: 269–270.

<sup>138</sup> BOUBLIL, 1977: 226–230 and STOFFAES, 1977: 119 on the impact of price pegging.

<sup>139</sup> DUDLEY, 1979; BRYER, *et al.*, 1982.

<sup>140</sup> One of the arguments of STOFFAES, 1979.

or social in its motivation, and it could take many forms.<sup>141</sup> It involved, for example, increasing State stakes in the ownership of the industry (see below), influencing the choice of the top management of the industry, interfering in steel prices – the most deeply resented form of interventionism,<sup>142</sup> imposing politically motivated decisions relating to closures or location on a reluctant industry (see below), and providing a vast panoply of aids of a direct or indirect nature for a variety of purposes.

No discussion about the steel industry provokes more heat than the issue of State subsidies. And none raises so many problems. As Steven Warnecke has noted, ‘subsidies take such diverse forms and are implemented in so many ways by diverse parts of governments, that the initial question is how to recognise them’.<sup>143</sup> At the general level, of course, the State defines the legal and economic framework of the industry: the general fiscal stance, tariff policy, exchange rate policy, anti-pollution legislation, location of industry strategy, housing policy, industrial research policy, industrial relations legislation, regional policy – all these impinge upon the steel industry. The State can also influence the position of the industry in other ways<sup>144</sup> – by the provision of energy, raw materials and transport at preferential rates,<sup>145</sup> by the creation and maintenance of a suitable physical infrastructure, by the biases in public procurement policies, by aids to research (particularly favoured by the Bonn government),<sup>146</sup> by loans and grants for anti-pollution programmes,<sup>147</sup> and – a marked feature of the crisis – by generous redundancy payments to workers and by help given to the regions affected by the crisis. Aid was also massive in contributing to the all-too frequent rescue and restructuring plans of the industry.

Financial support could take many forms, ranging from cheap loans, loan guarantees, easing debt servicing, converting debt into equity capital, injecting new capital or writing off vast debts:<sup>148</sup> the French 1978 Plan, for example, involved the State taking over the long-term debts of the industry (22 billion francs) by converting them into *prêts participatifs* (a kind of semi-equity funding)

<sup>141</sup> For direct government involvement see the 1978 report of the United Nations Industrial Development Organisation (UNIDO), 1978.

<sup>142</sup> DENTON, *et al.* 1976: 280; AYLEN, 1980: 226; MEADE, LIESNER and WELLS, 1962: 263–264; *Financial Times*, 18 September 1981.

<sup>143</sup> WARNECKE, 1978; see also OHLAN in the same work: 21–23.

<sup>144</sup> For a detailed analysis, see the Annex to the Report to the Council on Aids to the Steel Industry in the period 1975–1980, January 1981; see also RIVET, 1978: 61–62.

<sup>145</sup> For example, Arbed was granted cost-free use of the national railway system, *Financial Times*, 18 April 1978.

<sup>146</sup> The Ministry for Research and Technology of the Federal Republic between 1978 and 1980 approved and financed some two hundred projects relating to research in the steel industry, OLLIG, 1980. Money for research projects was often a means by which Bonn subsidised the modernisation of steel plant, (*Economist*, 1 March 1980, on the grant to Hoesch to build a new steel plant at Dortmund). The steel industry also benefitted from research and development grants within the framework of the *Sonderprogramm Ruhr*.

<sup>147</sup> GOUAYE, 1982: 9.

<sup>148</sup> *Financial Times*, 25 December 1981.

at derisory rates of interest, and a 7 billion franc loan package organised through the Fonds de Développement Economique et Social (FDES);<sup>149</sup> the British Government intervened by writing off the industry's debts (in 1981, for instance, £ 3.5 billion in capital and £ 509 million in loans were written off), by furnishing public loan capital £ 880 million in 1981,<sup>150</sup> by occasional injections of risk capital,<sup>151</sup> or by constantly adjusting upwards the external finance limits of the industry in order to staunch its losses;<sup>152</sup> in West Germany loans could be accompanied by investment grants, research awards or tax concessions. What should be included in any assessment of subsidies to the industry is the subject of controversy – as the row between the EEC and the USA was to show.<sup>153</sup> Should, for example, money which would have been earned had funds been invested at normal market rates be added? The problem is rendered more difficult by the fact that certain subsidies go unreported.<sup>154</sup> Using different criteria very different calculations have been made. The West German Steel Producers' Federation estimated that European steel competitors received some 75 billion marks between 1975 and 1983 whilst West German firms received only 2 to 3 billion marks.<sup>155</sup> The United Kingdom was accused of pouring 24.4 billion marks of subsidies into its steel industry (or 148 per tonne of crude steel and 936 per employee), Italy 23.9 billion marks (or 108 per tonne and 1,074 per employee), France 13.7 billion marks (or 68 per tonne and 3,196 per worker).<sup>156</sup> In 1981, the Federation claimed that in Britain half the cost of producing a tonne of rolled steel came from public money.<sup>157</sup> The United States Commerce Department calculated in 1982 that Hoesch and Thyssen were subsidy-free, that the German national average of state subsidy at 1.2 per cent of fob value was the lowest in the EEC after the Netherlands, but that Röchling-Burbach (the centre of the restructuring process in the Saar) at 8.6 per cent of fob value and Salzgitter (which received regional aid to compensate for being near the East German border) at 3.6 per cent were all subsidised. However, the figures for Salzgitter

<sup>149</sup> *Le Monde*, 10 July 1981.

<sup>150</sup> *Financial Times*, 22 December 1981.

<sup>151</sup> *Economist*, 15 November 1980.

<sup>152</sup> In May 1983, for instance, the Government fixed the external finance limit of BSC at £ 325 million – considerably higher than the 195 million pounds proposed in the public spending White Paper published in February of that year. In 1982–1983 the external finance limit was £ 365 million which was impossible to meet and BSC was given an extra £ 245 million. See *Financial Times*, 20 May 1983.

<sup>153</sup> *Financial Times*, 24 June 1982.

<sup>154</sup> *Financial Times*, 22 March 1983.

<sup>155</sup> *Financial Times*, 21 June 1982. The claim was repeated by Dieter Spethmann, Chief Executive of Thyssen a year later. *Financial Times*, 23 May 1983. A somewhat earlier calculation based on the 1975–1980 figures suggested that the UK steel industry had been subsidised to the tune of 24.6 billion marks (or 185 marks per tonne), Italy 14.3 billion (or 95 per tonne), Belgium 11.1 billion (or 150 per tonne) and France 10 billion (or 75 per tonne). See GOUAZE, 1982: 8.

<sup>156</sup> *Wirtschaftsvereinigung Eisen- und Stahlindustrie*, 1982: 16–17.

<sup>157</sup> *Financial Times*, 18 June 1981.

and Röchling-Burbach were modest indeed when compared with those for Sacilor, Usinor, BSC and Italsider.<sup>158</sup> It was small wonder that Ernst Pieper of Salzgitter and Dieter Spethmann of Thyssen complained so bitterly about the situation – ‘the industry is being destroyed by the united taxpayers of Europe’ – and demanded action from their government and from the EEC.<sup>159</sup> However, using somewhat different criteria, the much criticised BSC was able to demonstrate<sup>160</sup> that in 1981, compared with other EEC producers, it was unduly penalised by political intervention (for instance, keeping loss-making plants open for employment reasons), and by having to pay higher costs for jobs, electricity<sup>161</sup> and fuel oil: the Corporation’s figures suggested an average EEC subsidy for £ 15 per tonne of crude steel, £ 10 for France, £ 19 for Belgium, £ 15 for West Germany and £ 11 for the United Kingdom. The relatively high German subsidy is reached by including the meeting of social costs and the operating costs of the railway and canal systems.

Whatever the basis of calculation it is clear that the sums involved were colossal. Steel became one of the biggest – if not the biggest – recipient of public industrial aid. In Luxembourg, the 1981 Plan involved making available 13.5 billion Belgian francs to help Arbed – its ‘national champion’ and principal exporter,<sup>162</sup> but two years later the government was again obliged to introduce a wide range of tax increases to support the ailing steel giant which announced losses of 4.3 billion Luxembourg francs: value added tax was raised from 10 to 12 per cent, social security contribution from 6.6 to 12 per cent, and taxes on tobacco, alcohol, telephone calls and petrol were also increased.<sup>163</sup> State aid to the Belgian steel industry certainly predated the crisis: 41 per cent of the 29 billion Belgian francs invested in steel between 1967 and 1970 came from State bodies, which also helped the industry by employment bonuses and tax concessions.<sup>164</sup> Aid increased dramatically during the crisis and State-financed rescue operations for the industry were worth more than 100 billion Belgian francs between 1978 and 1983.<sup>165</sup> In Italy, in 1982, of the 1,100 billion lire given by the Fondo di Investimenti e Occupazione to IRI some 800 billion were absorbed by steel (and only 100 billion each to electronics and telecommunications).<sup>166</sup> According to Giorgio La Malfa, Minister for the Budget, subsidies granted in

<sup>158</sup> *Financial Times*, 21 June 1982.

<sup>159</sup> See *Die Zeit*, 21 October 1979; *Financial Times*, 31 March 1981, 18 June 1981, 5 March 1983.

<sup>160</sup> The figures come from a report by a group of consultants Malmgren, Golt and Kingston. See *Financial Times*, 14 March 1983.

<sup>161</sup> According to a study carried out by Industrial Market Research, BSC in 1981 was paying 20–30 per cent more for electricity than the French steel industry and 15–25 per cent more than the German steel industry. See *Times*, 31 March 1981 and *Financial Times*, 13 November 1981.

<sup>162</sup> On the plan see ALS, 1982: 92.

<sup>163</sup> *Financial Times*, 28 April 1983.

<sup>164</sup> INSTALLE, 1974.

<sup>165</sup> See the contribution of CAPRON, 1981: 66; ZEEGERS, 1979.

<sup>166</sup> According to PRODI of IRI: See *La Repubblica*, 7 July 1983.

October 1981 to cover the period until 1985 and worth 6,200 billion lire, were only a little less than those allocated by the State to clear up the aftermath of the great earthquake of Irpinia – and it became increasingly clear that they were totally inadequate.<sup>167</sup>

The British Steel Corporation swallowed up an estimated £ 7,600 million of tax-payers' money between 1967 and 1979.<sup>168</sup> In 1981, when the Conservative government committed another £ 880 million and prepared to write off £ 3.5 billion of the Corporation's capital and loans there was widespread disquiet and even anger in Conservative Party circles:<sup>169</sup> in a House of Commons debate in April 1981 one Conservative Member of Parliament noted indignantly that, 'every man, woman and child in this country has subsidised British Steel to the tune of £ 90'.<sup>170</sup> The *Financial Times* had already calculated that for 1981–1982 alone the tax-payers would be paying £ 50 to 60 per head to support BSC.<sup>171</sup> The steel industry, noted *The Economist* in 1978 had become 'an open industrial drain down which Government after government has poured taxpayers' cash',<sup>172</sup> and the position was not to improve thereafter: central government support, through the Corporation's external financing limit, was £ 730 million for 1981–1982, £ 610 million for 1982–1983, and still £ 325 million for 1983–1984 for a much smaller industry.

The French steel industry consumed some 7,938 million French francs, 'loaned' through the FDES, between 1966 and 1977,<sup>173</sup> and by 1974, the industry was already the third most heavily subsidised in the country.<sup>174</sup> The crisis was vastly to inflate the inflow of State funds: 22 billion francs allocated in 1977, 13.8 billion in 1978.<sup>175</sup> The 1978 Plan was described by Laurent Fabius, Budget Minister in the 1981 Socialist government, as 'the biggest financial scandal since the Panama Affair'<sup>176</sup> – the great nineteenth century financial scandal which rocked the Third Republic. The 15.5 billion francs 1982 recovery Plan of the Socialists for the industry involved a number of projects aimed at cleaning up the balance sheets at Sacilor and Usinor, covering their losses and modernising their plant, covering the social costs of redundancies, and financing a degree of diversification.<sup>177</sup> But the wildly optimistic premisses of the Plan soon became apparent: Usinor and Sacilor together received 6.4 billion francs in capital in 1983 yet were announcing losses of 7.6 billions, and the groups were forced to

<sup>167</sup> *La Repubblica*, 3–4 October 1982. On the rescue plan see *Financial Times*, 13 November 1981.

<sup>168</sup> BRYER, *et al.*, 1982: 3, 373.

<sup>169</sup> *Financial Times*, 25 February 1981.

<sup>170</sup> *Times*, 7 April 1981.

<sup>171</sup> *Financial Times*, 16 December 1980.

<sup>172</sup> *Economist*, 25 March 1978.

<sup>173</sup> PADIOLEAU, 1981: 24; KERN, 1982: 538–607; STOFFAES and GADONNEIX, 1980: 496–98.

<sup>174</sup> 530 million francs to steel, 216 million to oil, 375 million to electronics, 626 million to shipbuilding, 1.368 to aeronautics. See *L'Express*, 28 April–4 May 1975.

<sup>175</sup> BELLON and CHEVALIER, 1983: 142.

<sup>176</sup> *Financial Times*, 10 October 1981.

<sup>177</sup> *Le Monde*, 10 June, 25 November 1982; *Financial Times*, 24 May 1983.

ask for more money.<sup>178</sup> By 1982–1983, steel had become by far the biggest single recipient of State aid to nationalised industries.<sup>179</sup>

Direct financial State aid to the West German industry was on a more modest scale, and in the 1970s and early 1980s both the Bonn government and the industry were bitterly critical of their European neighbours profligate practices. Of course, those neighbours were quick to reply that the West German industry was receiving hefty indirect subsidies in the form of subsidised coking coal, regional aid, research and development grants, and anti-pollution aid.<sup>180</sup> Bonn had also intervened directly in helping to finance the rationalisation of the Ruhr steel industry in the 1960s,<sup>181</sup> and mounted a financial rescue operation for the troubled Saar steel industry in 1977 (which is described in detail by Esser and Vāth in their chapter).<sup>182</sup> But, on the whole, both the government and the industry were reluctant to indulge in massive direct subsidisation. However, the post-1981 crisis, which badly hit the West German industry, was to change attitudes, demands and policies: Arbed Sairstahl enjoyed three further injections of taxpayers money between 1981 and 1984; in 1980–81 Salzgitter was given 90 million marks for recapitalising, Klöckner 50 million marks for research and 19 million marks for rationalisation, and Hoesch 244 million marks at a highly preferential interest rate from Rhineland-Westphalia.<sup>183</sup> In the summer of 1981 Bonn bent its market principles further still and introduced a 1.34 billion marks State aid programme for the industry,<sup>184</sup> and in the summer of the following year the West German cabinet approved a participation in aid worth 3 billion marks to the industry: it made clear that it was prepared to give financial backing to the proposals of the three moderators who had been asked by the government to recommend changes in the structure of the industry.<sup>185</sup> The government's change of policy was in response to the industry's demands, which in the winter of 1982–1983 was asking for 15 billion marks worth of aid.<sup>186</sup> Yet throughout the period it should be emphasised that German steel-makers regretted their financial dependence upon the government and refused badly needed financial

<sup>178</sup> *Le Monde*, 29 September 1983.

<sup>179</sup> It received a total of 8.4 billions of the 20 billion available for 1983. *Le Monde*, 10 February 1983; *Financial Times*, 10 February 1983.

<sup>180</sup> *Financial Times*, 7 August 1979; GOUAZE, 1982: 77; the articles by DEPAS, in *Le Soir*, 6 March 1981, by THIRY, in *Le Republicain Lorrain*, 5 March 1981 and ROUSSEL, in *Le Soir*, 8 April 1981.

<sup>181</sup> FRANZMEYER, 1982: 56.

<sup>182</sup> KÖRTING and FOBBE, 1981.

<sup>183</sup> GOUAZE, 1982: 77; *Rheinischer Merkur*, 22 May 1981; *Stuttgarter Zeitung*, 18, 23 May 1981; *Economist*, 15 November 1980; *Financial Times*, 18 June 1981.

<sup>184</sup> *Financial Times*, 18 September 1981.

<sup>185</sup> *Financial Times*, 26 January, 17 August, 27 October and 9 November 1983 and 3 February 1984.

<sup>186</sup> *Financial Times*, 18 January 1983. Typical of the new attitude was that of Herbert Gienow of Klöckner who, in May 1983, stated that he was relying on Federal and Land assistance to finance the group's 2.5 billion marks rationalisation programme. See *Financial Times*, 4 May 1983.

inducements to restructure in a way they found unacceptable (see below). Furthermore, Bonn was always insistent that central government financial aid should be accompanied by an effort on the part of the companies, the *Länder* and the workforce, and it always haggled furiously over the use of public money, and as noted, it frequently refused aid even when under pressure.<sup>187</sup>

By 1984 governments everywhere in West Europe were propping up the steel industry – both public and private.<sup>188</sup> The extent of subsidisation suggested that the 1985 target for phasing out State aids completely was likely to prove an over-optimistic and unrealistic objective – yet another in the prolonged crisis of the steel industry.

### III. Political Pressures for State Interventionism

By the 1980s governments everywhere were deeply involved in steel policy-making, and everywhere steel had become a major item on the political agenda.<sup>189</sup> There are many reasons why the State became so involved. The first might be called psycho-national: it was contended that no country worthy of note should be without a steel industry. Only the rare sceptic questioned the need for one.<sup>190</sup> There had always been a special relationship between steel and the State,<sup>191</sup> since the industry's key role in defence, its crucial place in most heavy industry ('steel is the rice of industry' according to a Japanese saying), and its essential place in the history of industrial development had helped to invest steel with a particular mystique and prestige.<sup>192</sup> Now, any industry which is seen as vital to the national interest (even though its importance may have declined) will invite intervention, whether the industry be public or private.<sup>193</sup> It is useful

<sup>187</sup> *Financial Times*, 26 October 1983. It allowed the Korf steel interests to go to the wall in 1983; it refused the aid demanded by Thyssen to take over Krupp; it was reluctant to fund Estel's restructuring programme. See *Financial Times*, 1 June 1981.

<sup>188</sup> In Italy the private steel sector in 1983 was assisted to the tune of 700 billion lire, (*Paese Sera*, 25 February 1981); in France, the Socialist Government had to bale out the bankrupt Creusot-Loire group; in the United Kingdom, the government, in what one observer described as 'a major U-turn in Conservative industrial policy' made over £ 20 million available to the British Independent Steel Producers Association (BISPA) in the winter of 1981; WILKS, 1982; ECPR workshop paper Aarhus: 7; *Financial Times*, 15 December 1981, 5 January 1982.

<sup>189</sup> After the 1978 elections in France, Monory, the French Finance Minister, declared that steel was one of the three major problems confronting the Government (the other two being the need to end price controls and the need to pave the way for the financial recovery of French industry). A similar message was conveyed by President Giscard d'Estaing on television on 20 September 1978. In Belgium, the Budget Minister in the Autumn of 1983 claimed that the 1984 Budget and the steel crisis were the two pressing priorities of the government (see *Le Soir*, 7 September 1983).

<sup>190</sup> STOFFAES, 1980: 560.

<sup>191</sup> HAYWARD, 1974: 255.

<sup>192</sup> A point constantly made by STORA, 1979; PADIOLEAU, 1981: 31–35, 71–75.

<sup>193</sup> SHONFIELD, 1980.

to recall that State intervention is by no means confined to the European steel industry:<sup>194</sup> the Japanese and American industries have both enjoyed or suffered constant State attention.<sup>195</sup> It should also be noted that some form of State involvement goes back almost to the origins of the industry<sup>196</sup> and on occasions its role has been both significant and visible. In Belgium, William of Orange was an early patron of the Liège steel industry, and a State loan saved the ailing Cockerill company as early as the 1830s.<sup>197</sup> Since that time there has been a constant dialogue between steel-makers and politicians.<sup>198</sup> In Germany, Krupp was always favoured with official financial support,<sup>199</sup> the reorganisation of the industry in the 1930s was guided by the government,<sup>200</sup> and in the 1960s the government intervened to bale out Krupp with credits and credit guarantees,<sup>201</sup> brought pressure to bear over prices,<sup>202</sup> and helped organise the rationalisation cartels of those years, (see below). In the United Kingdom, government intervention in peace-time goes back until at least the 1930s<sup>203</sup>, while in France the tradition is much longer.<sup>204</sup> In Italy, the steel industry was brought under State control by the Fascists, although it had been the object of intervention before that time. Long before the crisis which started in 1974–1975, governments in Western Europe had intervened in the ownership, management, location, markets, prices, investment plans and merger projects of the industry. What was peculiar about the crisis of 1974–1984 was the extent, the persistence, the duration and the increasingly detailed nature of the interventions: as the *Economist* noted, ‘The steel industry in Western Europe (and the United States) has entered its deepest recession. It will emerge again mangled, slimmer, deeper in debt and, unfortunately, yet more closely under government control’.<sup>205</sup>

Economic and financial considerations (such as dubious calculations about the balance of payments and more accurate assessments about the inability of the firms to raise the vast capital sums required to modernise) also pressurised States into involvement. The very importance of the industry and its place in the economy of almost all West European countries was also a significant factor. In spite of the decline of the industry, steel still accounted for 7 per cent of industrial production in the EEC in 1979. In the United Kingdom in 1980 steel still represented about 5 per cent of net output and employment in manufac-

<sup>194</sup> WOOLCOCK, 1981: 77.

<sup>195</sup> On USA see the excellent book by MARCUS, 1977, (on Truman’s decision to take over the steel mills during the Korean War) and the OECD, 1981.

<sup>196</sup> RIVET, 1978: 59–60.

<sup>197</sup> RIEBSEN, 1969: 153.

<sup>198</sup> FLAMME and FAURESSE, 1976; KUMPS, and WITTERWULGE, 1978.

<sup>199</sup> MANCHESTER, 1968: 806.

<sup>200</sup> RIVET, 1978: 60.

<sup>201</sup> KERN, 1982: 481–482.

<sup>202</sup> *Financial Times*, 19 October 1981.

<sup>203</sup> VAIZEY, 1974; COTTRELL, 1981: 2–3; KEELING 1982; WRIGHT, 1964: 16; BURN, 1961; ENGLISH, 1960.

<sup>204</sup> STOFFAES and GADONNEIX, 1980: 406–409; STORA, 1979: 134; RIVET, 1978: 78–87; For the period of the Fourth Republic, see *Profils Economiques*, 1980, (July–September).

<sup>205</sup> *Economist*, 12 July 1980.

turing and 8 per cent of investment<sup>206</sup> similar figures to those for France.<sup>207</sup> In West Germany, the industry contributed only 3.5 per cent of the total net output of manufacturing industry by 1978 (chemicals, electrical engineering and machine construction were more important) and by 1982 it contributed only 2 per cent to the Federal Republic's GNP.<sup>208</sup> as a German steel maker Herr Spethmann commented, in June 1980, 'the steel industry is no longer the kingpin of the industrial world . . . it is a sector of industry amongst others – no more and no less'.<sup>209</sup> Nevertheless, there were still an estimated 300,000 jobs directly dependent on the fortunes of the German steel industry. In Luxembourg, Arbed in 1979 was still responsible for about 10 per cent of GDP (in 1952 it was nearly a third).<sup>210</sup> '*le Luxembourg vivait de l'acier comme l'Égypte vivait du Nil*' remarked Pierre Werner, the Prime Minister, and even in 1983 steel still represented 50 per cent of the country's industrial production, 12 per cent of its employment (Arbed was the biggest single employer in the country) and 60 per cent of its foreign exchange.<sup>211</sup> Finally, in Belgium in 1975, where the industry accounted for 2.6 per cent of total private sector employment and 7.8 per cent of value added in manufacturing industry,<sup>212</sup> '*la sidérurgie . . . est le nœud de l'économie belge . . . Par son pouvoir d'entraînement sur les autres branches, par sa forte dépendance à l'égard des autres branches, elle se situe au centre du processus de diffusion de l'influence économique*'.<sup>213</sup>

The impact of a rapid or total collapse of the steel industry on the rest of the corporate sector – and particularly on the financial sector which was deeply involved in steel – would have been traumatic, and that impact alone would have induced the State to intervene. But the enormous unemployment problem caused by successive restructuring programmes also seems to have been a major pressure for State interventionism, particularly as that unemployment was heavily concentrated in certain areas, some of which were already in decline and some of which were politically highly sensitive.

Governments had to contend not only with the number of job losses in the industry but also with those in related sub-contracting and service industries: in 1982, some 4,000 steel jobs were at stake at Ravenscraig in Scotland, but the Strathclyde Regional Council calculated that the closure of the plant would result in the loss of a further 15,000,<sup>214</sup> and in the Liège and Charleroi region, a calculated 235,000 people were dependent, in 1981, directly or indirectly on the industry, while the closure of Cockerill-Sambre would have involved the loss of more than 100,000 prime male wage earning jobs in a Walloon economy which

<sup>206</sup> COCKERILL, 1980: 446.

<sup>207</sup> BELLON and CHEVALIER, 1983: 123.

<sup>208</sup> *Financial Times*, 28 April 1982.

<sup>209</sup> Quoted in OLLIG, 1980: 427.

<sup>210</sup> ALS, 1982: 85–86.

<sup>211</sup> *Le Monde*, 4 May 1983.

<sup>212</sup> *Bulletin Hebdomadaire de la Kredietbank*, 30 September 1977.

<sup>213</sup> NILON, quoted in BIESMANS, *et al.*, 1976: 130.

<sup>214</sup> *Financial Times*, 9 March 1982.

possessed fewer than a million such jobs in manufacturing industry;<sup>215</sup> in the Ruhr, in the 1970s about a fifth of all jobs were connected with the iron and steel sector,<sup>216</sup> and the loss of 5,000 steel jobs in a town such as Dortmund would have led to the ultimate destruction of the biggest employer, with 20,000 directly employed and almost three times more indirectly dependent;<sup>217</sup> in Luxembourg, the fate of Arbed was intimately linked with the country's entire industrial and financial structure, and the loss of steel jobs had an immediate impact on employment in railways, canal transport, banking, construction and retail trading.

The problem was further aggravated in many steel areas by the appalling state of other traditional industries such as coal or textiles. Steel areas were also physically unattractive to investors in newer industries, and most of the steel workers were ill-equipped or unwilling to take other jobs. Unlike the textile industry, for example, which employs ill-organised, badly paid and often unskilled women, steel is worked by organised and unionised men, heads of family, skilled and traditionally highly paid, and, like the miners, with a sentimental attachment to, and pride and family tradition in the industry in a particular locality: they are conservative, untrained for other jobs, unwilling to move.<sup>218</sup>

In certain areas the extent and speed of the contraction programme was quite extraordinary: between 1979 and 1981, South Wales lost 24,000 steel jobs, in what Peter Allen, Steel Products Group director of BSC, described as 'the biggest restructuring of an industry in the country in the time taken',<sup>219</sup> between 1974 and 1981 the East of France lost 48 per cent of its steel workers (80,000 to 41,707) and the North 35 per cent (40,910 to 26,725),<sup>220</sup> and both regions were due for further massive cutbacks in 1984; in the Saarland, the 6,000 steel jobs which disappeared between 1974 and 1977 represented 12 per cent of total industrial employment in the *Land*.<sup>221</sup> The geographical concentration of the steel industry in areas often already blighted aggravated an already serious problem. Wallonia, which in 1982 had an unemployment rate of 18 per cent (compared with the national average of 11 per cent), was typical of the great steel regions of the North, Lorraine, the Saar, the Ruhr, South Wales and Scotland.<sup>222</sup>

<sup>215</sup> *Le Soir* (Brussels), 8–9 February 1981.

<sup>216</sup> KUNZMANN, 1982.

<sup>217</sup> *Financial Times*, 18 June 1981.

<sup>218</sup> *Financial Times*, 11 December 1982.

<sup>219</sup> *Financial Times*, 6 April 1981. Between 1975 and 1981 BSC shed 56,000 jobs in Wales in what *The Economist* described as a 'savage modernisation programme'.

<sup>220</sup> BELLON and CHEVALIER, 1983: 142; on the Valenciennes region see FRIMAT, 1979: 188–190.

<sup>221</sup> WOOLCOCK, 1981: 75–76.

<sup>222</sup> CARNEY, HUDSON, LEWIS, 1980. The literature on blighted regions is vast. On Lorraine, for example, *Regards sur l'actualité*, No. 49; several good articles in *Actualités industrielles lorraines*; IZRAELEWICZ, 1983; SINOU, 1977; CHARRASSE, 1981; On Wallonia TILLIER, 1982; on Wales COOKE and REES, 1981; FOSTER, 1981; MORGAN, 1983: 196; on the Ruhr, KUNZMANN, 1982.

Often the steel problem was focussed not on a region but a town which was totally devastated by the crisis: Longwy, where the number of steel-workers fell from 18,700 in 1974 to barely 7,000 in 1981;<sup>223</sup> Thionville; Valenciennes;<sup>224</sup> Briey; Liège and Charleroi in Belgium;<sup>225</sup> Corby where before the BSC 1979 Plan almost half the town's total workforce was in steel and related industries and where by 1981 unemployment was over 20 per cent; Hartlepool, where 24 per cent of the town's men were unemployed in 1983;<sup>226</sup> Shotton, which lost 8,000 of its 10,500 steel jobs in a dramatically short time;<sup>227</sup> Consett; Dortmund where steel employment fell from 27,500 in 1970 to 17,093 by February 1982 and was still falling rapidly;<sup>228</sup> Naples, where in 1983, some 150,000 were officially registered as unemployed;<sup>229</sup> Genoa – *la capitale della crisi* in Italy.<sup>230</sup>

Unemployment statistics were almost anaesthetising, so great were they: the case of certain British steel towns or areas gives the scale of the problem, but they were typical of the situation of other European steel towns.

*Crisis Towns and Areas – Unemployment Rates in 1982*<sup>231</sup>

<i>Town</i>	<i>Overall</i>	<i>Male Unemployment as a per cent of total unemployment</i>
Derwentside (Consett)	24.6	30.0
Ebbw Vale	20.9	21.2
North Lanarkshire	20.1	21.0
Workington	17.1	18.7
Scunthorpe	17.0	18.7

For some towns, the steel crisis was seen as the last straw. Naples, which was already afflicted by 'cholera, general unemployment, dirt, earthquakes, terrorism and the Camorra', was reported to be in a state of great agitation over the persistent rumours of the total closure of the Bagnoli work in 1982 and 1983.<sup>232</sup> One of the slogans circulating at that time was '*Chi tocca l'Italsider uccide la città*'.<sup>233</sup>

<sup>223</sup> NOIRIEL, 1980.

<sup>224</sup> FRIMAT, 1979.

<sup>225</sup> VANDEBOSCH, 1981.

<sup>226</sup> *Financial Times*, 10 March 1983.

<sup>227</sup> MACKAY, 1981, unpublished paper, 'After the Shake Out'; MORGAN, 1983: 2.

<sup>228</sup> SCHROTER, 1982.

<sup>229</sup> *La Repubblica*, 30 June 1983; *Panorama*, 18 July 1983: 115.

<sup>230</sup> On economic crises in Genova, *La Repubblica*, 1 August 1983 and *Il Sole – 24 Ore*, 17 July 1983.

<sup>231</sup> SIRS, 1982.

<sup>232</sup> Article by MALATESTA, in *La Repubblica*, 2 August 1983.

<sup>233</sup> *La Repubblica*, 9 October 1982.

Steel often plays a disproportionate role in the local economy, shaping and often distorting it: it could have a massive impact on the road and rail network, on the location of other industries, on the state of related and dependent industries, on property values, on the general physical environment, on the structure of politics and social relations.<sup>234</sup> A steel crisis called into question, therefore, the total social and economic fabric of local society,<sup>235</sup> and it is not surprising that the reaction to contraction plans was often so violent. As in Naples, with the case of Bagnoli, steel was naturally invested with high symbolic and political content,<sup>236</sup> and this prevented the State from dealing with the problem simply in terms of economic rationality.

The geographical concentration of the steel crisis raised, therefore, in particularly acute form, 'locational aspects of political salience', because it was more visible, more susceptible to media exploitation, and more readily facilitated the organisation of resistance.<sup>237</sup> The electoral consequences of governmental insensitivity could be heavy, and for that reason alone steel became inevitably and intimately involved in what Jean Padioleau has called '*les humeurs conjoncturelles de la vie politique*'.<sup>238</sup> This was particularly true if the government was close to the unions: the fact that the UK Labour government in 1976 contained no fewer than fourteen ministers representing steel constituencies in which closures were threatened may have contributed to decisions which were taken 'with no due regard to technical or commercial considerations'.<sup>239</sup> But imminent elections could stimulate even normally cautious or insensitive governments into uncharacteristic generosity: this was certainly the case in West Germany,<sup>240</sup> Belgium (where the 1978 aid package to the industry was announced just before the December general election),<sup>241</sup> and in the United Kingdom, (where the Thatcher government announced increased aid to the industry only three weeks before the 1983 election – an act denounced by Bill Sirs, leader of the major steel union, as 'fraudulent' and as 'electioneering of the worst kind').<sup>242</sup> Elections could also induce an unnatural circumspection in governments not generally noted for their caution. Political life in France in the 1970s was dominated by bitterly fought and narrowly won elections, and small shifts of votes would have been sufficient

<sup>234</sup> See MALEZIEUX, 1982, on the impact of the great coastal plant at Ijmuiden where 30,000 worked daily and which, he argues, completely upset 'la plupart des caractéristiques de leur milieu local d'insertion: Sidérurgie littorale. See also MALEZIEUX, 1977.

<sup>235</sup> FRIMAT, 1979: 187; KUNTZMANN, 1982.

<sup>236</sup> As the *Sindaco* of Naples, Maurizio Valenzi, noted at the time of the threatened closure of Bagnoli: 'L'Italsider è il cuore, e il simbolo dell'altra Napoli. Qui non c'è solo camorra, terrorismo, terremoto. C'è anche una classe operaia che garantisce la tenuta democratica della città. La chiusura di Bagnoli determinerebbe gravi reazioni a catena'. See *La Repubblica*, 8 October 1982.

<sup>237</sup> HOGWOOD, 1979.

<sup>238</sup> PADIOLEAU, 1981: 204–205.

<sup>239</sup> MORGAN, 1983: 181; AYLEN, 1980: 228.

<sup>240</sup> DYSON, 1982; COX, 1981; PATERSON and SMITH, 1981: 52.

<sup>241</sup> EVANS, 1980: 407.

<sup>242</sup> *Financial Times*, 20 May 1983.

to oust the ruling right-wing coalition. In these circumstances unpopular decisions were frozen for the duration of the election campaign. It was certainly the case in 1973 and 1978 that steel policy was paralysed: because there were elections it was '*urgent d'attendre*'.<sup>243</sup>

But the political ramifications of the steel crisis went far beyond electoral considerations. The process of restructuring became embroiled in wider, more delicate, and often explosive political and social issues. Salzgitter, the West German State steel holding, enjoyed a special status and the constant benevolent attention of Bonn because of its geographical location, in Lower Saxony, which is not far from the Eastern border.<sup>244</sup> In Italy, steel policy was closely involved in two highly political issues – the role of the State industrial sector in a clientelistic State, and the development of the Mezzogiorno. Once the motor of Italian industry, the Italian State sector, and especially IRI and its subsidiaries, was increasingly hampered by managerial inefficiency and political corruption<sup>245</sup> and vast debts. It has always been enmeshed in the intricate, bewildering and byzantine world of Italian politics, and viewed as an integral part of a complex spoils system<sup>246</sup> as well as a vital element in a system of widespread patronage and clientelism<sup>247</sup> organised in part, it has been claimed, by the subterranean world of P2.<sup>248</sup> Furthermore, it is considered to be a creator or protector of uneconomic employment: a job in the public sector is frequently perceived as a disguised form of unemployment benefit.<sup>249</sup> The Christian Democrats certainly used the public sector as an instrument of stabilisation policy,<sup>250</sup> and the political Left and the unions have always attempted to impose a veto on any cutbacks.<sup>251</sup> Finally, the public sector has always been seen as one of the major instruments for furthering the economic interests of the South,<sup>252</sup> and the role of the steel industry was vital: between 1971 and 1973 60 per cent of public investment in the South was devoted to the steel-making sector,<sup>253</sup> and during the 1970s over 10,000 billion lire (at 1979 prices) were invested in the expansion of the steel industry in the South.<sup>254</sup> The Mezzogiorno dimension or obsession of Italian politics explains the siting of a major steel plant in Taranto against the express wishes of Finsider,<sup>255</sup> the disastrous decisions of Gioia Taura (see below) and the

<sup>243</sup> On the impact of the elections in France see PADIOLEAU, 1981: 184; BAUMIER, 1981: 161, 247; *Le Monde*, 19 December 1978.

<sup>244</sup> TARON, 1978.

<sup>245</sup> MARTINELLI, 1981: 85, 91.

<sup>246</sup> MARAFFI, 1980.

<sup>247</sup> DONOLO, 1978: 171–172; PALMA, 1980, in LANGE and TARROW: 173.

<sup>248</sup> See the declaration of Andrea Margheri, President of the Parliamentary Commission for State Industry, in *La Repubblica*, 30 October 1981.

<sup>249</sup> GRASSINI, 1980.

<sup>250</sup> MARTINELLI, 1981: 92.

<sup>251</sup> *Il Sole – 24 Ore*, 5 October 1982.

<sup>252</sup> CAGLIOZZI, 1982; PRODI, 1974: 46–47; FAINI and SCHIANTARELLI, 1983.

<sup>253</sup> FAINI and SCHIANTARELLI, 1983: 104.

<sup>254</sup> CAPANNA, et al., 1979: 43.

<sup>255</sup> WORMALD, 1972.

reticence to close down the manifestly uneconomic plant at Bagnoli.<sup>256</sup> Italian governments when formulating steel policy are, therefore, caught in a complex web of political constraints, and the consequences of a radical shake-up of a grossly inefficient State sector are unpredictable, and possibly destabilising and counter-productive.<sup>257</sup> A radical restructuring of the industry would require, according to the government, '*un ampio consenso politico e sociale*,<sup>258</sup> and consensus has rarely been a striking feature of recession politics. If Italy has its Mezzogiorno, the United Kingdom has Scotland. The Scottish dimension to steel policy-making was demonstrated in the 1960s with the Macmillan government's decision to locate a major steel complex there (see above), but it became increasingly important with the rise of the Scottish Nationalists who, in the 1974 election, captured nearly a third of the votes in the country and were poised to strike hard into Labour Party heartland. Even after the decline of the nationalist vote in 1979 governments had to tread warily: the proposed closure of the Ravenscraig plant was 'one of the most delicate political and economic issues of the decade'.<sup>259</sup> The Thatcher government – market oriented in its ideology – insisted on the plant being retained, despite pressing demands from BSC, despite the warning of the all-party House of Commons Select Committee that the decision not to close would put 10 pounds on the cost of each tonne of finished steel sold and that other plants would suffer as the result of lower plant loading, despite the government's promise not to interfere in the running of the nationalised industries, and despite its oft-repeated demand that BSC stop making losses. The government's decision was taken against the background of a looming election and a Scottish public opinion already sensitive because of the general economic decline of the country, the poor state of the steel industry – one of the traditional props of the economy, and a spate of recent highly publicised closures: Singer at Clydebank, the Linwood car works, a major pulp mill at Corpach, British Aluminium's smelter plant at Invergordon. Moreover, in North Lanarkshire (where Ravenscraig is sited) unemployment was already standing at 21.6 per cent, and the closure threatened up to 15,000 jobs. The highly successful campaign for the retention of Ravenscraig was spearheaded by the Scottish Secretary in the cabinet itself, was orchestrated by the Scottish Office, and combined groups and political parties of all persuasions in a rare display of national unity.<sup>260</sup>

Steven Warnecke has written that 'Liberal theory which examines firms and sectors from the strict point of view of efficiency economics disregards the role such industries often play in maintaining a precarious national stability',<sup>261</sup> Nowhere is this better illustrated than in Belgium where the crisis in the steel

<sup>256</sup> PONTAROLLO, 1983.

<sup>257</sup> WARNECKE, 1978: 169.

<sup>258</sup> Declaration of De Michelis, the Minister for State Shareholding, in Rome in January 1983. See *La Repubblica*, 14 January 1983.

<sup>259</sup> *Financial Times*, 22 November 1982.

<sup>260</sup> *Financial Times*, 22 November 1982.

<sup>261</sup> WARNECKE, 1978: 152.

sector has rightly been described as 'a political timebomb';<sup>262</sup> nowhere in Western Europe were issues of national integration and rivalry more dramatically highlighted than in the confrontation between the Flemish and the Wallons, which was often crystallised by the steel crisis.<sup>263</sup> That rivalry erupted into rioting in the streets of Brussels and violent confrontations between steel workers and police, and it led to angry exchanges between the two communities ('*plus un franc flamand ne sera versé aux hauts fourneaux wallons*'). The crisis has divided each political party, has exacerbated tensions between them, has split precarious coalition governments, and precipitated the fall of one government: in November 1981, the Mark Eyskens Christian Democrat-led coalition collapsed because Socialist members were unwilling to sacrifice the steel industry to a programme of budgetary austerity.<sup>264</sup> Successive governments have bought their way out of trouble, and financing the steel crisis in Wallonia (as well as the Flemish textile and ship-building crises) contributed to the rapidly rising public sector borrowing requirement which, in 1981, reached the equivalent of 14 per cent of GNP – a truly staggering burden.<sup>265</sup> Furthermore, hard pressed governments, confronted with the immense problems of the steel sector, have constantly to seek a solution – generally of a short-term nature – by linking those problems to a much wider and intricate inter-Community compromise package. Thus the Martens government during the summer of 1983 had to negotiate its steel plan as part of a much wider deal, linking it with the financing of other problem areas, the general annual budget, and the policies of financial and industrial decentralisation: the result was the '*pacte de non-aggression communautaire*' of 26 July.<sup>266</sup> It is clear that the country's steel crisis will exercise its politically destabilising influence for some time to come: as Mark Eyskens, the then Minister for Economic Affairs, noted in September 1983, '*l'acier wallon va nous suivre encore très longtemps et parfois comme un cauchemar*'.<sup>267</sup>

Now it is clear that the various pressures which pushed the State into intervening in the industry also provided a series of constraints or inhibitions for the State. The State was obliged to intervene – but in a certain direction: to help slow down the process of contraction and to assist the men and areas affected by that contraction. But there were other pressures pushing in another direction: market conditions and technological change were squeezing the industry into rapid adjustment and the financial requirements of that adjustment demanded State aid. Thus the State found itself trapped between the conflicting needs to slow down and to speed up the process of restructuring. Inevitably, within the State steel-making machine, tensions arose, with some elements favouring slow adjustment and others advocating rapid change. Furthermore, the State, in defining its steel strategy, was far from being a free agent, for it had constantly to

<sup>262</sup> *Financial Times*, 9 March 1982.

<sup>263</sup> MOLITOR, 1979; MUGHAN, 1983.

<sup>264</sup> MUGHAN, 1982; MAC MULLEN, 1982.

<sup>265</sup> *Financial Times*, 10 November 1981.

<sup>266</sup> *Le Soir*, 23 November 1981.

<sup>267</sup> *Le Soir*, 5 September 1983.

contend with other groups. However, before looking at those internal tensions and outside groups it is essential briefly to look at the economic, financial and industrial constraints upon the State's capacity to act.

#### IV. Constraints upon, and Limits to State Action – Economic, Financial and Industrial

Before turning to the political and administrative constraints upon the capacity of States to manage the steel crisis – which is the essential focus of this project – it is worth briefly recalling the economic, financial and technical factors which hindered or limited State action.

Certain general factors are completely outside the control of the individual State. Steel is, *par excellence*, an international industry in terms of its structures, choice of products, raw materials supply, markets and diversification of activities,<sup>268</sup> with the market environment being determined to some extent by market leaders such as US Steel and Nippon Steel. The increasing internationalisation of the steel industry (which is part of a much wider process) has produced competitive market shifts due to the changing costs of labour, raw materials, transport, capital requirements, pollution control. This new 'geography of steel' raises restructuring, adjustment and reconversion problems, and individual States or firms are powerless to alter this fact.<sup>269</sup> Technological advances are imposed by the most innovative and adventurous companies, and adopted with varying degrees of enthusiasm by the others. Certainly, looking at the policies of the European steel industry often gives the impression of a frenetic pursuit of the fast moving targets set by the Japanese.

What is clear is that the industry is 'a perfect illustration of the systematic limitations of unilateral national programmes in a relatively integrated international market'.<sup>270</sup> Some national steel industries in Western Europe, such as the Belgian and Luxembourgish, are *necessarily* involved in bilateral or multi-lateral attempts to solve their problems – a fact admitted by M. Eyskens, the Belgian Minister of Economic Affairs.<sup>271</sup> The increasing internationalisation of the industry may be seen in the work of bodies such as the International Iron and Steel Institute and the OECD Steel Committee which was established in 1978,<sup>272</sup> and the inadequacy of individual nation States in Western Europe is illustrated by the efforts of the European Community to 'organize the market'. (see below) There have even been calls for international agreements – 'a world-wide steel pact' in the words of Jacques Ferry, the head of the *Chambre Syndicale de la*

<sup>268</sup> ERDEMLI and REAL, 1974.

<sup>269</sup> On the general problem, BOURGUINAT, 1982; On the internationalisation of the steel industry see the excellent doctoral thesis of KERN, 1982; WALTER, 1979; VENNIN, 1979.

<sup>270</sup> MORGAN, 1983: 176.

<sup>271</sup> *Le Soir*, 5 September 1983.

<sup>272</sup> WOOLCOCK, 1982: 115.

Sidérurgie Française – to regulate chaotic market conditions.<sup>273</sup> One of the basic problems is that the steel market has become notoriously difficult to predict.<sup>274</sup> Sam Goldwyn is reported to have advised ‘never prophesy, especially about the future’ – advice which steel-makers should respect – but often do not. Indeed, the steel market is a perfect illustration of what is known as ‘a turbulent environment’: ‘organisational attempts to adapt to changing conditions are defeated because the effects of their actions feed back in unpredictable and contradictory ways ... defensive action bent on insulating themselves from environmental change makes matters worse rather than better’.<sup>275</sup> Some experts have forecast that steel will become more and more integrated in pluri-national groups,<sup>276</sup> with Benjamin Stora predicting that, under the pressure of raising the threshold of minimum efficiency caused by technological progress, only 25 major world-scale (rather than multinational) groups are likely to survive: Belgium and Luxembourg are seen as too small to sustain steel production and France and the United Kingdom just able to do so.<sup>277</sup> In any case, State control over such groups may become difficult if not impossible.<sup>278</sup>

If there are many imponderables about the future shape of the market and of the industry, there are equally areas of uncertainty about the internal operations of the industry: what are the most valid criteria for assessing the operating performance of the industry? What is the ideal product mix and degree of diversification? What are the optimal levels of scale for each of the major components of integrated mills?<sup>279</sup> Experts are less and less sure of the axioms of yesteryear. For instance, as with other industries,<sup>280</sup> big is no longer viewed as *necessarily* beautiful in the steel industry. The huge integrated plants, once the object of uncritical acclaim, are now under attack for their inflexibility (they have a high proportion of fixed costs and have to operate at a high level of capacity just to break even, and they are costly to close on a temporary basis) and also for their excessive vulnerability to labour unrest.<sup>281</sup>

If individual Western European States have little or no control over the general environment of the steel industry, much the same can be said for their control over the world economic environment into which all West European economies are increasingly integrated. And it is the state of the world economy which is the second major factor which determines the state of the industry. No European nation has been able to escape the impact of the post 1974 recession. The collapse in world and domestic demand had badly affected every steel industry (particularly the British) but governments have been locked into

<sup>273</sup> ADAMS and DIRLAM, 1977; see also DIEBOLD, 1980; STORA, 1979: 378.

<sup>274</sup> ZARIFAN, 1980: 22–25; ALS, 1982: 90; MUELLER and KAWAHITO, 1979: 3.

<sup>275</sup> METCALFE, 1980: 15–16.

<sup>276</sup> See, for example, COCKERILL and SILBERTSON, 1974.

<sup>277</sup> STORA, 1979.

<sup>278</sup> CAPRON, 1979.

<sup>279</sup> GOLD, 1980.

<sup>280</sup> DIDIER, 1982.

<sup>281</sup> CAPANNA *et. al.*, 1979: 26; *Financial Times*, 9 September 1980; MORGAN, 1983: 181; UPHAM, *Guardian*, 23 April 1980.

deflationary policies, and attempts (such as the French after 1981) unilaterally to expand have met with dismal and rapid failure. Some very important economic factors also escape the control of individual States: the cost of various types of energy;<sup>282</sup> the protectionist policies of customers such as the USA (see the chapter by Van der Ven and Grunert) or potential customers; the price-cutting and dumping activities of competitors; the value of the dollar which has a direct effect on the price of dollar-denominated imports for the industry;<sup>283</sup> the decisions of multinational groups to close steel intensive subsidiaries.<sup>284</sup>

To the constraints imposed by lack of control over the general steel and economic environments must be added those which were the result of the recession within each economy. In the first place, with the deepening recession the resources available to the State for 'solving' a major corporate crisis were severely limited: it was clearly much easier to restructure and slim down the West German steel industry in the 1960s when alternative jobs were available or less difficult to create, and when claims for aid from other industries were not so pressing. As Claude Leroy of Sacilor noted, the workforce of his company fell from 65,000 in 1970 to 48,000 in 1974, but '*personne n'en a parlé ni crié au scandale*', because other jobs were available at that time.<sup>285</sup> Secondly, in the post-oil crisis recession steel was not the only candidate for State financial help. Almost all West European States were affected by the general problem of deindustrialisation, with many traditional labour intensive industries collapsing into dire trouble.<sup>286</sup>

Third, linked with the general recession was a growing crisis of State finances. By 1982, the public borrowing requirement had soared to almost 16 per cent of GDP in Italy and was projected to rise<sup>287</sup> and in Belgium in 1981 the figure was put at 14 per cent.<sup>288</sup> The public sector was everywhere in a shaky state. In France, the public sector – '*ce monstre protéiforme*' – was in deep trouble by the early 1980s, with an almost total collapse in self-financing (down to 8 per cent by 1982), an increase in long term debts, and almost all nationalised industries making hefty losses.<sup>289</sup> The Thatcher government elected in 1979 did little to

<sup>282</sup> BSC invested £ 70 million to construct direct reduction plants at Hunterston in Scotland, but the plants were never put into operation and one of the main reasons was the vast increase in the cost of natural gas (the energy source). *Financial Times*, 3 August 1981.

<sup>283</sup> Dr. Alfons Goedde of Krupp estimated in 1981 that if the dollar rose by only 10 pfennigs a further 7 marks would be added to the price of a tonne of rolled steel (*Financial Times*, 19 October 1981), while the high dollar cost Finsider an estimated 150 billion lire in 1982. *La Repubblica*, 18 June 1983.

<sup>284</sup> For example, the decision of the French-owned Talbot car factory at Linwood had a serious effect on neighbouring Ravenscraig.

<sup>285</sup> *In Profils Economiques*, 1, 1980.

<sup>286</sup> CORNWALL, 1980; HARRIS, 1980; HOWARD and DEFEY, 1982; LAURENT, 1979; THRILLWALL, 1982; MAUTMORT, 1981; KEIZER, 1979.

<sup>287</sup> *Financial Times*, 28 September 1983.

<sup>288</sup> *Financial Times*, 10 November 1981.

<sup>289</sup> WITT, 1983.

change the basic arithmetic of Britain's nationalised industries which in 1983 cost the tax-payers some £ 2.7 billion (when a £ 700 million *surplus* was planned for). In the late 1970s and early 1980s public holdings in Italy slipped into massive debt<sup>290</sup> – in part the consequence of their policy of taking over bankrupt private sector firms but also due to costly and politically inspired policies, to incompetent managers drawn from the ranks of unemployed *personaggi illustri*, to a disruptive and inflexible workforce and to a cumbersome and time-consuming decision-making system.<sup>291</sup> By 1980, the percentage of indebtedness of public sector firms, as a proportion of total sales, was almost double that of private enterprises (43.5 per cent and 23.0 per cent respectively). Between 1980 and 1982, the three State holdings for steel reported losses of 2,977 billion lire (with steel accounting for 1,950 billions of the loss).<sup>292</sup> But the public sector was also losing money in telecommunications, and as *The Economist* pointed out, 'it takes a long tradition of dedication to bureaucracy, procrastination, political interference and inefficiency to lose money in telecommunications today'.<sup>293</sup> In 1982, IRI's losses mounted to 2,672 billion lire on sales of 37,760 billion, and the holding's debt at 35,600 billions was only slightly less than turnover (two thirds of this 'stupefying deficit' was due to steel)<sup>294</sup> while losses for 1983 were heading for 3,000 billion lire.<sup>295</sup> The much needed restructuring plan for Finsider of 1983–1984 had to be framed, therefore, in the light of a soaring public sector deficit, the mounting indebtedness of the State holdings, IRI's enforced restructuring of other sectors such as chemicals and ship-building, and rising demands for greater control of public expenditure.

No government can pursue an industrial or sectoral policy without due regard to its own general macro-economic objectives: intentions and consequences may all too easily conflict.<sup>296</sup> Matching 'sectoral rationality' with 'coordinated rationality' may prove inherently impossible,<sup>297</sup> and governments have found themselves pressured into conflicting objectives.<sup>298</sup> Thus, they have pumped vast sums of money into ailing steel industries in order to strengthen them yet have pursued policies relating to the environment, to labour, to interest rates, incomes, public procurement, competition and mergers, and exchange rates, all or some of which contribute to the weakening of the industry.<sup>299</sup> We shall return to the general coherence of State steel policies in the next section.

<sup>290</sup> *Economist*, 8 December 1979.

<sup>291</sup> PEDONE, 1979; GERELLI and BOGNETTI, 1981; PENNACHI, 1983.

<sup>292</sup> *Financial Times*, 28 September 1983.

<sup>293</sup> *Economist*, 23 May, 1981.

<sup>294</sup> *Financial Times*, 28 September 1983.

<sup>295</sup> *La Repubblica*, 10 September 1983.

<sup>296</sup> For a discussion of the problem, see CORDEN, 1980.

<sup>297</sup> GUSTAFSSON and RICHARDSON, 1979.

<sup>298</sup> BANDT, 1979: 214.

<sup>299</sup> *La Repubblica*, 18 June 1983; EISENHAMMER and RHODES, on the impact of high interest rates on the Italian steel industry. On the consequences of exchange rate 'policy' (there are many who would deny the possibility of having one), see MAUTMORT, 1981: 31–46, and STORA, 1979: 485; *Financial Times*, 23 September 1980 and 25

States, in formulating their steel policies, were, therefore, hemmed in by international and domestic economic and industrial constraints. But there was another series of constraints which were internal to the steel industry itself. Governments had, for example, little control over the quality of the management of the steel industry, its efficiency, motivation, commitment, courage, imagination, innovative capacity and sales aggression – all of which are vital to the pursuit of a coherent industrial strategy and to the wise running of the enterprise.<sup>300</sup> Governments could, and did intervene in the choice of top managers (both in the nationalised and private steel sectors) and they can create a general environment which was supportive of management. But they could also disrupt management by frequent changes at the top (the cases of the French, Italian and Belgian steel industries) and, as seen above, by imposing decisions on a reluctant management. Restructuring an industry is a painful, constant, multipronged process of adjustment, requiring a determined yet flexible approach to a volatile and unpredictable set of economic and technological circumstances, to customers and to the workforce.<sup>301</sup> Some policies can be accomplished only at plant level by autonomous actors, and the State is in a position to hinder and dislocate those policies, rarely to further them. A steel enterprise is a vast and complex structure carrying out a patchwork of activities, and to grasp its complexity and needs requires years of specialised knowledge.

The State lacks the flexibility and knowledge to deal with an industry given to extreme ‘turbulence’<sup>302</sup> (even steel management has difficulty in adjusting quickly to changing demand and supply conditions in the industry<sup>303</sup>). Sponsoring ministries are subject to turnover in personnel, are understaffed and lack specialised knowledge.<sup>304</sup> It is small wonder that Sir Keith Joseph, the U.K. Industry Minister, when overseeing BSC’s Corporate Plan revisions in 1981, could admit that ‘we are in the realms of guesswork,’ and ‘second-guessing’ is what most States indulge in when assessing the industry’s plans. Nor has the State any effective monitoring machinery once money has been invested: this was quite clearly the case with the steel industry<sup>305</sup> – and lack of political control over the use of public money was a common complaint.<sup>306</sup> Occasionally the State brought in outside experts for advice on how to deal with the steel industry: in Belgium, the Government had independent reports written by the American McKinsey consultancy group<sup>307</sup> and then by the Frenchman Jean Gandois (ex-

February 1981 (on Great Britain); *Panorama*, 18 July 1983: 155, (on the damaging consequences for the 1981–1985 Finsider Plan of a weakening lire) and *La Repubblica*, 9 September 1983, (which notes that at least a third of IRI’s losses in 1982 and 1983 were attributable to the fall in the value of the Italian currency.)

<sup>300</sup> RIVET, 1978: 65; HOGWOOD, 1979: 275–277.

<sup>301</sup> BOOS and URBAN, 1980; BIENAYME, 1982: 124–125.

<sup>302</sup> PADIOLEAU, 1981; BIENAYME, 1982: 124–125; RIVET, 1978: 65–66; PAYRELAVADE, 1973.

<sup>303</sup> MUELLER and KAWAHITO, 1979.

<sup>304</sup> AYLEN, 1982: 228.

<sup>305</sup> UPHAM, *Guardian*, 23 April 1980.

<sup>306</sup> WRIGHT, 1977; GRIMALDI, 1976.

<sup>307</sup> FRAYES, 1982.

chairman of Sacilor); the Italians sought the advice of Japanese experts at Taranto.<sup>308</sup> Bonn called on three 'steel moderators' (senior business leaders with links with the industry) to advise on the restructuring of the West German industry;<sup>309</sup> Arbed of Luxembourg also had resort to the advisory services of Gandois.<sup>310</sup> But such advice was sporadic and sought when the industry was in drastic condition. No State had an effective, permanent expert group to monitor the activities and policies of the industry.

The final series of constraints on State action lies in the dilemmas, internal conflicts and inherent limitations of the strategies pursued: these are analysed in detail by Messerlin in his chapter so require only brief summary here. One of the fundamental dilemmas is that modernising the industry leads to increases in productivity which aggravate the already acute problem of over-capacity.<sup>311</sup> Aggressive sales drives abroad provoked protectionist retaliation, while attempting to create or sustain links with foreign firms sometimes triggered off tensions or lively resistance (the case of the proposed Ravenscraig-Fairlees link-up).<sup>312</sup> European co-operation also proved difficult as the experience of Estel and the failure of the Hoogovens-Cockerill-Sambre production cuts talks<sup>313</sup> fully demonstrated. Building steel plant abroad not only increased world steel capacity and strengthened competitors, but might involve costly negotiations which came to nothing, high political risks (as Korf and Krupp discovered when the revolution in Iran put an end to the lucrative Bushehr project<sup>314</sup>) particularly in debt-ridden countries such as Mexico, Brazil and Argentina. Building plant abroad could also involve attributing an increasing share of their contracts to local subcontractors, and even the purchase of a certain proportion of the steel produced.<sup>315</sup>

Even the two major strategies of diversification and rationalisation, whilst highly desirable, have proved problem-ridden. Wide diversification does not necessarily mean wise diversification (as the cases of Creusot-Loire and of Korf were to illustrate). Diversifying geographically could also be a risky business: Thyssen burnt its fingers very badly over its acquisition of Budd, the Detroit-based car components firm, (it cost Thyssen an estimated 1 billion marks between 1978 and 1983),<sup>316</sup> and Salzgitter had to get rid of its stake in the loss-making Isomonte of Brazil in 1982.<sup>317</sup> A strategy of diversification, to be effective, takes time, a great deal of prior study<sup>318</sup> and a determination to integrate the diverse activities. All too often steel was separated from other

<sup>308</sup> *Il Sole* – 24 Ore, 25 Novembre 1983.

<sup>309</sup> DYSON, 1981.

<sup>310</sup> *Le Monde*, 4 May 1983.

<sup>311</sup> BOYER and PETIT, 1981.

<sup>312</sup> *Observer*, 29 May 1983.

<sup>313</sup> *Financial Times*, 14 November 1983.

<sup>314</sup> *Financial Times*, 15 April 1981.

<sup>315</sup> *Economist*, 26 August 1978, 14 May 1983.

<sup>316</sup> *Financial Times*, 24 January 1984.

<sup>317</sup> *Financial Times*, 26 March 1982.

<sup>318</sup> AUDIER, 1980: 525–527.

activities,<sup>319</sup> and groups (such as Klöckner) were plagued by inter-firm rivalries.<sup>320</sup> Furthermore, diversification was generally designed to ensure the survival of the enterprise rather than the continued production of steel.

Restructuring the industry through rationalisation had similar limitations. Rationalisation through concentration was generally viewed much less favourably than in the past<sup>321</sup> and the lessons of the steel industry may have contributed to the general disenchantment. Effective rationalisation is always a painful process (lucrative jobs on the boards of directors are eliminated)<sup>322</sup> and is, therefore, rarely achieved. Too frequently what was involved was the juxtaposition of firms for financial purposes rather than for industrial rationality. And, as Woolcock has reminded us, it is not the corporate structure of a group which matters (though it may do) but the structure of production.<sup>323</sup> All too often rationalisation of the steel industry was incomplete: the 1970 plan for rationalising Cockerill still left the group with fifty directors – an unworkable situation,<sup>324</sup> the creation of Cockerill-Sambre in 1981 was largely a book-keeping exercise in which the government consolidated the two loss-making steel groups of Wallonia;<sup>325</sup> the rationalisation of the French steel industry left many of the previous units still operating independently, and internal rivalries and jealousies helped to prevent further essential restructuring.<sup>326</sup> Nor did outright nationalisation entailed far-reaching rationalisation: the creation of the nationalised BSC in 1967 brought together the fourteen largest bulk steel producers (210 smaller steel companies were left in the private sector) but internal disputes were a regular feature of the Corporation's life<sup>327</sup>; the rationalisation of Cockerill-Sambre under State ownership and guidance did nothing to diminish the rivalries between the Liège and Charleroi basins; the *de jure* nationalisation of the French steel industry in 1981 left intact two rival and competitive groups, producing, in the words of Raymond Levy of Usinor '*la concurrence entre l'Etat et l'Etat*'.<sup>328</sup>

Juggling with the ownership structures of the steel industry is unlikely to make any difference to the viability of the industry – certainly neither nationalisation nor privatisation can be seen as some form of panacea. There is nothing wrong *per se* with State ownership: it is the *quality* of State interventionism and the detailed nature of its interference in management which is questionable.<sup>329</sup> It

<sup>319</sup> AUDIER, 1980: 563–564.

<sup>320</sup> *Financial Times*, 1 June 1983.

<sup>321</sup> JACQUEMIN, 1981.

<sup>322</sup> STOFFAES, 1979: 120.

<sup>323</sup> In TURNER and McMULLEN, 1982: 98.

<sup>324</sup> MOERS, 1977: 382.

<sup>325</sup> On the limited nature of the rationalisation process in Belgium, see VAN DER REST, 1977; BETTE, 1978; *Financial Times*, 9 March 1982.

<sup>326</sup> KERN, 1982: 556–557, 581–582; FREYSSINET, 1979: 115.

<sup>327</sup> See, for example, the conflict between the plants at Ravenscraig (Scotland) and Llanwern (Wales) in 1983, *Financial Times*, 10 November 1983.

<sup>328</sup> *Le Monde*, 29 September 1983.

<sup>329</sup> For a very balanced view see SARACENO, 1975; an excellent summary of the Italian situation is also to be found in MARTINELLI, 1981.

must be recalled that it was the State-controlled Finsider which provided Italy with a modern and dynamic steel industry in the 1960s and 1970s<sup>330</sup> but was also partially responsible for the *errori colossali* and *fughe della responsabilità* which characterised the industry in the late 1970s and early 1980s.<sup>331</sup> Similarly, the much decried nationalised BSC may have been responsible for some of the woes of the British steel industry but the record of the private sector before nationalisation was far from satisfactory,<sup>332</sup> while the plight of the French and Belgian steel industries certainly predated their nationalisation, and is unlikely to evaporate simply by virtue of public control.

What is required for any firm – private or public – is a stable and predictable environment, clear objectives and coherent strategies, visible and accountable decision-making centres, a capable management and a skilled and motivated workforce. And whether public or private, big firms inevitably acquire social and political obligations, enter into some form of relationship with the State, and rarely escape the regulatory control of the State.<sup>333</sup> Nor does private ownership necessarily entail healthy competition: the experience of the German steel *Kontore*, the explicit or tacit agreements on product specialisation in the 1960s and 1970s suggest otherwise.<sup>334</sup> Indeed, the twentieth century history of the steel industry has been punctuated by episodes of cartelisation at international, European and individual State level.

It is within this general economic and industrial context of constraints that the State had to frame its objectives and define its strategies. But, as seen in the previous section, there were also important political and social factors which provided constraints of a different and sometimes conflicting type. The task of the State was further complicated by the character of the political and administrative machine which made steel policy, a question which must now be addressed before turning to the other actors involved in steel decision-making.

## V. The Politico-Administrative Framework of State Decision-Making in Steel

In order fully to comprehend the general parameters of steel policy-making it is important to take into account factors such as the industrial culture of each country, the State's traditional predisposition to intervene in industrial policy-making, the overall objectives of State industrial policy, the institutional setting of industrial policy-making, the general *style* of decision-making and prevailing political views of interventionism.<sup>335</sup> Each of these factors would justify prolonged investigation, but in this section we shall limit ourselves to a cursory look at four factors which have shaped the State's capacity for effective steel policy action; the tradi-

<sup>330</sup> WORMALD, 1972: 92; MARTINELLI, 1981: 91.

<sup>331</sup> See the article by GAGGI, in *Il Sole – 24 Ore*, 5 October 1982.

<sup>332</sup> AYLEN, 1982: 73–74.

<sup>333</sup> SARACENO, 1975: 431; PRODI, 1973: 60–61.

<sup>334</sup> AYLEN, 1982: 73; STEGEMANN, 1977: 246–250.

<sup>335</sup> The general issues are raised by MCKAY and GRANT, 1983; DYSON and WILKS, 1983; RICHARDSON, 1982.

tion of State industrial policy-making; political attitudes towards interventionism during the crisis; the efficacy of the State industrial policy-making machine; the coherence and consistency of State objectives. It will be shown that in the management of the steel crisis governments were hampered less by respect for tradition or by their own declared doctrines than by their lack of a set of clear objectives and by the administrative fragmentation of the State apparatus.

The true nature and extent of customary State interventionism in industrial policy-making in Western Europe is not easy to assess, although it is clear that it has grown considerably throughout the post-war period.<sup>336</sup> It is equally clear that despite a broad (if sometimes begrudged) acceptance that the State has to intervene, the extent, the forms, the legitimacy, the mechanisms of State interventionism vary considerably from country to country.<sup>337</sup>

France clearly has the longest<sup>338</sup> and strongest statist tradition in Western Europe.<sup>339</sup> Although the commitment of French governments has varied over time, although its efficacy differs according to the industry<sup>340</sup> and although highly 'heroic' statist posturing often masks considerable prudence and pragmatism,<sup>341</sup> the extent of the tentacular nature of State interventionism has never been contested:<sup>342</sup> it is not for nothing that the French economy has been described as an '*économie administrée*'.<sup>343</sup> In Italy, too, State intervention in industry has a long history, since it dates from the beginning of industrial development: 'Italian capitalism was born and developed through a continuous series of privileged relations with the State'.<sup>344</sup> These 'privileged relations' continued throughout the Fascist period and survived the proclamation and consolidation of the Republic, even though relations between private industry and parts of the dominant Christian Democratic Party have sometimes been far from cordial.<sup>345</sup> The establishment of a public industrial sector also goes back to the period of reunification, and it has grown uninterruptedly throughout the twentieth century.<sup>346</sup> During the post-1974 crisis the public sector extended its domain by absorbing bankrupt private sector firms to prevent lay-offs.<sup>347</sup> The role of this extensive and growing public sector has been decisive in Italian industrial development.<sup>348</sup> Furthermore, as in some other parts of Western Europe, Italian

<sup>336</sup> See two OECD publications: 1975; FRANZMEYER, 1982: 49–62.

<sup>337</sup> MCKAY and GRANT, 1983: 9–10; VERNON, 1974: 4–6; PEACOCK, 1980.

<sup>338</sup> THUILLIER and TULARD, 1982.

<sup>339</sup> DYAS and THANHEISER, 1976: 151–158; ZYSMAN, 1977; CHEVALIER, 1980: 151–158; MONNIER, 1977; DREYFUS, 1971.

<sup>340</sup> MCARTHUR and SCOTT, 1968: 340.

<sup>341</sup> MENY, 1982: 13–45.

<sup>342</sup> MICHALAT, 1974: 106; CROZIER, 1982; JACQUEMIN, 1978: 3–20; LE PORS and PRUNET, 1975.

<sup>343</sup> See the Special Issue of *Revue Economique*, 30 (1), January 1979.

<sup>344</sup> PRODI, 1973: 45–63.

<sup>345</sup> MARTINELLI, 1979.

<sup>346</sup> FRATIANNI and SPINELLI, 1982; GUIDI, 1982.

<sup>347</sup> MINERVINI, 1980; SETTE, 1980.

<sup>348</sup> PRODI, 1973; DOUBLET and MOULIN-TRAFFORT, 1974; HOLLAND, 1972.

industrial policy-making saw a move away from a Keynesian model of global management to detailed interventionism in specific problem areas.<sup>349</sup>

The United Kingdom provides a good example of a country with a weak State industrial tradition being forced during the 1960s and 1970s into increasing State interventionism at the micro-economic level.<sup>350</sup> Yet such intervention tends to be reluctant, reactive and lacking in strategic coherence, being the victim of political disputes, weak political leadership, a perverse perseverance in the pursuit of policies that have clearly failed, and a lack of expertise coupled with an abundance of scepticism about State interventionism amongst key civil servants.<sup>351</sup> Many of these points are underlined by Richardson and Dudley in their study of the U.K. steel industry in this work. Nonetheless, however reluctant or reactive, there was a greater State predisposition to get involved than in West Germany.<sup>352</sup>

The weakest tradition of State interventionism is clearly to be found in West Germany – although the picture is much more complex than is sometimes supposed.<sup>353</sup> In the first place, there is a surprisingly big public industrial sector in the Federal Republic.<sup>354</sup> The State has a 25 per cent or more stake in some 130 companies with over 800 subsidiaries, and these include industrial giants such as Salzgitter, Viag and Saarbergwerke (with majority stakes), Veba and Volkswagen. Secondly, Bonn has never hesitated to use tariffs and quotas to protect industries such as ship-building, coal-mining, textiles, food-processing, aircraft and metal production.<sup>355</sup> Third, the State has poured subsidies into industry in the shape of cheap loans, guarantees, special depreciation allowances, tax privileges, anti-pollution grants, research and development aid. Coal-mining, ship-building, aircraft, data processing, textiles, food processing, nuclear energy and metal production as well as steel have all benefitted from Bonn's generosity.<sup>356</sup> Even during the period 1945–1969 German policy-makers would use the market mechanism to the greatest possible extent but would not hesitate to interfere directly when it was thought necessary.<sup>357</sup> It must be recalled that the State is assigned a positive role even in the 'social market economy' [*Soziale Marktwirtschaft*]: in Walter Eucken's terms, 'The State has to influence the forms, the institutional framework, the economic order, and it has to set the conditions within which a viable and human economic order develops. But it

<sup>349</sup> DONOLO, 1978: 174.

<sup>350</sup> MAUNDER, 1979: 130–159; GOLT, 1978: 48–87; DUDLEY, 1979; YOUNG and LOWE, 1980; SKUSE, 1980.

<sup>351</sup> GRANT and WILKS, 1983; see also the interview with Sir Peter Carey in *Financial Times*, 5 May 1983; and BENJAMIN, 1978: 165–173.

<sup>352</sup> PEACOCK, 1980: 63–64.

<sup>353</sup> OWEN, 1979: 160–189; WILKS, 1984.

<sup>354</sup> TARON, 1978.

<sup>355</sup> HIEMENZ and RABENAU, 1976.

<sup>356</sup> FELS, 1976: 91–119, 165–183; *Financial Times*, 13 December 1982 (for subsidies accorded in 1982); JUTTEMEIER and LAMMERS, 1979; OWEN, 1979: 160–189; OPPENLÄNDER, 1974.

<sup>357</sup> STOLPER and ROSKAMP, 1979; MALENBAUM and STOLPER, 1960.

must not direct the economic *process [sic]* itself'.<sup>358</sup> Scepticism about the efficacy of competitive market forces grew with the slow-down in growth, and was evident in the 1966 'principles of sectoral policy' of Schiller and the 1967 Promotion of Economic Stability and Growth Act.<sup>359</sup> *Strukturpolitik*, *Investitionslenkung* and *Orientierungsdaten* all came into fashion in the late 1960s.<sup>360</sup> In the 1970s and 1980s whilst there was a general insistence that changes in industry had to be left to the market mechanism there were many signs of increased interventionism of a specific nature.<sup>361</sup> The 'social market economy' – that nebulous and elastic concept – born in the peculiar historical circumstances of immediate post-war Germany – gave way to a more interventionist mode of decision-making.<sup>362</sup> Demands for increased interventionism came not only from Social Democratic Party circles and from trades unionists<sup>363</sup> – but also from debt-ridden industrialists. Enthusiasm for free market principles – never total in certain industries given to cartels and illicit price-fixing – evaporated at much the same rate as profits. As one German steel maker delicately phrased it: 'there is not so much a conversion (to State interventionism) but rather a phased withdrawal (from market principles).'<sup>364</sup> This was a far cry from the traditional anti-State philosophy of the steel masters,<sup>365</sup> although the baling out of Krupp in the 1960s had already underlined the limits of their attachment to liberal economic principles. Nevertheless, it should be emphasised that unlike France, State interventionism tends to be indirect and supportive,<sup>366</sup> and steel policy-making seems to illustrate this point, since even at the height of the crisis Bonn was unwilling to impose its wishes on the industry, insisting that the restructuring plans should emanate from the industry itself<sup>367</sup> – even in the case of the State-owned Salzgitter.<sup>368</sup>

Views on State interventionism within each country were far from immutable. From the late 1970s there was a general growth of scepticism about both the desirability and the efficacy of interventionism. In Britain the Thatcher government clearly stated its intention of disengaging the State from the industrial sphere by liberalisation and privatisation and non-interference in industrial disputes: as Nigel Lawson, the then Secretary of State for Energy, made clear in

<sup>358</sup> Quoted in STOLPER, ROSKAMP, 1979: 377; see also FRICKHOFFER, 1964; MÜLLER-ARMACK, 1965; WATRIN, 1979; on the general question of State intervention in the social market economy, see KNOTT, 1981.

<sup>359</sup> ADAM, 1979; MAUNDER, 1979: 14; PEACOCK, *et al.*, 1980: 44–55.

<sup>360</sup> OFFE, 1981: 134; CROUCH, 1983: 452.

<sup>361</sup> DONGES, 1980; SHONFIELD, 1980; KEIZER, 1981; KUSTER, 1974: 64–86; FRANZMEYER, 1982: 138–139; OFFE, 1981: 134.

<sup>362</sup> TUCHTEELDT, 1974; PEACOCK, 1980: 38–39; BOEHM, 1971; there is a good brief account in ZWEIG, 1976.

<sup>363</sup> HARTWICH, 1977; GOUAZE, 1982: 2–3.

<sup>364</sup> *Financial Times*, 18 June 1981.

<sup>365</sup> OLLIG, 1980: 430–431.

<sup>366</sup> MONTMORILLON, 1980; MOLITOR, 1980; STREIT, 1977: 120–134.

<sup>367</sup> *Europe*, 30 December 1981; *Frankfurter Allgemeine Zeitung*, 21 April 1982.

<sup>368</sup> *Financial Times*, 7 August 1979.

November 1981: 'The Conservative Party has never believed that the business of government is the government of business'.<sup>369</sup> And British governmental rhetoric since 1979 has certainly stressed the importance of accomplishing structural reforms through market forces.<sup>370</sup> The French government led by Raymond Barre openly embraced, after the 1978 elections, a more overtly neo-liberal industrial strategy,<sup>371</sup> and claimed that it had no intention of interfering in the restructuring plans of firms.<sup>372</sup> In Belgium, the Centre Right governments of Martens, and in Italy the governments of Spadolini and of Craxi insisted upon the need for greater 'realism' in the conduct of economic and financial affairs. The same movement may be detected in the West German Federal Republic: in May 1981 Chancellor Schmidt declared himself to be 'resolutely opposed' to State subsidies to industry and in the following month he personally appealed to fellow heads of EEC governments to press for the elimination of steel industry subsidies.<sup>374</sup> With the formation of the Centre Right coalition government of Chancellor Kohl in 1982 the neo-liberal 'counter-offensive' against increasing interventionism was in full swing.<sup>375</sup>

However differing, did State traditions and political philosophies have any influence on the steel policies pursued? Can they be seen as factors which constrained, hindered, facilitated or encouraged State interventionism? The *indirect* influence – over, for example, differing approaches to employment – may have been real<sup>376</sup> but it is very difficult to measure. There is evidence, too, that governments or Ministers of the Left, with their organisational or electoral links with the unions, sometimes showed greater sensitivity than governments of the Right in their dealings with the workers.<sup>377</sup> Political reactions may be seen in the Barre government's decision not to nationalise the steel industry in 1978,<sup>378</sup> and in the Thatcher government's insistence that BSC should sell off parts of the Corporation, cooperate with the private sector, and prepare itself for privatisation. In West Germany, the tougher bargaining stances of Lambsdorff, the Economics Minister, were reflected in his dealings with Thyssen over a proposed merger with Krupp and his rejection of appeals from the Korf group which might have saved its domestic steel operations from *vergleich* and prevented the eventual declaration of bankruptcy (see above).<sup>379</sup>

But there were also decided limits to the impact made by ideology, particu-

<sup>369</sup> Quoted in STEEL, 1982; see also *Sunday Times*, 5 December 1982 for a similar declaration by John Biffen, Leader of the House of Commons.

<sup>370</sup> HOOD and WRIGHT, 1981: 8–11.

<sup>371</sup> STOFFAES, 1980.

<sup>372</sup> See the declarations of President Giscard d'Estaing and M. Giraud, Industry Minister, in the Council of Ministers of 7 February 1979.

<sup>373</sup> *Europe*, 18–19 May, 1981.

<sup>374</sup> *Financial Times*, 4 June 1981; *Die Welt*, 4 June 1981.

<sup>375</sup> KALMBACH, 1982.

<sup>376</sup> MADDISON and WILPSTRA, 1982; SCHMIDT, 1984.

<sup>377</sup> MORGAN, 1983: 174; DOCHERTY, 1983: 133–134; BRYER, *et al.*, 1982: 254–255.

<sup>378</sup> COHEN, GALBRAITH and ZYSMAN, 1981; AUDIER, 1980: 565.

<sup>379</sup> *Financial Times*, 23 February 1983; DYSON, 1983.

larly of the 'neo-liberal' variety so fashionable in the 1980s, on industrial policy-making. The first Thatcher government – the much vaunted model – gave aid to small businesses, accorded selective support for promising sectors (micro-processing, information technology, bio-technology), continued to prop up ailing industries, erected import barriers (to help the textile industry), used public purchasing policy to protect several industries, and dramatically increased job creation and training schemes (to mop up youth unemployment).<sup>380</sup> Between 1979–1980 and 1982–1983 the Thatcher government more than doubled, in cash terms, regional and industrial aids (from £ 1,641 million to 3,329 million) – an increase of a half in real terms.<sup>381</sup> The coal industry – like many other industries – enjoyed levels of aid unknown under the much decried Labour governments of 1974–1979<sup>382</sup> – a point angrily made by several disenchanted Conservative Members of Parliament.<sup>383</sup> In the West Germany of the Centre Right government of Kohl, tough language was not always matched by tough measures. In September 1983, the German cabinet, to the dismay of its Right-wing supporters, approved a subsidy package to industry, transport, agriculture and housing worth 29.1 billion marks for 1984 (compared with 28.6 billion marks for 1983).<sup>384</sup> Similarly the neo-liberal experience of the Barre government was flawed for the purists by continued protectionism, selective entrepreneurship and constant intervention to save industrial lame ducks.<sup>385</sup>

The political management of the steel industry provides a wonderful illustration of the distance between discourse and decision, between rhetoric and reality, between politicking and policy-making. In the United Kingdom, Sir Keith Joseph, the major proponent of neo-liberalism and Secretary of State for Industry, might proclaim his determination not to get involved in the industry<sup>386</sup> but the government to which he belonged continued to pour money into BSC – to the obvious disadvantage of the private steel sector which complained bitterly of the situation<sup>387</sup> until it, too, became the recipient of hefty State hand-outs (see above). In France, Right-wing governments (and especially the Barre government) handed over 7 billion French francs of subsidies and 6 billion French francs in cheap loans to the industry: '*13 billion pour rien*' commented President Mitterrand in his June 1982 press conference.<sup>388</sup> And in the Federal Republic, in 1982 and 1983 Otto Lambsdorff had once again to swallow his principles (which by then may well have become an acquired taste for the West German Economics Minister . . .) in the further rescue operations of the constantly troubled Saar steel industry. It is also clear that while firms made the final decisions Bonn

<sup>380</sup> For an excellent survey of the Thatcher government's record see RIDDELL, 1983.

<sup>381</sup> *Economist*, 13 December 1980, 5 March 1983; *Sunday Times*, 2 October 1983; CENTRE FOR THE STUDY OF PUBLIC POLICY, 1982; *Financial Times*, 13 December 1980.

<sup>382</sup> *Sunday Times*, 13 February 1983.

<sup>383</sup> *Times*, 7 April 1981.

<sup>384</sup> *Financial Times*, 7 September and 5 October 1983.

<sup>385</sup> GREEN, 1980, 60–76; HAYWARD, 1982: 111–140; GREEN and CERNY, 1980: 165–166.

<sup>386</sup> DOCHERTY, 1983: 158.

<sup>387</sup> *Financial Times*, 3, 29 October 1980.

<sup>388</sup> *Le Monde*, 11 June 1982.

took a keen and very close part in discussions about the restructuring of the industry.<sup>389</sup> Certainly the claim, made by Gerhard Ollig of the Federal Ministry of Economic Affairs, in 1980, that the Federal Republic had 'no specific policy on steel'<sup>390</sup> would have been difficult to sustain after 1981. All governments in Western Europe after 1981 – whatever their political hue – were subsidising the steel industry, accepted the quotas and price-fixing arrangements imposed by Brussels, and applauded the import restraint agreements negotiated by the EEC with a number of countries: scarcely testimony to zealous support for free market principles. So while the legitimacy, form, mechanism and extent of State interventionism may have differed within Western Europe, one of the major lessons of the steel crisis tends to confirm the general view that 'in the search for solutions to economic problems, policy principles do not impose binding constraints'.<sup>391</sup>

Much more of a constraint upon State action was the inefficacy of its machinery for dealing with the crisis. We have already noted how undermanned and inexperienced were many State agencies involved in steel. Another striking feature of the steel crisis is the extent to which it reveals the multiplicity of decision points within, and the fragmentation and compartmentalisation of, the State apparatus which is involved in industrial policy-making.<sup>392</sup> The number of State actors at the *political* level is considerable. Many decisions were taken at the very highest level, for with the crisis steel became, more than ever, '*une affaire d'Etat*';<sup>393</sup> in France decisions involved the President of the Republic<sup>394</sup> and, as elsewhere, the Council of Ministers as well as a variety of other ministries separately: Finance, Industry, Research and Technology, Environment, Labour, Foreign Affairs, European Affairs, Planning (in France), State Shareholdings (Italy), Mezzogiorno (Italy), Scotland and Wales (United Kingdom). Some degree of co-ordination was ensured within the various interministerial committees dealing with steel,<sup>395</sup> but it was often insufficient to prevent open friction between the political steel actors. At the administrative level there was not only the ministries but bodies such as DATAR and the Planning Commission in France, job-creating agencies (such as the Agence Nationale pour l'emploi in France and the Manpower Services Commission in the United Kingdom)<sup>396</sup> and a host of State or parastatal banks, funding agencies and credit organisations involved in the adjustment process.<sup>397</sup> Of all these bodies the ministry respon-

<sup>389</sup> *Financial Times*, 26 October 1983.

<sup>390</sup> OLLIG, 1980: 427.

<sup>391</sup> PEACOCK, *et al.*, 1980: 64.

<sup>392</sup> SOLE, 1983; MONTI, 1976; JOBERT, 1973.

<sup>393</sup> RIVET, 1978: 62.

<sup>394</sup> For the role of President Pompidou, see PADIOLEAU, 1981; for the interventions of Giscard d'Estaing, see *Le Monde*, 19 December 1978.

<sup>395</sup> Such as the *Comité Ministériel de Co-ordination économique et sociale* in Belgium or the CIPI and CIPE in Italy, see SARACENO, 1975: 148–420; SACCO, 1980.

<sup>396</sup> *Financial Times*, 15 October 1982.

<sup>397</sup> For a brief summary of the credit organisation involved in restructuring see FRANZMEYER, 1982: 87–90.

sible for finance played a key and increasingly dominant role,<sup>398</sup> a phenomenon common in crises.<sup>399</sup> And that ministry was reputed to be not always sensitive to the requirements of industry.<sup>400</sup>

Steel policy-making during the crisis was but another illustration of the extreme difficulties involved in the co-ordination of an industrial policy being made in a multiplicity of rival or competing State agencies.<sup>401</sup> This was true in Italy – the so-called ‘nebulous’ State<sup>402</sup> – with its complex, fluid and shifting system of economic decision-making<sup>403</sup> in which the Ministry for State Shareholding has rarely been able to perform its assigned role of coordinating activities in the public sector, or even to prevent open warfare between competing agencies which fall, in principle, under its jurisdiction:<sup>404</sup> it is revealing that one of the demands of the Italian unions has been that steel policy-making be coordinated by a single ministry.<sup>405</sup> In Italy, ministerial coordination tends to be replaced by institutionalised, yet fluid, political bargaining processes in interministerial committees<sup>406</sup> in a situation which gives rise to what Sabel, in another context, has described as ‘negotiated paralysis’.<sup>407</sup> Decisions do finally emerge from the morass, under the pressure of events, but they do so by a diffuse, dilatory and not very visible process. The problem of coordination exists, albeit to a lesser extent, also in West Germany<sup>408</sup> and in France – the so-called ‘strong’ State – which is plagued by sporadic battles between rival State agents.<sup>409</sup> In Belgium, attempts to coordinate steel policy by bodies such as the Comité de Concertation de la Politique Sidérurgique proved ineffective.<sup>410</sup> Given the high economic and political stakes and given the increased extent of intervention it was perhaps inevitable that tensions within the State apparatus should heighten.<sup>411</sup> Those tensions were manifested in a variety of ways and at a number of levels. At governmental level examples of such tensions were numerous: the 1975 review of

<sup>398</sup> PADIOLEAU, 1981: 137–138; COHEN, GALIBRAITH and ZYSMAN, 1981: 104; BAUMIER, 1981: 162–163. On the power of the Ministry of Finance in industrial policy making generally, see FRIEDBERG, 1970.

<sup>399</sup> FRIEDBERG, 1974: 131–134.

<sup>400</sup> See the comments of Sir Peter Carey on the U.K. Treasury – ‘the bland leading the bland’ in an interview with the *Financial Times*, 5 May 1983.

<sup>401</sup> GREEN, 1979: 50, 74–77; PRODI, 1975: 62; HESSELMANN, 1983; FRANZMEYER, 1982: 3.

<sup>402</sup> DONOLO, 1978: 170–172.

<sup>403</sup> AMATO, 1972; BARISI, 1982: 64; CASSESE, 1976, see also his excellent article 1980: 180–181.

<sup>404</sup> PASSIGLI, 1975.

<sup>405</sup> *La Repubblica*, 19 July 1983.

<sup>406</sup> CASSESE, 1980: 201; MERLINI, 1976.

<sup>407</sup> SABEL, 1981: 216.

<sup>408</sup> It is true, too, in West Germany, MAYNTZ and SCHARPF, 1975.

<sup>409</sup> BIENAYME, 1982: 123–124; PADIOLEAU, 1981: 156.

<sup>410</sup> MOERS, 1977: 388–390; on the CNCPS see INSTALLE, 1974: 660–661; FRAYES, 1982: 175–189; DESTERBECQ-FOBELETS and TILLIER, 1980: 67–111; INSTALLE, 1975: 261; TILLIER, 1980: 113–143.

<sup>411</sup> FRIEDBERG, 1974: 138.

BSC caused 'considerable friction' within the British cabinet,<sup>412</sup> while the Thatcher government in 1983 was clearly divided over BSC's plan to close Ravenscraig, the Scottish steel plant, with George Younger, the Scottish Secretary, mounting a public campaign to save the plant;<sup>413</sup> the West German SPD-Liberal coalition government was divided between the financial hawks led by Lambsdorff, the Economics Minister, and certain of his more dovish SPD colleagues who were closer to the unions and the steel constituencies; in France, the Minister of Industry (Fabius) and the Minister of Finance (Delors) were reported to be very divided over the financing of the steel plan in 1983.<sup>414</sup> In Italy, where questions relating to public sector industry (and especially its financing) are inextricably linked with the party struggle for power, and intimately involved in the widespread patronage system,<sup>415</sup> and where the public sector all too easily becomes the scapegoat for the defects of the political system,<sup>416</sup> it is not surprising that the steel crisis so frequently and so bitterly divided the Cabinet.<sup>417</sup> However, it was in Belgium that internal government disputes over steel were most acute, for they tended to crystallise far deeper inter-community tensions, causing severe political and constitutional strains and even the breaking-up of governments (see above).

Belonging to the same political party was no insurance against internal government disputes or divergent points of view: the debate over Finsider's Plan in 1983 in Italy pitted the Minister for State Shareholding against the Minister for the Mezzogiorno, even though both were Socialists;<sup>418</sup> in the United Kingdom, Varley, the Industry Minister did not share the same views on steel policy as Benn his colleague and predecessor (see the chapter by Richardson and Dudley in this collection) while in the Thatcher government Sir Keith Joseph's approach to steel was modified by his successor at the Industry Department.<sup>419</sup> Differences between Ministers reflected different ideological perspectives, sensitivity to different electoral constituency demands<sup>420</sup> or the need to defend their administrations' viewpoints. Problems of coordination at State level were compounded

<sup>412</sup> *Financial Times*, 18 January 1975.

<sup>413</sup> *Financial Times*, 28 April 1983.

<sup>414</sup> *Le Monde*, 24 November 1983.

<sup>415</sup> TAMBURRANO, 1975; AVAGLIANO, 1979.

<sup>416</sup> FAUSTO, 1982: 23; SILVA, 1978.

<sup>417</sup> *Paese Sera*, 25 February 1981; *Financial Times*, 7 April 1981 (on the March 1981 Plan); The decision of the Cipi (Comitato interministeriale per la programmazione industriale) of 27 October 1981 to release funds to the steel sector was taken after a debate which was described as 'infuocato', and followed months of 'laceranti polemiche': see *La Repubblica*, 3-4 October 1982. The handling of the 1983 steel crisis split the Craxi government no less than his predecessor's: see *La Repubblica*, 2, 5, 26 July and 9, 28 September, 11 November 1983; *Il Sole - 24 Ore*, 11 November 1983.

<sup>418</sup> *La Repubblica*, 3-4 October 1982.

<sup>419</sup> GRANT, 1982.

<sup>420</sup> Thus the 1983 Steel plan divided the Belgian cabinet, with Jean Gol, Deputy Prime Minister and politician from Liège, opposed to the Prime Minister. See *Financial Times*, 21, 22 November 1983.

by tensions *within* each ministry (the sponsoring ministry – the Industry – was especially prone to internal divisions<sup>421</sup>) and between politicians and officials involved in steel making.<sup>422</sup>

This fragmentation of the State steel policy-making machine and its internal tensions and rivalries, meant that decisions were sometimes the result of time-consuming (and for that reason costly) compromises (the Italian and Belgian<sup>423</sup> cases) and had to be arbitrated at the political summit (also the French and British cases).<sup>424</sup> Steel policy-making became, in the words of Michel Capron in his chapter on Belgium, ‘an endless maze of irresolute decisions, hesitancy and incoherence’. It also meant that decision-making was not only complex and confused but also obscure – a point often made about industrial policy-making generally.<sup>425</sup> Third, it meant that actors outside the State machine could exploit its divisions.<sup>426</sup> Finally, it resulted in policies which were characterised by incoherence and inconsistency, since they reflected the divisions within the State machine which tended to absorb, to reflect, to articulate and to perpetuate the many conflicts to which it was prey.

The general incoherence and inconsistency of State interventionism and of the policies of the public sector have been pointed out by several observers<sup>427</sup> who have underlined the imprecise, conflicting and often paradoxical nature of the policies being pursued<sup>428</sup> and of the multiple roles assumed by the State in the field of industrial policy.<sup>429</sup> A basic contradiction has also been pointed out between the active pursuit of an industrial strategy (though sectoral and regional policies) and the unwillingness to combat ‘the anti-industrial biases introduced by society’ (such as too high wages, costly holiday provisions, job security guarantees which are bad for mobility, labour relations legislation which weakens management, location policy which places limits on choosing optimal sites, costly social charges and anti-pollution measures.)<sup>430</sup> Steel policy-making

<sup>421</sup> GRANT and WILKS, 1983: 22–33; PAPON, 1975: 214–244.

<sup>422</sup> In 1976, over the closure of Shotton in the United Kingdom, Varley, the Industry Minister, backed BSC against his own Ministry: see *Economist*, 24 July 1976. The Department of Industry was reported to be hostile to the privatisation plans for BSC of the Thatcher government: see *Economist*, 5 March 1983.

<sup>423</sup> See, for example, the October 1981 decisions of the Comité ministeriel de co-ordination économique et sociale in Belgium. *Le Soir*, 25–26 October 1981.

<sup>424</sup> PADIOLEAU, 1981: 149–156.

<sup>425</sup> A point often made about industrial policy-making in general. See VERNON, 1974: 12; STOFFAES and GADONNEIX, 1980: 416 (only too often no one quite knew where and by whom industrial decisions were taken); STEEL, 1982.

<sup>426</sup> LECCISOTTI, 1978; MARTINELLI, 1981: 91–92; GRASSINI, 1980; PADIOLEAU, 1981: 63.

<sup>427</sup> For Italy see MARTINELLI, 1981: 91–92; SACCO, 1980: 33–34; GRASSINI, *et al.*, 1980; ARE, 1982; PETRILLI, 1971; on Belgium see CLERCK, 1976; for Germany see STREIT, 1977: 131; FELS, 1976: 98; for France see STOLERU, 1969; BERGER, 1981: 160–178; MONNIER, 1977: 25; JOBERT, 1975; CHEVALIER, 1979: 151; for Britain, see DENTON, 1976: 120–164.

<sup>428</sup> One of the themes of BIENAYME, 1983; also GALAMBERT, 1982; JACKSON, 1976.

<sup>429</sup> METCALFE, 1980; MASSERA, 1981: 152–153.

<sup>430</sup> HAGER, 1982: 243–244.

during the crisis, which was inspired by divergent motives and which was attempting to meet the conflicting objectives emanating from shifting and rival interests,<sup>431</sup> is, therefore, a fair reflection of industrial policy-making generally. As noted above, factors such as national prestige, defence requirements and balance of payments considerations ensured the maintenance of the industry while financial and technological imperatives pushed towards rapid adjustment and contraction, and social, regional, political and electoral considerations required a slow process of adjustment. Squeezed between two opposing logics, governments have almost inevitably produced inconsistent and incoherent policies.

It is not difficult to point to some of the incoherencies of State action: developing new modern sites without running down the old ones; baling out their own steel industries but granting substantial export aids to firms which were building steel plant abroad;<sup>432</sup> the Thatcher government forcing BSC to get rid of its more profitable assets, discouraging diversification, forcing BSC into greater dependence on unprofitable bulk steelmaking – and at the same time insisting on it getting back into profit;<sup>433</sup> the same government's policy of privatisation being undermined by its subsidies to BSC which helped to kill off the private sector: measures to encourage labour mobility being accompanied by measures designed to discourage it;<sup>434</sup> nationalising in the name of rationalising but tolerating continued competition between the constituent firms (see above).

At a more general level, it is questionable whether the vast sums of money employed 'to humanise the adjustment process' were always judiciously deployed. The modernisation of Bagnoli at the cost of 9,000 billion lire to save some 2,000 jobs and to produce steel no-one wanted is a good case in point.<sup>435</sup> But there are many others: for instance in 1983, the two French State-owned steel companies absorbed a quarter of the total capital funding allocated to the public sector, while representing only 5 per cent of the State sector's turnover – a situation which certainly raises questions about the wisdom of making unprofitable parts of the public sector the productive investment motor of French industry.<sup>436</sup>

The fragmentation and divisiveness of the State steel policy-making machine, its general lack of expertise in matters relating to the industry, its inability to define a clear set of objectives, ensured its vulnerability to outside pressures and forces, although causes and consequences in an area as complex as industrial policy-making are singularly difficult to disentangle. We shall now turn to these

<sup>431</sup> The building of the coastal works at Fos in Southern France exemplified this point. See GREEN, 1979: 5–7. TARROW, 1976; PADIOLEAU, 1981: 63.

<sup>432</sup> *Economist*, 31 December 1977, 3 October 1981.

<sup>433</sup> MORGAN, 1983: 184.

<sup>434</sup> FLORKOSK, 1978: 160.

<sup>435</sup> *La Repubblica*, 3–4 July 83.

<sup>436</sup> WITT, 1983: 55; see also the comments to that effect of PRODI, in *Il Mondo Economico*, 18 July 1983. Although GRANT and WILKS, 1983: 17, have pointed out that the issues are much more complicated than appear at first sight.

outside pressures and forces by looking at the roles of the EC, internal political and professional groups, and then the two key actors which forge steel policy with the State – the trades unions and the industry itself.

## VI. The Steel Making Community – The EEC

The European Coal and Steel Community Treaty has been described as a ‘treaty-law’ (as opposed to the ‘framework treaty’ represented by the EEC), so much did it constitute an innovation compared with traditional treaties between States. One of the most authoritative commentators on the Treaty, Paul Reuter, writing in 1953, noted *‘Les rédacteurs ont eu, dès la première heure une vision précise du système préconisé: ils en ont fixé à la fois les objectifs, les moyens et la procédure avec une rigidité qui a surpris et parfois choqué ceux qui ont l’habitude d’une plus grande souplesse diplomatique’*.<sup>437</sup> The fact that the Treaty gave wide powers to the High Authority (and then to the Commission), and then established precisely the methods and means of intervention concerning the coal and steel policies should not, however, obscure the general objectives outlined particularly by Article 2:

The European Coal and Steel Community shall have as its task to contribute in harmony with the general economy of the Member States and through the establishment of a common market as provided in Article 4, to economic expansion, growth of employment and a rising standard of living in the Member States.

The Community shall progressively bring about conditions which will be themselves ensure the most rational distribution of production at the highest possible level of productivity, while safeguarding continuity of employment and taking care not to provoke fundamental and persistent disturbances in the economies of Member States.

Recalling the text of Article 2 seems a somewhat cruel exercise seen against the development of the coal industry during the 1960s and of the steel industry over the last decade. However, going back to the beginning serves to remind us of the prodigious transformation which has affected these two sectors over the last 30 years: the twin pillars of European economic development, coal and steel, have now become relatively secondary – even politically and economically undesirable. The confrontation between the aspirations of the Treaty and the reality of the 1980s is in some respects tragic, but bears witness to the inability of a treaty-law to determine the development or transformation of an economic system. One could certainly reply that a treaty, even though the initial wording remains unchanged, is liable to be interpreted differently in the light of changing political and economic circumstances, and that it is always possible to ‘discover’ or to resuscitate juridical clauses hitherto neglected. It is not totally unfair to claim that the European Coal and Steel Community had the reputation of being a ‘Sleeping Beauty’ during the 1960s before the nation-States, as the result of the steel crisis, found it somewhat seductive. There remains the feeling that the European Coal and Steel Community Treaty constituted less a ‘constraint’ for the States than a sort of back-stop against the dangers whose nature and

<sup>437</sup> REUTER, 1953: 3.

magnitude have changed over the last three decades. Besides, as Tsoukalis and Strauss note in their chapter, it is very difficult to sort out in such a complex situation the relative importance of the various factors and actors or to judge what is due 'to God, to the market or to Community policies'.

Initially the main support for the Treaty came from European countries such as France which were seeking a solution to the 'German problem'. Today, the cement which unites the ten partners appears to be above all the fear that if the system fails there should not be a general unleashing of national protectionism with effects which are worse than the situation it was meant to help. Put another way, when the Treaty is being fully used it is mainly for political reasons or because of broader economic considerations rather than for reasons peculiar to the coal and steel industry. It is interesting to note, for example, that the French steel-makers accepted a Community policy in 1950–51 out of fear of Germany rather as the Germans accept the distortions of liberal dogma or make concessions which are prejudicial to their immediate interests for fear of a collapse and dislocation of the European market.

If fear is the beginning of wisdom one can understand why the European Coal and Steel Community barely affected the steel-makers and European Governments during the 'golden sixties'. The role of gate-keeper that the Community was supposed to play could not be carried out due to the lack of adequate mechanisms for applying pressure and adequate constraints. The European Coal and Steel Community and then the EEC were unable during this period to control investment, pricing policy, discriminatory measures or restrictive practices, subsidies or other public aid to the steel industry. Pushing the analysis to its logical conclusion one could say that the Community institutions are responsible for the present situation, since they were unable to prevent it and indeed they created the conditions for such an outcome. Such a view of Community policy is not without justification: the lack of any real control over investment, the acceptance (indeed the legitimisation) of cartels, the inability to control price-fixing, the powerlessness to staunch the flood of public subsidies – all bear witness to the fact that the Community was hardly the '*dirigiste*' or the interferer denounced by the supporters of an unbridled liberalism. There was no better illustration of the absurd situation than that described in the declaration of President Mitterrand<sup>438</sup> on 3 March 1984: he recalled that from 1966 to 1981 there had been five plans in France dealing with steel which had resulted in the spending of more than 60 billion francs. Between 1981 and 1983 a further 17 billions were spent, and in 1983 the two newly nationalised steel firms which had squandered the previous sums – lost a further 10 billion francs. They were to lose as much in 1984.

To stop at this point would, nevertheless, give an unfair view with regard to the Community institutions. Their relative impotence results as much from external as from internal factors. Even if the Community is more than the sum of the wishes of the Member States it is nonetheless dependent upon them for the nature of the policies to be pursued, for the decisions to be taken, and for the

<sup>438</sup> *Le Monde*, 4 March 1984.

implementation of programmes. For even when the Commission uses the important prerogatives it enjoys as the heir to the High Authority, it is obvious that it cannot be effective without the political support of a majority and indeed of all the members. The inability of the Community to constrain the States during the periods of growth and expansion reflect the degree of control that the States were individually and collectively ready to accept. From this point of view the new importance that the Commission assumed during the crisis shows that when faced with difficulties the advantages of collegiate management far outweigh the advantages of going it alone.

That the Community constraints were weak and that the responsibility for this deficiency is due in large part to the Member States are facts which can be seen in other sectors of Community life. How is it that today in Brussels as well as in the other European capitals the Commission seems to be at the centre of the decision-making process? Despite a few dissenters, the majority of observers emphasize the role played by Community institutions and in particular by the Commission. However, this role is not constraining in the sense which is understood by the most virulent detractors of these 'supranational' institutions (the British Labour Party, the French Communist Party, some unions). The constraint, if constraint there is, results from a consensus between the ten Member States as to which policies to pursue. The hesitations of the Spinelli and Simonet Plans, the fluctuation of the crisis measures and the Davignon Plans, the Aid guidelines and the social measures which accompany them, the attitude with regard to non-EEC countries and in particular the United States show the extent and the limits of the role of the Commission: it is that of a 'policy-broker' exploiting its own powers but also the conflicts between States and the *impasse* in which the steel industries of these countries find themselves. Moreover, the freedom of manoeuvre and the legitimation of the acts of the Commission have been strengthened by the declarations of governments which have sometimes made it a scapegoat and sometimes a useful screen to hide behind. Overall, the Community constraint must be seen less as some sort of supranational *dirigisme* than as a collective self-discipline which is the result of both the nature of things and the perception by each actor of the costs, advantages and risks of the policies adopted collegially.

We will not discuss here the details of the role and actions of the Commission, which are closely analysed by Grunert, Tsoukalis and Strauss in this work. Suffice it to recall the main principles. The Community and, at its centre, the Commission, held several trump cards in the management of the crisis which enabled it to play an independent role:

– First, the powers given by the Treaty of Paris to the Commission which was the successor to the High Authority, are more significant than those granted by the Treaty of Rome. In the case of coal and steel the Commission itself *decides* whether it needs the agreement of the Council of Ministers before making rules. Of course, the legal authority of itself is insufficient to permit the exercise of power, but the formal definition of powers is not without effect, especially in a system which is as rigid and as legalised as the Community. It is particularly noteworthy that the policy role of the Commission which had reached a new low

in recent years remained prominent in matters concerning steel. Unlike the graveyard of failed propositions in every other area, it is significant, as Grunert has pointed out, that 'from the start of the present steel crisis the Council has rejected not one decision of the Commission in its role as a policy actor in this sector' (see below). Moreover, Article 58, in the event of a manifest crisis, made the Commission the real manager of the steel sector. Naturally, the Ministers of the States concerned had to approve any proposals, but thereafter the Commission had practically *carte blanche* in ensuring that these measures were implemented and the policies adhered to.

– Second, the Commission has an unsurpassed experience in steel matters. The veterans of the European Community fought their first campaigns in the European Coal and Steel Community and the Community administration had thirty years experience in the area. This expertise developed thanks to the provisions in the Treaty which ensured the granting to the Commission of regular information from the steel firms via their professional organisations. Article 48 obliges these organisations to provide this information which therefore allows the Commission – *and it alone* – to have a general long-term view of the European steel industry. This 'expertise' contrasts markedly with the 'amateurism' of national administrations which have never succeeded in gathering a pool of their own experts capable of providing advice totally independent of the employers. Furthermore, the quality of the Community experts resides not only in the mass of information which they receive but also in the diversity of 'inputs' and ideas which are to be found in Brussels. The EC civil servants were better placed than anyone else to have a balanced view of the different problems of the national governments which were too often confronted by a united front from their local 'steel community'.

– Third, the Commission is well placed in the steel sector to monitor the implementation of its decisions. While the services of the Commission are, *in general*, badly equipped to keep a regular eye on the proper implementation of Community decisions (except on a purely formal or legal level) the structure of the steel sector makes the task easier. It is relatively simple to monitor production and markets: there are only a few hundred firms and most of the output comes from a few dozen; steel production is easily assessed because of the way it is made. Hiring a hundred inspectors to monitor the implementation of the crisis measures, therefore, allowed an almost constant surveillance of the market.

– Fourth, the Commission increasingly energetically used the various methods of applying pressure at its disposal. It did not hesitate to levy heavy fines on those who had broken the law (and so all the more easily because it was unclear whether those fines would be paid). Above all it sought to turn to its own advantage the most glaring breaches of the Treaty with the help of certain Member States (notably West Germany). For instance, the Commission had for years to put up with massive subsidies, which were nonetheless forbidden in principle under the Treaty until finally, pressured by the German producers and the German government it was forced to accept the idea of a code for subsidies. These were to be tolerated only up to 1985 and had to be used for restructuring and readjusting output and employment. The Commission was able to turn to its

advantage a situation which was both contrary to the Treaty and harmful to competition and it was able to bring about this change at a time when the governments most in favour of interventionism began to worry about the cost of such intervention. At the same time, the Commission pursued policies in favour of problem regions by adding to the aids provided for by the European Coal and Steel Community Treaty a whole range of other aids which were available in other Community policies and especially in regional policy.

– Finally, the Commission benefitted on the political level from having several trump cards. It first of all benefitted greatly during the crisis from the energy and personal qualities of Commissioner Davignon who was able to define a policy, to negotiate it with the various Governments and who succeeded in appearing like someone with the Community interests at heart. It, in addition, found itself having to arbitrate between governments whose policies were incompatible but who had everything to fear, for various reasons, from the collapse of the system. Practically all the States concerned as well as the producers had need, in one way or another, of the Commission: for some to act as a scapegoat, for others to get subsidies and for yet others to enforce the regulations and the functioning of the steel market.

The position of the Commission was strengthened by the impact of the crisis and the complicity of the Member States. But it has enormously benefitted, too, from the united nature of Community institutions in steel matters. The European Parliament, for example, gave its complete support to the Davignon policy in a resolution of 5 July 1977 which was adopted by the Economic and Monetary Commission on the basis of the Couste Report.<sup>439</sup> A later resolution, adopted on 15 December 1983<sup>440</sup> demonstrated the same desire to support the Commission. This unflinching support was accompanied by a wish to see the Community increase its aid for social problems in the regions concerned. But this support was hardly surprising, since the European Parliament acts more as a lobby than as a parliamentary assembly in the traditional sense of the term. For the majority of the assembly there was no alternative to the policy of manifest crisis.

The same caution and the same support was also demonstrated by the Court of Justice of the Community which refused to go into the merits of the policy being pursued and sought rather to reaffirm the fundamental principles which form the basis of Community policies. There is no need to recall here the considerable role played by the Court in the development of the EC. Joseph Weiler, in his recent and excellent study, has underlined the importance of this contribution which has compensated, so to speak, for the weakness of other institutions and in particular of the Commission. Despite the progressively national treatment of numerous policies (in the manner of their making, their conception and in the process of decision-making) the Court ceaselessly underlined such fundamental principles of Community law as the 'principle of Community solidarity', the 'principle of market unity' and the 'principle of Community preference'.

<sup>439</sup> J.O. EEC 1977 – C 183.

<sup>440</sup> J.O. EEC – C 10/77.

The steel crisis and in particular the increased interventionism of the Commission allowed the Court to express its opinion on several occasions on the policies and the decisions of the Commission. When it did so, the Court refused to bend the principles which are at the basis of Community action, and by so doing it reinforced the position of the Commission. It is probable that the smallest breach in the legal framework might have involved the collapse of the system. For example, in the *Valsabbia* judgement of 18 March 1980,<sup>441</sup> the Court made it clear that in respect of infringements that had taken place at a time of crisis, that the crisis had brought about the establishment of an anti-crisis plan founded largely on the principle of solidarity. The desire to preserve the *acquis communautaire* did not prevent the Court from closely examining the circumstances governing the implementation of the anti-crisis plan. Thus, in the judgement mentioned above, the firms concerned (the *Bresciani*) claimed that a minimum sale price was imposed only on the producers and not on the sellers. Since the latter were involved in a price-cutting war, the producers contended that imposing constraints upon them was useless, since the objective – price increases – was not being met on the market place. The Court, whilst finally admitting that the required objectives had been more or less achieved, recognised that the Commission had intervened clumsily and too late by not insisting at the outset that the sellers should respect the minimum prices. Court cases multiplied after the Commission resorted to Article 58 and the declaration of manifest crisis. Some firms contested the method of establishing quotas<sup>442</sup> (with respect to production in the reference periods), the system of exceptions<sup>443</sup> brought in by general agreement on 31 October 1980,<sup>444</sup> and the clause of Article 14 which authorises individual adjustments.<sup>445</sup> In all these cases the Court sought to define its own interpretation of the crisis<sup>446</sup> and thus to call into question the nature of the measures taken. In 1980, for instance (*Valsabbia* judgement) it considered that in view of the situation in which the European steel industry found itself at the time the measures under dispute were instituted the Commission had quite correctly preferred to negotiate limits on imports rather than to impose those limits unilaterally. Likewise, in 1983, the Court recognised that the widespread nature of the crisis gave the Commission the right to define *par voie générale* the circumstances under which individual adjustments of Article 14 could be implemented. It emerges from these various judgements that the Court remains

<sup>441</sup> Case 154/78, Rec. 1980, 907.

<sup>442</sup> Case 14/81, Rec. 1982, 749.

<sup>443</sup> Cases 275/80 and 24/81, Rec. 1981, 2489.

<sup>444</sup> Décision générale, 2794/80 of 31 October 1980, J. O. EEC L 291/1.

<sup>445</sup> Case 154/78, Rec. 1980, 907.

<sup>446</sup> Article 33 of the European Coal and Steel Community Treaty limits, moreover, the powers of the Court in this matter by stipulating: 'The court may not, however, examine the evaluation of the situation, resulting from economic facts or circumstances, in the light of which the High Authority took its decisions or made its recommendations, save where the High Authority is alleged to have misused its powers or to have manifestly failed to observe the provisions of this Treaty or any rule of law relating to its application.'

firmly attached to a conception of a Community in which market forces should be tempered by political, economic or social considerations. According to the judges in Luxembourg, steel policy should not be limited simply to policing the steel sector. The Court took the view that belonging to the Community carries advantages which benefit firms and governments. And the price to be paid is that constraints have sometimes to be imposed and indeed sacrifices required in the name of the Community ideal. In that respect the Court remains the guardian of the letter and the spirit of a Treaty which in its preamble maintains that 'Europe can be built only through practical achievements which will first of all create real solidarity'.

The Commission, armed with its prerogatives and with the support of other Community institutions, and in the absence of any obvious alternative to its policies seemed to be in a strong position in the steel industry. Its policy was certainly not ideal, but at least it avoided something far worse. This is not the opinion of Patrick Messerlin who, in his chapter, argues that one should not express the problem in terms of *laissez-faire* or protectionism for fear of becoming embroiled in some form of religious war. The problem, he writes, is largely to assess whether too much was attempted – and too crudely. Moreover, he reproaches the EC for choosing protectionist policies which threw serious doubts on the capacity of the Commission and the Member States to control the recurrent crises of the West European steel industries. The problem, he concludes, is the following: have the Commission and the Member States become the masters of the situation or is it slipping increasingly further from their grasp? The mixture of cartel and protectionism, the constant strengthening of protectionism and cartellising measures – all lead one to suspect the worst.

## VII. The Steel-Making Community: Parliaments, Parties and Localities

There were a number of political pressures on the State which helped to define and distort its steel policies. They came from national Parliaments, political parties, consumer groups and, more especially, from the affected localities. Individually, they constituted no particular threat but combined they could influence and even substantially modify State plans, and this was especially true when they found willing spokesmen at the highest political levels.

Parliament is thought to play essentially four functions in industrial affairs: it provides a forum for industrial issues, presenting criticisms and options; its support helps to legitimize the industrial policies of the Government; it exercises control and provides some element of accountability by a monitoring of the use of public money used for industrial policy; it represents a major focus for industrial pressure group activity. However, so far as the steel crisis and its political management are concerned, scepticism must be expressed about the extent to which Parliaments performed the above four functions.<sup>447</sup>

<sup>447</sup> This is one of the major conclusions of OVENDEN, 1978, in his study of the pre-crisis British steel industry.

There were, of course, parliamentary debates on the steel crisis (generally when governments were asking for more money) and questions were asked by Deputies and Senators (normally when constituency interests were at stake). Parliamentary committees (such as the West German Bundestag Budgetary Committee, the British House of Commons Select Committee, and the three Italian parliamentary committees for the Budget, for Industry and for State Shareholdings) also sporadically probed and critically reported upon the financial affairs of the steel industry.<sup>448</sup> But Parliaments and their committees lacked the time, the expertise, the research staff, effectively to monitor the affairs of the industry<sup>449</sup> particularly as the industry could be very uncooperative,<sup>450</sup> and Parliaments were invariably confronted with *faits accomplis*.<sup>451</sup> Once again, the history of the steel crisis serves to confirm a general point – in this case the general weakness of parliamentary control over the use of public money, even when spent by State enterprises, and over State industrial policy-making generally.<sup>452</sup>

On the whole, Parliaments had to be content with being informed about problems and then debating them. And even then it must be emphasised that most of the time information was divulged and debates took place only once events had taken a serious political turn. The French Parliament is a case in point. At the beginning of the 1970s Deputies tried to obtain more detailed information on State aid to private firms, particularly via the FDES (*Fonds de développement économique et social*). The government refused to divulge it, saying that such matters were confidential and that it was up to the government to decide on individual cases. In 1978, the Finance Commission underlined<sup>453</sup> the fact that Parliament was unaware of which firms were receiving subsidies, and went on to note that while several bodies were informed about the decisions which were made, members of Parliament had very little access to basic information. But at the same time the Commission unanimously expressed its satisfaction, pointing out that the information on loans to the steel industry from the FDES had greatly improved for the examination of the 1978 budget: and it openly thanked the government for this. The situation was quite clear: the government refused to tell Parliament about its aid to the aviation industry and to the information technology industry and agreed to do so for steel only because of its politically explosive nature.

<sup>448</sup> See, for example, the Reports from the Industry and Trade Committee on BSC's Prospects, published by HMSO, London; and the reports on the Bagnoli plant in *La Repubblica*, 7 October 1982.

<sup>449</sup> BRYER, *et al.*, 1982: 277–279; GRASSINI, 1979: 362.

<sup>450</sup> See *Economist*, 21 January 1978, for the occasion when the Chairman tried to refuse to divulge vital information to the House of Commons Select Committee on Nationalised Industries.

<sup>451</sup> See, for example, COHEN, GALBRAITH and ZYSMAN, 1981: 73 (on the 1978 French Steel Plan), and *Financial Times*, 9 December 1982 (on the second rescue package for the Saarland).

<sup>452</sup> REDWOOD and HATCH, 1982, provide a good, if critical, summary of the problem. See also MONTI, 1976.

<sup>453</sup> J.O. Doc. A.N. No. 3131 Annexe 47 – 50 legislature, 15.

The attitude of the French government was similarly grudging with regard to parliamentary *a posteriori* control. In 1978, it justified its attitude by claiming that it was not possible to make public information concerning the business affairs of individual firms for fear of jeopardising their commercial position.<sup>454</sup> In fact, this lack of candour was not simply motivated by the need for confidentiality: the government had no desire to advertise the subsidies which so often contravened Common Market regulations. As Fromont has pointed out, if at any time the EC had wished to take seriously the problems arising from making the Common Market function properly then France, like its partners, would have had to put its house in order with respect to public subsidies to industry.<sup>455</sup>

Political parties *per se* played no direct mediating role in the steel crisis. Some parties of the Left were closely linked with the unions (the PCI with the FLM, the PCF with the CGT, the German SPD with IG-Metall, and the British Labour Party with the ISTC) and, *when in opposition*, frequently expressed general support for union (normally expansionary) policies and actions.<sup>456</sup> Conservative parties, sometimes with ties to the private steel sector, made vague utterances about the need to expose the industry to the cold winds of the market – but also to protect the private sector.<sup>457</sup> Yet there are very few instances of political parties framing viable alternative strategies, or even wresting concessions from a government.<sup>458</sup> It has been argued that political parties tend to be prominent in ‘organizing general predispositions to policy choices’ and in creating the general mood of policy-making, rather than in playing an active role in defining specific policies.<sup>459</sup> The political management of the steel crisis reveals that parties voice sectional interest when in opposition, and become embarrassed and helpless spectators when their party is in power.

Equally marginal during the steel crisis were the organized consumer groups, such as the British Iron and Steel Consumers Council. Their existence was revealed by reports of their meetings with ministers or with the European Commission to discuss prices,<sup>460</sup> but there is little evidence that their representations had any real impact, although they could, on occasion, delay the implementation of price rises.<sup>461</sup> The traditional weakness of consumer groups was simply highlighted by the steel crisis.

More significant and influential was the constant pressure applied by the localities which were badly affected by the crisis, for as already noted, the full effects of the steel crisis were particularly serious in regions where the steel

<sup>454</sup> J.O. Doc. A.N. No. 3131 Annexe 47 – 50 legislature, 43.

<sup>455</sup> FROMONT, 1979: 12.

<sup>456</sup> See the chapter in this study by EISENHAMMER and THIMM, 1979; *Financial Times*, 27 January and 2 December 1982; *La Repubblica*, 6 July and 7 October 1982, 6 November 1983.

<sup>457</sup> *Times*, 8 March 1981; *Financial Times*, 21 February 1981.

<sup>458</sup> One such instance was the Conservative government in Britain bending to backbench pressure to amend the 1981 Iron and Steel Bill (see *Financial Times*, 15 April 1981).

<sup>459</sup> HECLO, 1974: 295.

<sup>460</sup> BALLANCE and SINCLAIR, 1983: 33.

<sup>461</sup> *Financial Times*, 19 October 1981, 9 July 1982.

industry is concentrated. For this reason no government could ignore the impact of the crisis and no region or town could remain indifferent to the effects of the cataclysm which befell it.

The extent of the job losses and the absence of any short or medium term alternative gave rise to a degree of desperation which was difficult to control by the usual political means. The destabilising effects of the crisis were felt at all levels, and amongst the first to be affected by these great economic changes were the traditional representative and mediating bodies. Despite the moderation of the unions in the steel sector (as true in Great Britain as in France and Germany) and despite the deep conviction of union leaders that there was little to be done to alter events, the unions felt obliged to mobilise so as not to leave the field entirely clear to local action committees over which they had no control. Local control from the centre was made particularly difficult in view of the conflicting interests of the various localities. Simply because of the size of the disaster there was a strong tendency for localities to come together in the common defence of their interests and to the detriment of the industry as a whole: territorial or horizontal solidarity took precedence over traditional professional or vertical solidarity. Because the crisis threatened to engulf all in its path, class solidarity tended to give way to purely local interests: workers and managers, Chambers of Commerce and employers' organisations, businessmen and farmers all found themselves united in the fight against the common enemy. Political parties and elected representatives, irrespective of party label, were all swept up into fighting the same cause – and even religious leaders were involved (the Pope was to declare that the closure of Bagnoli steelworks would be inconceivable). This common show of resistance may be seen everywhere: at Genoa and Bagnoli, at Dortmund and at Shelton, in the Nord and in Lorraine. The battle became that of the region versus the central power or against the other regions, and as a result anything was tolerated in defending local interests: violent and headline-catching demonstrations, generalised lobbying at all levels of decision-making: by the town-hall of the region or of the *Land*, by the Deputy of the Minister and even of Brussels. The implications of such a strategy are considerable: in the first place the State found itself confronted with positions which were inherently different from its own. It justified rationalisation measures and closures in terms of excess production nationally, foreign competition, the lack of demand, while local spokesmen replied to this by underlining the high quality of their plant, or their finished products or even their productivity. From the local point of view the problem was perceived entirely as a local issue and not in relation to the wider circumstances. The territorial dimension of the conflict gave rise to other tensions – between regions and amongst the workers. At the local level it was difficult for the unions to explain that the struggle had to be in the interests of all the workers and to avoid the self-defeating attitude of every man for himself. The conflict was no longer simply one of owners or management against the workers. It became a fight between shipwrecked men clutching at a buoy, or as an Italian newspaper described it, '*una guerra dei poveri*'. The existence of both a private and a public sector was also a source of divisions, each one accusing the other of being relatively protected by the State. After 1980, for example, the workers and

unions of Italsider were insisting that to help resolve their problems it was essential to reduce steel production in the private sector!<sup>462</sup>

The apparently fundamental conflict of interests between the local or regional level and that of the nation as a whole provided a formidable challenge to the State, particularly where socio-political conditions exacerbated matters. The most explosive example in this area was that of Wallonia where the crisis broke on a region already coping with the deepening cleavages in the Belgian State: cultural, linguistic, political and trade-union. One of the effects of the steel crisis and of the bitterness of negotiations concerning the salvage of the Wallonian steel industry was to sharpen the antagonisms and thereby to strengthen the process of regionalisation of the State. Apart from this extreme case, the challenge to the State could be met only by either dividing hostile local bodies or by specific policies. The Mauroy government in France tried both strategies particularly in trying to 'regionalise' the availability of credits for investment: the regions had to choose between subsidies to declining sectors or helping new industries. In fact, the regions did everything but choose. Generally, the second strategy was preferred because it appeared to be directed specifically at the local problem in question: the allocation of specific funds, *ad hoc* guarantees, credit facilities and specific subsidies were everywhere the devices which were used to avoid the worst.

The mobilisation of local opposition involved every means of protest and lobbying, but despite the united front against the closures and lay-offs it would seem that the localities had little influence. Even the most 'voluntaristic' governments (such as the Mauroy government of 1981–1984) had to give way before the inescapable nature of the necessary restructuring process. Local authorities in this respect were even more powerless, since they had neither the power of decision nor the financial means with which to intervene in a decisive manner. They enjoyed some success only in the following three ways:

- by helping to slow down the restructuring process;
- by obtaining or providing means of softening the impact of industrial reconversion;
- by contributing from their own resources to the industrial renovation of the region.

The strategy of slowing down the restructuring of the industry was used almost everywhere and was occasionally successful, especially when a slight improvement in the situation allowed the hope that the worst was over. The steel firms of Valenciennes and Thionville, those of Bagnoli, Cornigliano or Charleroi benefitted from these respites which allowed them to put off changes for several years. One might well ask, however, whether this strategy was really the success it seemed, however desirable it might appear from a local view-point. Putting off the evil day has rarely been used profitably to undertake restructuring (except at Bagnoli) to train workers for different jobs, or to bring in new industries to provide alternative employment. Some five or ten years later, actors in the steel

<sup>462</sup> *La Repubblica*, 4 August 1983.

industry will finally have to accept the harsh reality and assess the situation realistically: useless investments, workers ill-prepared for a change of job and lost opportunities. Many tragic situations result simply because nobody dared say (or indeed could even conceive) that the development of the coastal steel-works involved the inevitable destruction or winding down of the most obsolete steel works elsewhere: Dunkerque threatened Valenciennes; Fos the industry of Lorraine; and Taranto the old works of Cornigliano and Bagnoli.

The measures for softening the impact of the crisis obtained by the affected regions were not negligible. Almost everywhere the crisis gave rise to exceptional efforts to lessen the effects of the closures: the workers of Bagnoli were able to benefit from the *Cassa d'Integrazione*, from the town of Naples and from the region of Campania; unemployment benefit and redundancy payments were substantially increased in Great Britain; the benefits of the *Convention sidérurgique* in France were the highest provided by the State for industrial restructuring. As Michel Capron shows in his chapter, Wallonia had to meet exceptional costs because it had to provide 27 billion Belgian francs of the total investments worth some 100 billion. In West Germany, where the sacrosanct liberal principle of non-intervention was diluted due to the crisis, not only the Federal government financed part of the restructuring but so too did the *Länder*. In their chapter, Esser and Vath underline the importance of public funds and particularly those of the *Land* of the Saar – the area most affected by the crisis. Overall, because of constant pressure the crisis had to be dealt with according to *social* criteria – given the absence of short or medium term economic solutions. Socially and politically these expedients were probably inevitable. Economically, however, they are much more to be criticised. The local economy was certainly temporarily protected by the influx of money, but as Chakravarty has pointed out with respect to Wales: 'Redundancy compensation provides temporary income support rather than a new sense of direction'.<sup>463</sup> Sooner or later local authorities simply have to face up to the task of rebuilding from the ruins. The task is colossal.

In almost all respects the steel regions had multiple handicaps: a bad 'brand image', poor adaptability of the labour force, inadequate training for the young. The steel regions suffered a double disaster: their industry collapsed, and in its wake there remained an urban and ecological wasteland. The real drama of the steel regions was that they had been shaped by and for the industries which like industrial dinosaurs, wrecked their own environment. The views expressed by Klaus Kunzmann on the situation in the Ruhr applies equally to all steel regions: 'The region still suffers from uncontrolled industrial development, which . . . determined and maximized the use of land and natural resources'.<sup>464</sup> Be it in Dortmund, Wales, the Nord or Lorraine, the industrial areas and towns are hardly attractive for the new generation of high-technology industries. How can these 'clean' industries be drawn to the Ruhr or by '*l'enfer du Nord*' when they have the choice of the most attractive places in Europe? Despite all the efforts to

<sup>463</sup> CHAKRAVARTY, *et al.*, 1981: 9.

<sup>464</sup> KUNZMANN, 1982.

rehabilitate the towns physically and psychologically it is extremely difficult to prevent people leaving – especially those with professional qualifications.

The dominance of heavy industry and the lack of qualified workers helped to keep the old industrial regions in an underdeveloped state. As a regional councillor of the Nord pointed out: 'The Nord's problem is that work has always been available. In Corsica, there is no work, so people study!'<sup>465</sup> The paradox of this situation is that even within the same industry the workforce is quite unable to adapt and learn new skills. This situation in the Nord is also true in the other steel areas. Their common characteristic is the complete lack of adequate training at all levels. Lutz Schröter points out, for example, that the first University in the Ruhr region was not founded until 1963 in Bochum while the next one came only in 1968 in Dortmund.<sup>466</sup> And Klaus Kunzmann, making the same point, concludes: 'Despite its political image the region and its citizens are extremely conservative and traditional. This makes it difficult to introduce innovations.'<sup>467</sup>

The collapse of the traditional sectors and the poor capacity for readaptation therefore made the steel areas extremely vulnerable – for the general economic crisis no longer allowed the massive relocation of great industries as was done in the 1960s. 'Transfer is difficult when structural decline is 1) concentrated in particular localities, 2) rapid, and 3) set against a background of a labour market with significant unused potential'.<sup>468</sup> As Kevin Morgan points out with respect to South Wales, 'the quantitative effect of job loss on this scale has been the "overnight" cancellation of a decade of regional policy benefits'.<sup>469</sup>

Another limitation lies in the part played by the local authorities in the national politico-administrative system. In this respect there are wide differences between the countries of the Community. In Belgium, for example, the Flemish and Walloon communities are necessarily involved in hostile discussions and unholy compromises before any decision can be made. In the Federal Republic, the *Länder* are similarly involved in negotiations and decisions. For, as Esser and Vāth demonstrate in their analysis of the political regulation cartel, an informal structure bringing together the principal actors and the unions was formed to bring influence to bear on the management of the crisis. This grouping which owes much to the structure of the State and to the informal arrangements between levels of government or between owners and unions should not, however, be overestimated. Despite cooperative federalism and the interpenetration of decision-making at all levels 'it is the central government which is in the forefront of decisive interaction with industry' (Esser and Vāth). The role of the Italian local authorities arises, as John Eisenhammer in his chapter points out, to 'openings which could be exploited by the union and left-wing parties, so long as they could mobilise effectively and maintain pressure on the authorities'.

<sup>465</sup> Cited by HAYWARD, 1982: 85.

<sup>466</sup> SCHRÖTER, 1982.

<sup>467</sup> KUNZMANN, 1982.

<sup>468</sup> CHAHRAVARTY, *et al.*, 1981: 9.

<sup>469</sup> MORGAN, 1983.

It was, however, in France and in Great Britain that the role of local authorities appears to be the most limited despite the energy shown by their representatives, the unions and the economic pressure groups in favour of their region. Young in his chapter emphasises the lobbying function of local authorities but nevertheless concludes that 'government's ability to resist regional pressures is a clear indication of the extent of central control'. It was only in *implementing* the restructuring measures that the local level was able to exert any real influence thus justifying the general thesis that centre-periphery relations are based on mutual dependence. Vincent Hoffmann-Martinot and Pierre Sadran, in their contribution, make the same point, but seen from a different angle. They suggest that in the two French regions involved (the Nord and Lorraine) 'the local actors tend to get trapped in their own *logiques particulières et cloisonnées*'. Nonetheless, they see the possibility of the emergence of a new axis: regional élites coming together with the State to forge a regionalised industrial strategy. According to them, the policy of nationalisation and of making the two steel groups responsible, of regionalisation and decentralisation, and of decentralised regional planning could all be synergistic.

These local experiences in the management of the steel crisis illustrate more the diversity of policy styles than of the end results. Almost everywhere but particularly in France and Italy, local authorities were totally unable to cope with a crisis which the national authorities were totally unable to control. At the very best, local authorities became more adept at lobbying and acting as policy-brokers. But it could hardly have been otherwise. A crisis of this magnitude left no place for devising alternative strategies, nor even the means of shaping national or European Community policies.

### VIII. The Steel-Making Community – The Unions

The crisis saw a dramatic change in the status and power of the trade unions in the West European steel industry. They emerged from the crisis depleted in numbers, divided in strategy, defensive in tactics and demoralised in spirit. They were victims of the general decline in trade union power (which power had never been as great as the critics had contended), the increasing militancy of management, and of their own defects.

The European steel unions, with the exception of those of France and Italy (see the chapter by John Eisenhammer), at the outset of the crisis had the reputation of being powerful, big (IG Metall was the largest single union in Western Europe), well-organised, rich, conservative, moderate, loyal and generally cooperative.<sup>470</sup> They ruled over a workforce which, although occasionally rebellious, accepted union mediation which had given them a stable and structured job situation, high wages and work practices which bordered on the outrageous. With the exception of the Italian FLM (Federazione lavoratori metalmeccanici) unions were content to let management manage.

<sup>470</sup> For example, on the British unions, see VAIZEY, 1974: 26; DOCHERTY, 1983: 3–4, 22–53; TAYLOR, 1980: 65; on the German IG-Metall, see WILLEY, 1974: 58; SCHARPF, 1981: 31; DYSON, 1982: 55–56.

When the first restructuring proposals were announced in the early phase of the crisis concessions were made on both sides, with the management agreeing to measures such as finding alternative jobs, slowing down the process of closures, and providing generous severance payments (see above),<sup>471</sup> and with the unions conceding more flexible work practices, less absenteeism, more realistic work levels (see above). In West Germany, as Esser and Vāth point out in their chapter, the unions even played an integral role in the restructuring of the Saar industry in 1977. It was the cautious response of the European unions and their wide range of concessions which help to explain their later bitterness.<sup>472</sup>

The deepening of the crisis pushed the State and the management into ever more drastic measures, measures which were decided without even consulting the unions, and in some cases going over the heads of the unions, directly to the workforce. The Italian unions compared with other European steel unions remained relatively powerful and they appear to have been closely consulted throughout the crisis by the government, but Finsider became increasingly reticent, and the 1983 Plan was announced without any prior discussions with the unions: the FLM was furious, threatening strike action, and claiming that Romano Prodi, the Chairman of IRI, had 'changed the rules of the game' and that the unilateral action was totally at odds with the new style of industrial relations being promised by Prodi.<sup>473</sup> In Belgium the unions took part in two *conférences nationales de la sidérurgie* in March 1977 and May 1978, negotiated favourable conditions for the steelworkers in the Commission paritaire nationale de la sidérurgie when the Claes restructuring plan was under discussion, and were given representation on the Comité national de planification et de contrôle, established in December 1978.<sup>474</sup> But this did not prevent the imposition of the decision to merge Cockerill and the Triangle group in 1981 as a *fait accompli*.<sup>475</sup> Similarly, the Gandois Plan of July 1983 envisaged a further reduction in Cockerill-Sambre's workforce by nearly 8,000 men, but the figure was never discussed

<sup>471</sup> The Shelton works of BSC was losing £ 12 million a year after 1975 but was not closed down until the summer of 1978 and the Government kept 1,500 employed for three and a half years at the cost of £ 36 million, each job costing the taxpayer £ 24 thousand besides producing 1/2 million tonnes of unwanted steel. (See *Financial Times*, 8 June 1978); in May 1975 BSC caved in to the workers over the guaranteed week (under which workers received at least four fifths of their pay whether or not they worked) and over closure proposals (see *Economist*, 24 May 1975); in January 1976 the unions negotiated a very good package deal for workers declared redundant (DOCHERTY, 1983: 134); even as late as 1978 the unions could force BSC to withdraw or delay closure plans for certain plants (*Economist*, 8 July 1978). Even in France the unions obtained concessions in 1977 on reasonable redundancy terms (*Financial Times*, 22 September 1978).

<sup>472</sup> MALEZIEUX, 1977: 418.

<sup>473</sup> *Paese Sera*, 8 December 1981; *Financial Times*, 10 September 1982, 9 November 1982; *Corriere della Sera*, 2 August 1983; *La Repubblica*, 9, 20 September 1983; *Il Sole - 24 Ore*, 18 September 1983.

<sup>474</sup> CAPRON, 1981: 69-72; AUDIER, 1980: 576; *Le Soir*, 8-9 February 1981; *Economist*, 31 January 1981.

<sup>475</sup> *Le Monde*, 19 January 1981.

with the unions: negotiations were limited on *how* to implement the plan.<sup>476</sup>

At plant level, the German steel workers were best placed through the so-called *Montan Mitbestimmungsgesetz*, the 1951 co-determination law, which gives half the seats on the supervisory board of firms in the coal and steel industry to union-employee delegates. *Mitbestimmung* was certainly perceived as a powerful weapon in the hands of the unions, since it provided for intervention in investment decisions, gave access to information and enabled unions to influence employment decisions.<sup>477</sup> It was certainly the object of envy on the part of other European steel unions,<sup>478</sup> and its extension to the rest of German industry became a major political controversy in that country in the mid-1970s.<sup>479</sup> Although its impact may have been exaggerated<sup>480</sup> it was considered important enough to a major German steel company to attempt to devise means of circumventing it.<sup>481</sup> IG Metall may have played a part in some of the modernisation plans of certain firms: for instance, its role in the Hoesch restructuring plan of February 1980 was highly publicised;<sup>482</sup> the Krupp Stahl restructuring plan of 1981 was agreed only after 'weeks of tactical manoeuvring' between the Iranian government (which had a 25 per cent stake in the company), the worker directors and management, with the workers enlisting the support of the Iranians who claimed that 'mass redundancies are not in keeping with the principles of the Islamic Revolution!'<sup>483</sup> Yet these were exceptions: on the whole, the unions played little part in the concentration and rationalisation plans of German groups:<sup>484</sup> they were opposed to the 1983 proposals and had no influence on their collapse.<sup>485</sup> In the United Kingdom the experiment with worker directors at BSC was not a success: they had no power, no sanctions, and were frequently bypassed on important or sensitive issues.<sup>486</sup> The unions were also kept in the dark by BSC about major decisions:<sup>487</sup> over the closure of Shelton they were largely ignored;<sup>488</sup> the November 1979 plan to axe a further 50,000 jobs came as 'a complete surprise';<sup>489</sup> the BSC link with the private firm

<sup>476</sup> Interview with Gérard Delruelle, head of Cockerill-Sambre, in *Le Soir*, 8 August 1983.

<sup>477</sup> See RUDOLF, 1982; NELL-BREUNING, 1981.

<sup>478</sup> SIRS, 1982: 174-175.

<sup>479</sup> SPIEKER, 1976: 437.

<sup>480</sup> HARTMANN and LAU, 1980: 379; WILLEY, 1974, 54.

<sup>481</sup> Mannesmann planned to reorganise its pipes and steel divisions in such a way as to get round the rules established by the 1951 law. A bitter dispute between unions (which feared that Thyssen and Krupp, which had also diversified out of steel, might also follow suit) and the firm ensued. The dispute was to divide the ruling coalition in Bonn. See ADAMY, 1980.

<sup>482</sup> *Economist*, 15 November 1980.

<sup>483</sup> ERBES-SEGUIN and VOLZ, 1972: 171-172; *Financial Times*, 12 June 1981.

<sup>484</sup> SCHRÖTER, 1982: 19.

<sup>485</sup> *Financial Times*, 23 February 1983.

<sup>486</sup> TAYLOR, 1980: 164; DOCHERTY, 1983: 230-231.

<sup>487</sup> See article by UPHAM, 1980.

<sup>488</sup> DOCHERTY, 1983: 135.

<sup>489</sup> *Financial Times*, 1 December 1979.

GKN was negotiated 'in complete secrecy',<sup>490</sup> there was no consultation at all over the 1981 Corporation's plan;<sup>491</sup> in 1982, Bill Sirs, General Secretary of the major steel union, was reported to be fighting to acquire 'basic information' about BSC's intentions.<sup>492</sup> In France, there was no tradition of consulting the unions,<sup>493</sup> despite the promise contained in the 1966 Steel Convention that they would be consulted every year at regional and national level<sup>494</sup> (it is revealing that they took no part in the negotiations leading to the Convention<sup>495</sup>). They played no part in the major 1978 Plan, a situation which provoked the anger of even the moderates and the disquiet of at least one prominent member of the government.<sup>496</sup> The Socialist government elected in 1981 appeared to be more sensitive about consultations with the unions – but generally after plans had been decided.<sup>497</sup>

Increasingly, unions were pressurised into accepting measures they found unpalatable: massive layoffs, further cuts in manning levels, decentralised pay bargaining, cuts in wages or pay freezes, reductions in bonus or severance pay. (see below) Why were the once powerful unions unable to resist this massive assault upon their members? What explains their incapacity to stem actions which were so seriously to weaken them?

The factors which explain the weakness of the steel unions differ somewhat from country to country (see the chapter by Eisenhammer on the French and Italian unions) – the low rate of unionisation and lack of resources (France), the division between the public and private sectors (Italy and the United Kingdom), the inability of traditionally moderate and cooperative unions to respond to an increasingly militant management (United Kingdom), the dramatic decline in numbers occasioned by the closure programmes (United Kingdom, Belgium and Luxembourg). But a number of factors are common. First, unions almost everywhere were very badly fragmented, although this fragmentation took several forms. Geographical fragmentation affected the normally organised, centralised, disciplined and effective FLM (the Italian unitary union federation which brought together in July 1971 the three major unions of the industry<sup>498</sup>) – particularly when choices were being made between Cornigliano in the North and Taranto and Bagnoli in the South.<sup>499</sup> It affected the no less centralised, disciplined and well-coordinated IG Metall which, as Esser and Vāth show in their chapter, always managed to quell restlessness at the union base (the

<sup>490</sup> *Financial Times*, 21 February 1981.

<sup>491</sup> *Times*, 19 June 1981.

<sup>492</sup> *Financial Times*, 14 November 1981.

<sup>493</sup> ERBES-SEGUIN and VOLZ, 1972: 184, 205

<sup>494</sup> STORA, 1979: 131.

<sup>495</sup> KERN, 1982: 542.

<sup>496</sup> BAUMIER, 1981: 12, 171; PADIOLEAU, 1981: 59, 69.

<sup>497</sup> *Le Monde*, 6 October 1982.

<sup>498</sup> The CGIL (Confederazione Generale Italiana dei Lavoratori which is close to the PCI), the CISL (Confederazione Italiana Sindacati Lavoratori close to Catholic circles) and UIL (Unione Italiana dei Lavoratori which reflects minority centre and socialist views).

<sup>499</sup> *La Repubblica*, 5 July 1983.

*Vertrauensleute* and the *Betriebsräte* (respectively institutionalised shop stewards and works' councils) remained loyal to union tactics), but the importance of the plant as a decision-making centre may have prevented the framing of a coherent nation-wide strategy as the crisis deepened.<sup>500</sup> The British steel union structure was afflicted not only by 'regional parochialism' (most of the decisions were taken at the level of one of the seven regions) but also by extreme fragmentation,<sup>501</sup> and division. The main union is the ISTC (Iron and Steel Trades Confederation) which has always been suspected of imperialism, authoritarianism and arrogance by the other thirteen (mainly craft) unions which comprise the steel union structure.<sup>502</sup> In normal circumstances this extreme fragmentation was a highly protective device, for each union negotiated its own conditions and defended its own rights, and management could gain concessions only by a process known as 'agreement by exhaustion'. The crisis placed great strains on this divided union structure, since discussions over closures, new wage structures, new technology and the drive for greater internal productivity threatened the tense, intricate and delicate relationship which existed.<sup>503</sup> It is revealing that the British steel unions remained uncoordinated throughout the crisis:<sup>504</sup> it was not until the 1982 Conference that all fourteen unions met, and not until 1983 that they agreed on a joint pay campaign.<sup>505</sup> But by this stage it was too late: regional differences had undermined a united strategy (see below).<sup>506</sup>

To organisational and geographical fragmentation in the case of the French and Belgian unions must be added political or ideological fragmentation. The French case is analysed by Eisenhammer in his chapter: suffice to say that the French unions were divided in their general analyses of the crisis itself, over the strategy to be adopted, over their reactions to the various restructuring plans, and over the tactics to be employed.<sup>507</sup> Fleeting moments of unitary action punctuated long bouts of bitter recrimination. In Belgium there are two main steel unions: the CMB (Centrale des Métallurgistes de Belgique) which is affiliated to the Socialist-dominated FGTB (Fédération Générale du Travail) and the Catholic-dominated CCMB (Centrale Chrétienne des Métallurgistes de Belgique) which is affiliated to the CSC (Confédération des Syndicats Chrétiens).<sup>508</sup> The Socialist union dominates in Wallonia, but is not insignificant in Flanders, while the Catholic union dominates in Flanders but is important in Charleroi. The Belgian unions reflect, therefore, the complex political and

<sup>500</sup> RUDOLF, 1982: 5.

<sup>501</sup> MORGAN, 1983: 189–192; COTTRELL, 1981: 133–134.

<sup>502</sup> OVENDEN, 1978: 80–86; DUDLEY, 1979: 256.

<sup>503</sup> MORGAN, 1983: 190–196.

<sup>504</sup> BRYER, *et al.*, 1982: 260.

<sup>505</sup> *Financial Times*, 7 October 1982, 12 February 1983.

<sup>506</sup> See also *Financial Times*, 6 January 1984.

<sup>507</sup> ROSS, 1981: 157–159; ERBES-SEGUIN and VOLZ, 1972: 195–196; BAUMIER, 1981: 171; 'How Steel was Hi-jacked', *Agenor*, April–May 1980: 36–37; *Le Monde*, 26 March 1979 (on failure of other steel workers to back Lorrain workers' strike in 1979).

<sup>508</sup> For details, see INSTALLE, 1974.

community cross-pressures of the country.<sup>509</sup> The unions agreed to a surprising extent in their approach to restructuring plans, although the Socialists advocated much more radical tactics, and more than once the Catholic union refused to follow a recommended course.<sup>510</sup> Matters in Belgium were complicated further by the emerging conflict *within* the Socialist union between its Liège and Charleroi sections.<sup>511</sup>

The second common weakness of the steel unions was their unwillingness or inability to work out a viable alternative strategy.<sup>512</sup> Confronted with the choice of 'painful medicine or certain death'<sup>513</sup> the unions responded invariably with plans for the maintenance of the status quo or for increasing capacity for a product that was already in over supply, or with projects designed to increase protectionism, State ownership (pre-1981 France),<sup>514</sup> control or intervention.<sup>515</sup> In Italy, where the unions have always been more active in demanding a say in formulating industrial policy,<sup>516</sup> the FLM had a well defined strategy. It involved proposals for fusing the private and public special steels sectors, for consolidating the steel companies' debts, for improving ministerial co-ordination in steel policy-making, and for restructuring the commercial circuits, all of which were set in a wider context of employment prospects, the development of the South, and new balance in the structure of consumption.<sup>517</sup> But, like the plans of the French CGT reformist minority or of the CFTD,<sup>518</sup> which also had the virtue of being thought out carefully, they were essentially expansionary in ambition.<sup>519</sup> By 1982, as the crisis hit Italy, the proposals of the FLM became increasingly reactive and defensive. Like their fellow European unions they bent to the inevitable and focussed their energy on negotiating a 'social package' – a *Sozialplan* – comprising early retirement terms, decent pensions and attractive severance payments.<sup>520</sup> In the case of IG Metall there was also an attempt to protect its core membership – the German, male, skilled steelworker.<sup>521</sup>

The third common weakness of the European steel unions was their inability to mobilise other union support or even effectively to mobilise their own base.

<sup>509</sup> See article by LEMAITRE, in *Le Monde*, 29 March 1982.

<sup>510</sup> For example, in January 1982, it refused to join the demonstration in Brussels, and in March of that year it rejected the socialist union's strike appeal.

<sup>511</sup> See *Le Soir*, 17 November 1983.

<sup>512</sup> ZOLL, 1981: 61; BRYER *et al.*, 1982: 241–270.

<sup>513</sup> *Le Monde*, 1–2 February 1981.

<sup>514</sup> Such deviant ideas were quickly suppressed by the German unions (see the chapter by ESSER and VATH, 1985; SCHROTER, 1982: 19; ERBES-SEGUIN and VOLZ, 1972: 172.

<sup>515</sup> See *New Deal for Steel* published by the ISTC in 1980, and the CGT's *Face à la Crise de la sidérurgie*, published in 1978.

<sup>516</sup> REGINI, 1980: 49–66.

<sup>517</sup> BARISI, 1982: 36–37.

<sup>518</sup> See the EISENHAMMER chapter; ERBES-SEGUIN, and VOLZ, 1972: 170–171; PANIS, 1979; ROSS, 1981: 165–167.

<sup>519</sup> *La Repubblica*, 19 June 1983; *Il Sole – 24 Ore*, 24 September 1983.

<sup>520</sup> THIMM, 1979: 60–61; ERBES-SEGUIN and VOLZ, 1972: 174–180.

<sup>521</sup> ARMINGEON, 1983: 337; it is one of the main themes of ESSER, 1982.

Joint union activity was sometimes organised,<sup>522</sup> but it was highly *localised* (Longwy in France, Naples and Genoa in Italy, Shotton in the United Kingdom) and always of very short duration: strikes lasting twenty four hours were the limit to inter-union mobilisation. The crisis did not unite the union movement. It divided it,<sup>523</sup> provoking tensions and jealousies (the relatively favourable treatment of the steel workers who were sacked or retired early caused a great deal of acerbic comment from other unions). Attempts to organise wider and more permanent union resistance (such as the formation of the Triple Alliance of steel, rail and coal workers in the United Kingdom<sup>524</sup>) came to nothing.

With the possible exception of the IG Metall, the European steel unions were unable to control their own workers who generally displayed indifference to the fate of workers in other steel basins and resignation about their own fate, a resignation punctuated, however, by movements of violent resistance. When unions decided to resist they found their workers unwilling to follow: their resolve had often been undermined by the air of inevitability which surrounded closures and by the apparently attractive severance terms being offered.<sup>525</sup> When the ISTC wanted to resist a BSC drastic closure and pay plan in 1981, the Chairman of the Corporation, MacGregor, went over the heads of the unions leaders and gained the support of the workers in a ballot.<sup>526</sup> On the other hand, as Eisenhammer makes clear, there were instances in Italy and France of a moderate leadership being disavowed by more militant local workers.<sup>527</sup>

Local militancy could erupt into violence: the wrecking of newspaper offices (Longwy); the blocking of roads, bridges, railway lines and the occupation of railway stations (in Wallonia, Lorraine and Naples); the halting of the Tour de France cycle race; violent confrontations with riot police; the occupation of employers headquarters and of government buildings; the abducting of steel managers; the burning down of the stately home headquarters of a steel subsidiary. The two most violent episodes took place in Lorraine in March 1979<sup>528</sup> and in Belgium in February-March 1982.<sup>529</sup> Such violence invariably elicited a frightened response from Governments which responded with concessions,<sup>530</sup> but this violence merely underlined the inefficacy of normal union tactics – the fourth and final source of union weakness.

The principal institutional channels of union demands were governments, individual ministers, the sponsoring ministries, the tripartite decision-making bodies of a permanent or *ad hoc* nature, the local authorities, and the political parties. But these channels were either hostile or ineffective (the Left-wing

<sup>522</sup> BARISI, 1982: 28–29, 42–43.

<sup>523</sup> TAYLOR, 1982.

<sup>524</sup> *Financial Times*, 11 October 1980, 12 January 1984.

<sup>525</sup> *Financial Times*, 5 September 1980, 22 November 1982; MORGAN, 1983: 190–196.

<sup>526</sup> *Financial Times*, 6 April, 22 May, 20 August, 26 September and 1 October 1981, 25 February 1982.

<sup>527</sup> See also *Il Sole – 24 Ore*, 9 July 1983.

<sup>528</sup> See DURAND, 1981a and b; BAUMIER, 1981; *Nouvel Observateur*, 12 March 1979.

<sup>529</sup> The best source is LE SOIR of Brussels for the period.

<sup>530</sup> *Economist*, 14 April 1979; *Nouvel Observateur*, 12 March 1979.

political parties were either implementing the closure policies (West Germany and the United Kingdom and post-1982 France), were divided (France and Belgium), or on the defensive (Italy)). Only rarely, as Thomas Grunert in his chapter indicates, did the unions direct their attention to Brussels although there were regular contacts between union leaders and Davignon and even though some union leaders recognised the importance of bringing pressure on the Commission.<sup>531</sup> The invasion of EEC headquarters in February 1982 and the talks between the Belgian workers and Davignon in March<sup>532</sup> and the July 1983 demonstrations of the 1,500 Italian steelworkers who arrived in Brussels by special trains<sup>533</sup> were exceptional acts. Moreover, there was very little attempt at transnational cooperation: each union defended its own – often against other European unions.<sup>534</sup>

Unions, in their attempts to bring pressure, resorted to a number of tactics, and exploited a variety of means which included:

- circulating tracts;
- organising petitions;
- using a pirate radio (at Longwy);
- using the courts<sup>535</sup>;
- sending delegations to the government;
- organising marches on the capital (London in May 1975, Paris in March 1979, Brussels in February–March 1982, Bonn in September 1983);
- mobilising vast demonstrations in the steel towns;
- enlisting the support of sympathetic experts (especially in Italy<sup>536</sup>).

And, of course, there were strikes. These could be very short (often only one or two hours, sometimes a day) and could involve other workers in the locality (for example, the January 1979 24-hour strike in Lorraine, the strikes in Campania in October 1982 and in Liguria in October 1983). But these could be pathetic affairs<sup>537</sup> and served merely to publicise the weakness of the unions' position. The ineffective and even counter-productive nature of the strike weapon was also highlighted by the three prolonged and bitter strikes which took place in the European steel industry during this period: in Germany, Belgium and the United Kingdom.

While there had always been sporadic, wildcat and localised strikes in the German steel industry (in 1969, 1970, 1971, 1973 and 1974<sup>538</sup>) the strike of the

<sup>531</sup> See the speech of GIANNI of the FLM in *La Repubblica*, 13 January 1983.

<sup>532</sup> *Financial Times*, 25 February, 4 March 1982.

<sup>533</sup> *La Repubblica*, 22 July 1983.

<sup>534</sup> *Panorama*, 18 July 1983: 109.

<sup>535</sup> The unions at one plant in Swansea challenged the legality of the plan to reduce the workforce on the grounds that the 1975 Iron and Steel Act imposed on the BSC a duty to consult employees' organisations before any major review. They lost the case in the High Court. See COTTRELL, 1981: 119.

<sup>536</sup> BARISI, 1982: 42–43, 62–68.

<sup>537</sup> See EISENHAMMER's chapter, and *Financial Times*, 23 October 1982 on the one day strike in the British steel industry in October 1982.

<sup>538</sup> WILLEY, 1974: 56–58; ZOLL, 1981: 62–63.

steelmen in the winter of 1978–79 was the second longest in the history of the Federal Republic (it lasted seven weeks) and was the first official general strike in the industry since 1928.<sup>539</sup> The strike, which focussed on the issue of the 35 hour week, started in North Rhine-Westphalia and was met by a lockout by the management – which contributed to the spread of the strike. It was a long, bitter, publicised and heavily polarised confrontation – a fine illustration of the general deterioration in the industrial relations climate at that time and further evidence that the much vaunted *Sozialpartnerschaft* was under pressure. There were to be further bouts of short strikes in West Germany (notably in April 1981 over wages<sup>540</sup>) but the failure of the 1978–1979 strike was a sobering experience for IG Metall – West Germany’s most powerful union.

The Belgian steel industry was shaken by many short unofficial strikes and by two major ones – the angry and often violent strikes in January-February 1981 which forced modifications in the restructuring plan for Cockerill, and the five-week strike in February-March 1982 which cost half a million dollars a day in lost production.<sup>541</sup> In the United Kingdom simmering discontent could erupt into local strike action, and in June 1978 there was even a threat of a national strike.<sup>542</sup> Further lay-offs, increasing attacks on certain work practices, a more resolute management attitude towards wage negotiations, and repeated failures to consult the unions on major decisions combined to inflame union opinion. The result was the thirteen week national strike in January-March 1980 – the first general strike in the industry since 1926.<sup>543</sup> It was triggered off when BSC offered a ‘derisory’ wage deal in December 1979: ‘our members say we must take a last stand on this and show our manhood,’ proclaimed Bill Sirs, leader of the ITSC, a union noted for its industrial and political moderation. The row between the unions and BSC was described as being ‘rather like a scramble for deck-chairs on the Titanic’,<sup>544</sup> and it is easy to understand why: the strike cost the Corporation £200 million and lost it many customers,<sup>545</sup> was a failure (at the height of the strike steel from the private sector and increased imports enabled 94 per cent of British industry to function normally<sup>546</sup>) and totally demoralised the unions despite their winning a reasonable pay deal. Thereafter, disillusionment and disenchantment spread, militancy waned, and BSC was in a better position to push home its restructuring plans.<sup>547</sup>

Of course, the unions were not totally powerless, and on occasions they could squeeze concessions out of friendly or frightened governments. They could

<sup>539</sup> DYSON, 1982: 52–53. On the strike see THIMM, 1979: 32–35; *Economist*, 16 December 1978, 13 January 1979.

<sup>540</sup> *Financial Times*, 22, 25 April 1981.

<sup>541</sup> *Economist*, 31 January 1981; *Financial Times*, 19 March 1982; *Le Soir* for the periods in question.

<sup>542</sup> DOCHERTY, 1983, 131–133.

<sup>543</sup> On the strike see DOCHERTY, 1983: 153–217.

<sup>544</sup> *Economist*, 23 February 1980.

<sup>545</sup> COTTRELL, 1981: 123.

<sup>546</sup> DOCHERTY, 1983: 162.

<sup>547</sup> *Financial Times*, 6 April 1981.

sometimes exercise influence if they mobilised beyond their own depleted and discouraged ranks, especially if they took part in a local *union sacrée* in a politically sensitive area such as Lorraine, Naples, Wallonia or Scotland. Isolated, they were much weaker. Generally speaking, therefore, by the early 1980s the unions had been forced onto the defensive and were increasingly frustrated, embittered, distrustful, and emotionally more militant (even Eugen Loderer, the moderate boss of IG Metall, was talking in 1979 of the need for *Kampfbereitschaft* – the willingness to fight for members' goals).<sup>548</sup> But their tactics, which oscillated between cautious cooperation and conflict, between accommodation and confrontation, between a defensive instrumentalism and symbolic protest, were manifestly ineffective.

The weakness of the steel unions, their frustration, their inability to mobilise effectively, their demoralisation and divisiveness, their despair and dependency, their disorientation during the crisis were all part of a wider trades union pattern which emerged in Western Europe after the mid-1970s.<sup>549</sup> The power of the unions impressed many observers in the early and mid-1970s, and gave rise to endless controversies, claims and complaints about the 'trade-union State', the *Gewerkschaftsstaat*, the 'political hegemony' and 'disruptive power' of trade unions.<sup>550</sup> But that power was never as great as the critics contended,<sup>551</sup> and was certainly under attack and on the decline in the 1980s.<sup>552</sup> Almost everywhere in Europe, but notably in Italy, the United Kingdom, Belgium and West Germany, employers and Governments have been mounting an attack on union power, and the unions, faced by new problems and caught in a series of dilemmas and contradictions,<sup>553</sup> have proved themselves ill-equipped to resist. This is not the place to analyse the reasons for the waning of trade union power in the late 1970s and early 1980s. Suffice to say that the demise of the steel unions – amongst the most powerful in Europe – is but part of a much wider phenomenon.

## IX. The Steel Policy Community – The Industry

In analysing the power or influence of the steel industry in its relationship with the State during the crisis years four separate yet inter-linked questions arise: Who owned the industry? Who financed it? How homogeneous and united was

<sup>548</sup> See also the angry comments of Bill Sirs at the Anglo-German conference in May 1982, in SIRs, 1982: 5, and in *Financial Times*, 16 April and 11 January 1982; and *Financial Times*, 15 January 1983 on French steel workers.

<sup>549</sup> ROSS, 1981: 5; ZOLL, 1981: 56–69; ESSER, 1985.

<sup>550</sup> LANGE, 1979; PELLEGRINI, 1982; PENNACCHI, 1981; ACCORNERO, 1981; DONOLO, 1978: 192–194; TORTORA, 1980; BUTLER, 1979; SHONFIELD, 1977; ULMAN, 1975; MILLIGAN, 1976; KEHN, 1978; SULLOW, 1981; MAYER, 1975.

<sup>551</sup> There is a good discussion in BEYME, 1980. See also MARSH and LOCKSLEY, 1981: 19; ADAM, 1978: 157; REINA, 1978: 81.

<sup>552</sup> HAGUE, 1983: 130; RICCIERI, 1981; GAROFOLO, 1982: 59.

<sup>553</sup> ROSS, 1981: 163; TARANTELLI, 1981: 206–207; PANITCH, 1981: 21; GAROFOLO, 1982: 59; ARMINGEON, 1981; LANGE, ROSS and VANNICELLI, 1982.

the industry? Who shaped its policies? A complex picture emerges, since it is clear that the policies of the industry were not necessarily defined either by the owners or the financial backers: the relationship between control and ownership and between financial and industrial capital are intricate, obscure and very much under-researched. Who, then, owned the European steel industry during the period 1974–1984? By 1984 it was certainly no longer the great steel barons, the *maîtres des forges*, the *signori delle ferriere*, although there were still powerful individual owners such as Korf in Germany or Falck in Italy. The legendary figures of the industry, the founders of steel dynasties such as the Thyssens, the Krupps and the Hoesch in Germany, the Cockerills in Belgium, the Schneiders and the de Wendels in France, the Summers and the Baldwins in Britain, had given way to State managers such as Prodi or MacGregor, powerful private chief executives such as Dieter Spethmann of Thyssen or the board representatives of financial holdings or banks.

In the United Kingdom, the nationalised BSC was dominant in most sectors of the steel industry, yet was in strong competition with the private sector in wire, rod and bar, engineering steels and special steels.<sup>554</sup> The private sector pushed its share of steel output up from 10.6 per cent to 17 per cent between 1971 and 1981, increased its share of the British market (to between 20 and 26 per cent), and throughout the 1970s remained generally profitable. The post-1979 crisis, however, hit the private sector very badly and during the 1980s it had to be reconstructed with State aid. In Italy, a dominant State sector (which in 1980 produced 54 per cent of Italy's crude steel) had to contend with a very lively private sector. Finsider, the holding company of the Italian State steel sector was founded in 1937 as part of the IRI holding (itself created four years previously) and its main operating subsidiary is Italsider which runs the giant steel complexes of Cornigliano, Bagnoli and Taranto. The State also holds controlling stakes in Dalmine (the main producer of tubes) and Terni (which produces electric steel) and Piombino.<sup>555</sup> IRI is a vast conglomerate, one of the biggest holding companies in Western Europe<sup>556</sup> and once the much-loved object of Left-wing circles in Britain which were searching for a State industrial system which worked well.<sup>557</sup> But IRI – *questa barocca costruzione*<sup>558</sup> – emerged badly from the post 1974 crisis, the victim of its own size, bad management, constant political interference, government price-fixing and undercapitalisation. The problems of Finsider – its steel arm – were, therefore, part of a wider public sector malaise: they were both a reflection of, and a major contribution to, the crisis of the State industrial sector. There is also an important private sector in Italy which includes Falck (the biggest private firm) and the famous – or infamous – *Bresciani*, the hundred or so producers who run the mini-mills in the Brescia area, and make

<sup>554</sup> MORTIMER, 1975.

<sup>555</sup> AUDIER, 1980: 572, 579–580.

<sup>556</sup> On IRI see HOLLAND, 1972; CASSESE, 1962; SARACENO, 1975; KEYSER and WINDLER, 1982; GRASSINI *et al.*, 1979; MORANDO, 1978: 240–248.

<sup>557</sup> See, for example, HOLLAND, 1972.

<sup>558</sup> CARBONI, in *Il Sole – 24 Ore*, 7 September 1983.