
The Rise of the PR Industry in Britain, 1979–98

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ABSTRACT

■ Public relations is politically and economically more important than ever. This article charts the growth of the PR industry in Britain since 1979. It sets out the major reasons for its growth and outlines some of the political and economic impacts of the expansion on the PR consultancy sector in Britain. In particular it focuses on the ‘tilt to the market’ under Thatcher, the role of the PR industry in deregulation and privatization and the progressive abolition of controls on international movement of capital as exemplified in Britain by the ‘Big Bang’. In addition the article discusses the consequences of these developments in opening up new and expanded markets for PR consultancies. ■

Key Words deregulation, political communication, privatization, public relations

Public relations (PR) is a growth industry. In the 1980s and again in the mid-1990s growth rates for medium and large British consultancies typically reached 20–40 percent per annum. PR is the younger sibling of its competitor promotional industries of advertising and marketing and is increasingly coming to occupy a key place in the portfolio of the largest ‘global communications firms’. PR is big business and can make personal fortunes for its senior practitioners. But very little is known about PR as an industry or about its relative size and economic significance. Although there are a number of perspectives on the role of PR in western countries, the development of the industry itself is poorly chronicled. This article is a contribution to thinking more directly about public relations and

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provides some data on the recent history of the PR industry in Britain. The British industry is of special significance since it appears to be the second largest in the world; only that of the US is larger.

We argue that the PR industry and more specifically the consultancy sector of the industry played a key role in the transformation of British political and economic life in the 1980s. In this article we provide evidence on the growth of the industry and the reasons for it. In particular we focus on the transformation of the British political scene by the tilt to the market under successive Conservative administrations and international changes in the loosening of controls on mobile capital. We argue that the rise of the PR industry was a result of these transformations and that PR techniques were one important means by which these changes were accomplished.

There are now a number of different studies on the history of the PR industry in the US (e.g. Cutlip, 1994, 1995; Henry, 1972; Miller, K., 1999; Raucher, 1968; Tedlow, 1979; Tye, 1998), including an emerging critical line of argument which is empirically based and credits PR and propaganda with significant victories on behalf of business in US history between 1918 and the present (Carey, 1995; Ewen, 1996; Fones-Wolf, 1994; Marchand, 1998; Nelson, 1989; Silverstein, 1998; Stauber and Rampton, 1995).

Our analysis grows out of the burgeoning recent interest in 'source strategies' (Schlesinger, 1990), which opens up the question of the process of winning definitional advantage to empirical investigation and helps to reconnect media studies to wider concerns in social science about the mechanisms by which power and influence are won and lost. However, to date, very little of this work has focused on public relations consultancies, tending instead to investigate political parties, government and non-government organizations and occasionally corporations (e.g. Anderson, 1997; Deacon, 1996; Deacon and Golding, 1994; Gitlin, 1980; Manning, 1998; Miller, 1993, 1994; Miller and Reilly, 1995; Miller et al., 1998; Miller and Williams, 1993; Schlesinger and Tumber, 1994). In our view the development of research on PR from the perspective of 'source strategies' is a valuable addition to the work in this area, but we think that studying the PR industry as an industry and as a distinct discipline in contemporary societies takes us some way beyond such concerns. The concern with source strategies was in part a reaction to studies of the media which neglected to directly investigate the input of information to the media system. Such approaches were 'media-centric' in their methods. Nevertheless, the focus on source strategies is still

oriented towards the investigation of the role of the media in society rather than towards the wider range of audiences and fora for which organizations plan strategies (cf. Hilgartner and Bosk, 1988). Our approach goes beyond this in its concern with the PR industry in its own right and in examining the direct role that PR can play in policy processes. In particular we would argue that the obvious political and economic importance of the PR industry and of 'promotional culture' (Wernick, 1991) more widely are markedly underresearched. What we aim to do with this article is to provide some empirical detail which, in addition to considering particular arguments about the specific role and history of the PR industry in Britain, will hopefully help to open up PR (and the promotional industries/occupations more generally) as an important focus for work in media studies, sociology and social science more widely.

When and why did PR emerge?

Public relations is generally agreed to have originated in the US at the end of the 19th and beginning of the 20th century. It is especially associated with the extension of the franchise between 1880 and 1920 and the response to this among the business classes. Alex Carey puts it most straightforwardly:

The twentieth century has been characterised by three developments of great political importance: the growth of democracy, the growth of corporate power, and the growth of corporate propaganda as a means of protecting corporate power against democracy. (Carey, 1995: 18)

The most celebrated early PR professional Ivy Lee made his reputation in defending corporate reputations such as the occasion when he transformed the image of Rockefeller (see Hiebert, 1966). As Cutlip notes, the development of PR was a response to popular protest and demands for reform. 'These attacks created the need for institutions and industries under attack to defend themselves in the court of public opinion' (Cutlip, 1994: 3).

Public relations emerged as a separate discipline as a result of threats to the interests of business and government at the turn of the century. The inauguration of PR capacity in Britain has tended to follow particular crises for the organizations involved. In the first half of the 20th century this generally involved war, rebellion in colonies or the rise

of organized labour and other democratizing tendencies (Miller, 1998). However, latterly there has also been a pattern of Labour governments appointing press officers to defend themselves against the attentions of the conservative press (Cockett, 1989) and the development of PR in Britain owed something to the input of local government officials (L'Etang, 1998). The British experience is different to that outlined by Carey in the sense that, as Carey himself acknowledges, the techniques of persuasion pioneered in the US were only exported to Britain in more recent times and to a 'much lesser extent' (Carey, 1995: 109). Fones-Wolf (1994: 285) argues that the conservatism of the 1950s US 'was politically constructed and was in part the result of the business community's "intellectual reconquest" of America', accomplished via PR and propaganda. Although there was a major development of corporate PR in Britain in the 1940s and 1950s, specifically in response to pressure for nationalization, the nature of the post-1945 settlement in Britain was such that there was less scope for the rise of PR until 1979.

By the 1980s PR was well established in both government and industry and was becoming more important in trades unions and pressure groups. However, it was the 1980s which was to see the most dramatic expansion of PR capacity in the consultancy sector.

The global PR industry

It can be argued that 'promotional culture' is an international phenomenon and given the global aspirations of communications conglomerates, this is certainly, if unevenly, the case. Nevertheless, it would be foolish to see the development of 'promotional culture' simply as a concomitant of late or 'post' modernity.

Table 1 shows that the three countries with the biggest PR industries are the three which engaged in the most marked privatization/deregulation in the 1980s — the US, the UK and Japan. By contrast, countries such as France and Germany, which retained significant elements of consensus and state investment in industry, have much smaller PR industries. Furthermore, the world PR industry is dominated by a few big players, most of which are US or UK in origin and ownership. The 10th largest European consultancy is the biggest non-US or British owned (*PR Week*, 1999a), and current developments look set to strengthen the hold of British or anglophone consultancies further (Miller and Schlesinger, in press; Tomkins, 1999: 12).

Table 1 Relative size of PR agencies in Europe, the US and Japan

<i>Country</i>	<i>Fee income of ICO members 1991 (ECU 000s)</i>	<i>Fee income of top 10 agencies combined, 1995 (£000s)</i>	<i>Fee income estimates of the industry as a whole, 1997 (US\$bn)</i>
Belgium	12,640	16,494	—
Denmark	4920	—	—
Finland	12,000	—	—
France	43,620	55,813	0.7
Germany	66,359	54,981	0.9
Greece ^a	2300	—	—
Holland	27,326	20,400	—
Ireland	13,200	—	—
Italy	34,098	18,199	—
Norway	2800	—	—
Portugal ^a	1060	—	—
Spain	19,444	15,671	—
Sweden	20,000	—	—
Switzerland	20,780	22,416	—
UK	239,400	133,255	3.1
USA	—	642,221	16.6
Japan	—	—	2.4

^a Observers

Source: Column 1, ICO figures reproduced from Mazur (1992); column 2 derived from *PR Week* (1996); US figure in column 2 derived from O'Dwyer's web page (www.odwyerpr.com/rankingspagecopy.htm); column 3 from WPP Group PLC (1998).

Globalization and PR

The increasing size and power of Trans National Corporations (TNCs) relative to nation-states has been a key spur to the development of communications conglomerates, which provide a full range of promotional services and aspire to a global reach. 'Internationalisation has systematically strengthened [TNCs'] influence over the policy making process by making "exit" from one political marketplace to another a more realistic and potent bargaining strategy than the alternative of exercising "voice" ' (Laurence, 1996: 311). However, the internationalization of capital is globalizing PR — a key reason why PR exists worldwide is to service mobile global capital. Multinational corporations, particularly in the US, increasingly look for global PR agencies who can operate wherever they are needed (Rawsthorn, 1990; Herman and McChesney, 1997).

The rise of the British PR consultancy

The British PR industry has expanded substantially in recent times. The trade directory *Hollis* listed 46 PR firms when it started in 1967; in 1993 there were 1300 and one estimate puts the total number of consultancies in 1994 at 2230 (BDO Stoy Hayward, 1994: 15). Tunstall (1964) suggests that in 1963 there were 'perhaps' 3000 PR people in Britain. By 1986 there were 3318 people employed in the top 114 PR consultancies alone (i.e. not including PR employees in smaller consultancies, local and central government, in corporations and in trade unions and NGOs). By 1998 the employees of the top 150 PR agencies totalled 6578 (*PR Week*, 1998: 19–26). The 1980s appear to have been a key moment for the growth of PR. Almost half of the members of the Public Relations Consultants Association (PRCA) in 1990 came into existence in the 1980s. Nearly as many PRCA consultancies were formed in the 1980s as in the 1960s and 1970s put together (Hingstone, 1990: 44).

Consultancy income has also increased markedly in the last 20 years. The best picture from 1984 to date can be given by using data from the annual *PR Week* league tables (see Figure 1). We have compiled these figures and adjusted for inflation¹ (using the Total Domestic Expenditure deflator²). We have also included the figures for PRCA members' fee income for comparative purposes. What this shows is that fee income increased rapidly between 1984 and 1987 and, following a downturn largely associated with the 1987 stock market crash, dramatically further expanded in the 1989–90 period. Fee income rose in real terms by 30 percent, 35 percent and 40 percent in 1984–7 respectively and by a further 32 percent between the years 1989 and 1990. From its peak in 1990, when the combined fee income of the top 150 reached £383 million (in 1998 prices), the PR industry suffered a severe decline as the recession (and a lack of government privatization contracts) took their toll. Between 1990 and 1992 the fee income of the top 150 consultancies was almost halved (dropping almost 46 percent from £383 million to £208 million in 1992 [at 1998 prices]) and staffing levels fell by over 20 percent.³ From this low point, the sector has been characterized by steady but slow recovery in comparison with the spectacular expansion in the 1980s. Latest figures show the industry only surpassed the fee income levels recorded in 1990 in real terms in 1998.

Overall, the data on the biggest consultancies show that the sector seems to have expanded by a factor of 31 between 1979 and 1998; this represents an 11-fold (11.2) real terms increase and illustrates the very

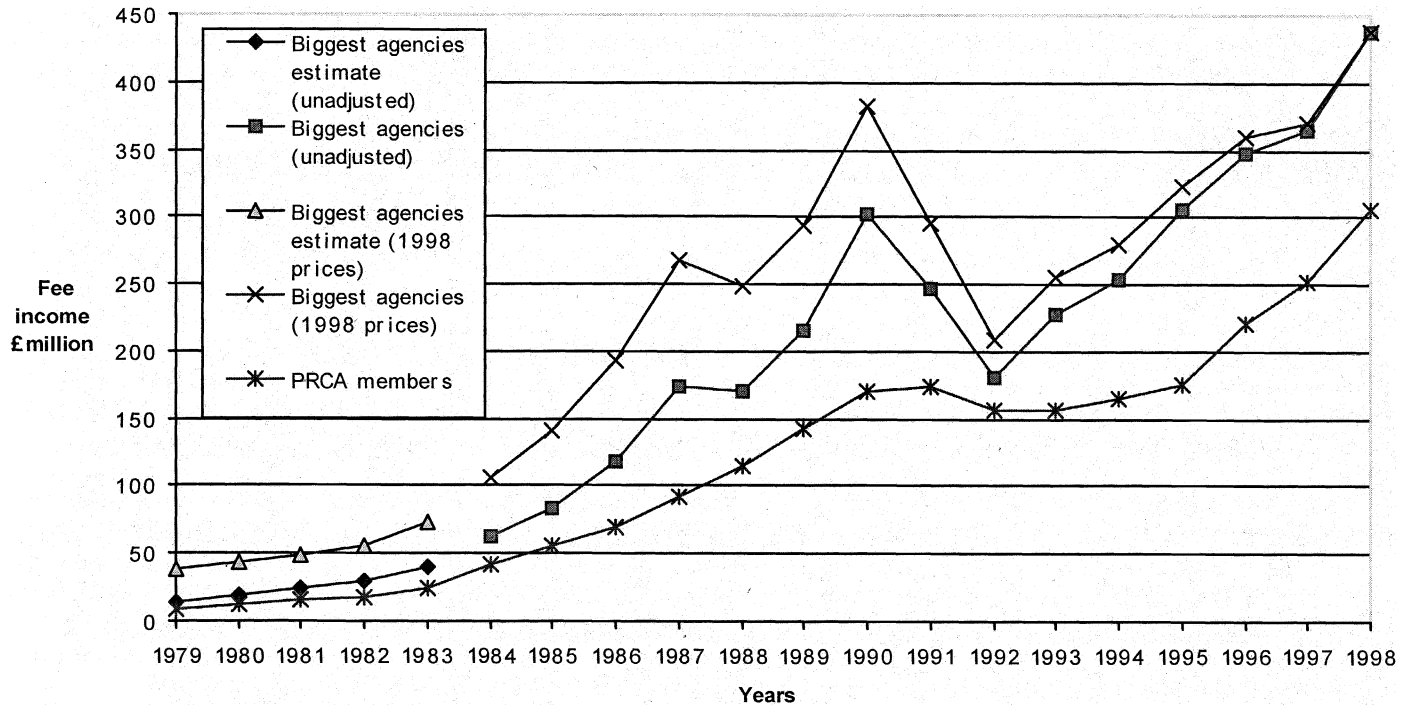


Figure 1 Fee income of the biggest British PR consultancies

marked increase in the size of the consultancy sector in Britain since the end of the 1970s.

The end of the consensus and the rise of PR

The consensus in British politics was based on a compromise between organized labour and capital founded on the post-1945 settlement. This did secure real and significant advances for ordinary working people in the shape of the NHS, the welfare state, universal education, significant public ownership of utilities and heavy industry and, partly as a result, some amelioration of inequality in wealth.

The end of the consensus in British politics ushered in an era of more competitive politics in which old customs were displaced by a tilt to the market in government policy (Gamble, 1988). The crisis of the consensus shifted decisively with the 1979 election of the government of Margaret Thatcher which favoured the 'right' of employers to 'manage', with government rolling back state mediation.

Jones (1986: 5) argues that as a result 'propaganda would become an essential weapon against industrial muscle'. A key precursor of the collapse in the consensus was the reaction by the business classes to the industrial struggles of the early to mid-1970s. Changes in the communication strategies of the nationalized industries were crucial to the changed relationships between management and workers.

... a number of employers began to rethink their whole approach to both internal and external communications. The crucial innovation was the adoption of systems of communication directly to their employees rather than using the good offices of the unions. (Jones, 1986: 12)

Emblematic of this process and preceding the election of the Thatcher government was the 'major reorganisation' (Jones, 1986: 13) of communications put into effect by the incoming chief executive and chair of British Leyland, Michael Edwardes, beginning within days of taking up his appointment at the end of 1977. The changes in communication strategy and the increased use of the media 'proved that the chairman of a state-owned industry could use newspapers, radio and television to help secure fundamental change. He showed how management could exploit the news media to the employer's advantage' (Jones, 1986: 13). In the case of British Leyland one precondition and consequence of success meant a reduction in the workforce of 46.8 percent between 1977 and 1982.

The change in policy assumptions and aims, which can be summarized in the phrase 'the tilt to the market', resulted in the partial

breakdown of corporatism in some key areas of policy-making and prompted (and in some cases were the result of) the expansion of public relations activity targeted at government. An era of intensified competition in policy-making and in the market emerged as controls and regulation were removed from business.

Closely linked with these changes were specific governmental actions and policies which led to a vast increase in PR spending by governments and by corporations in their attempts to influence government policy. Fundamental to this is the relationship between deregulation and public relations. There are several parts to this relationship which are interrelated and in some respects mutually reinforcing. These include:

- Lobbying and preparation for deregulation,
- Spending on privatization by government/nationalized industries,
- Spending by newly privatized companies,
- Spending on promotion by industries and professions following deregulation,
- Increased spending on PR in the new business climate created by the deregulation of the City.

Lobbying and preparation for deregulation

The move towards the privatization of national assets and the deregulation of service provision in state institutions was not sparked by a simple decision at the centre of government. Privatization of the utilities was not mentioned in the 1979 Conservative manifesto (Thatcher, 1993: 677–8) and was not really an issue in the 1983 election campaign (Wiltshire, 1987). Deregulation was the objective of key currents in the Conservative Party and also of certain business interests who were in a position to take advantage of it. The lobbying campaign for deregulation of NHS services was by all accounts extremely effective and had already started by the 1978 Conservative Party conference. Industry trade associations met with the minister of health in October 1979 five months after the Conservatives' election victory. Central to the story was a young Westminster city councillor, who followed a now traditional route through the revolving door of power, moving between local politics, think tanks and PR and ending up as a minister in charge of part of the deregulated industry he helped to create. This was Michael Forsyth who wrote two key pamphlets for the Adam Smith Institute (a conservative think tank). The latter, *Reservicing Health* (1982), 'considerably strengthened' (Ascher, 1987: 27) the contracting out campaign just as the former, *Reservicing*

Britain (1980), had 'strengthened' government commitment to competitive tendering in local authorities (Ascher, 1987: 36). In 1981 Forsyth set up his PR firm, Michael Forsyth Associates. Among their clients were firms and trade associations from the catering, cleaning and textile maintenance industries which stood to gain from contracting out, such as the Association of British Launderers (Labour Research Department, 1984). Others hired backbench Tory MPs or employed civil servants formerly in charge of monitoring contracting out (Ascher, 1987: 49; Hollingsworth, 1991: 70–6). For example, the Contract Cleaning and Maintenance Association hired John Gorst MP, director of PR firm John Gorst Associates, and both they and Johnson the Cleaners employed leading PR firm Good Relations, which in turn retained Tory MPs Michael Mates and Sir Anthony Grant. Office cleaning company Sketchley, meanwhile, retained Biss Lancaster who hired Neville Trotter MP as a consultant (Labour Research Department, 1984). After Forsyth's election to parliament in 1983 he became a parliamentary consultant to one of his PR firms' clients, the contractors Pritchard Services. The success of the lobbying campaign was as Ascher notes in 'telling the government something it wanted to hear' (Ascher, 1987: 75), but the impact of the lobbying according to one of the contractors 'far exceeded our wildest expectations' (Ascher, 1987: 75).

Privatization

The promotional effort needed to sell off very large national assets such as British Telecom and British Gas (successively the biggest flotations in world history) was unprecedented in both the skills and strategies used and in the amount of money involved. Our argument is that the government privatization programme provided a key financial boost for the PR industry and more importantly helped the industry to develop new markets in financial PR in Britain and in privatization work abroad. Second, and more fundamentally, privatization depended on the invention of new techniques of promotion. In other words, Conservative policy could not have worked without the PR industry and the PR industry would not have developed in the spectacular way it did without the Conservative government. Let us examine the PR boost to privatization first and then the privatization boost to PR.

PR boosts privatization

The role of PR in the flotations was two-fold. PR agencies were hired to sell shares in public assets to the media, certain sections of the public and

other specific audiences. Second, and more fundamentally, their role was to direct the overall marketing strategy. In each privatization a marketing committee consisted of representatives from the company to be floated, the civil service, the relevant bankers and brokers. These were joined by marketing advisers in the form of a PR consultancy. The PR company often carried out the PR part of the strategy, but it could also be contracted to another PR consultancy. The marketing advisers were in a position of considerable power in that they sat on the committee that presided over the selection of advertising, PR, design and market research agencies for the flotation. Dewe Rogerson handled 10 separate privatizations as marketing adviser. In addition, the PR agency appointed for the flotation directed the entire marketing effort, including directing and approving advertising agency work. As Tony Carlisle of Dewe Rogerson put it, 'The advertising strategy is a product of the flotation strategy' (cited in Bromley, 1989: 42), which was directed by the PR consultancy.

The first of the privatizations in which new PR tactics were used was that of British Telecom (BT) in 1984. John Koski (1984: 9), deputy editor of *Marketing Week*, has argued that 'quite simply it would have been impossible to achieve this widening of share ownership without [the advertising and PR consultancies]'. But the widening of share ownership was in some ways an incidental propaganda benefit. Although wider share ownership had, formally, been one of the aims, in fact, individual applications overshot expectation and resulted in a redistribution towards individual applicants. A key reason for the PR campaign which reshaped the image of BT was to make it attractive to the City and institutional investors.

British Telecom was not a loss-making enterprise. In the year before privatization it declared pre-tax profits of £990 million, which were slightly down on the previous year. It was at that stage anticipated that profits to the Exchequer would increase as BT took advantage of the upcoming fax and information technology revolution. In other words, BT was a very attractive proposition for institutional investors and multi-national capital. This position was emphasized by the willingness of the government to write off BT debts and to underprice the sale, thus using public money to transfer profitable public assets to private ownership. On the face of it, the flotation should have been exceptionally attractive to the City. However, two key factors encouraged the use of PR in the sale. The first was the sheer size of the flotation of BT and concerns among institutional investors over the price. At the time this was the biggest flotation in world history and there was a lack of sufficient interest in the

City and abroad to make it successful (Newman, 1986: 85). As Tony Carlisle of Dewe Rogerson put it:

The reality was that [the bank] Kleinwort Benson could not find the appetite in the city to subscribe [to] an offer of that size, because it was just too big, and they went abroad, put their toes in the water, and basically the answer was like charity — it starts at home. If your home market subscribes, we're interested, if it doesn't we're not. So there was a lot of thinking about alternative ways of achieving this. . . . One of the absolute classic thoughts that Kleinwort's had is that if the city institutions won't subscribe [to] it, and if foreign institutions won't, what's left? Answer — with no great hope — maybe the man [*sic*] in the street! So we were there as an agency that had built a position in understanding financial communications and city audiences and so it seemed reasonable for the government and them to send us a brief. (interview with D.M., 28 January 1998)

The second key problem which contributed to the reluctance of institutional investors was the poor image of BT. After years of negative Conservative propaganda, the image of nationalized industries as inefficient, wasteful and loss making was widespread among the public and especially in the City. From autumn 1975 public opinion appears to have changed and more people favoured denationalization than favoured nationalization (Newman, 1986: 4), following Prime Minister Harold Wilson's attack on trade unions and nationalized industries as a burden on the tax payer (see Glasgow University Media Group, 1976, 1980).

As a result the strategy for the 'pre-marketing' campaign adopted by BT's corporate relations department involved the repositioning of BT 'to demonstrate that the Civil Service ethos had been swept away' and that BT had become a 'thrusting dynamic and commercially orientated public limited company' (British Telecom Corporate Relations Department, 1985: 4). As one observer noted in *The Guardian*, 'you do not have to be very bright to see that the British market is being massaged by a string of television advertisements leading one to think that Telecom is not a boring old public utility but is actually a high tech, gee-whiz, growth stock' (*The Guardian*, 28 June 1984, cited in Newman, 1986: 118). According to MORI research for the campaign

. . . there is no doubt that British Telecom's overall advertising, including the corporate campaign, has had a significant impact upon the public image of the corporation . . . 11 out of 15 image ratings which we have monitored monthly have gone up month by month. Thus the crucial rating of hi-tech versus public utility measure rose by 13 per cent, a key

perception in the acceptability of the shares in the market-place'. (cited in Newman, 1986: 88).

In their winning submission to the Institute of Public Relations (IPR) Sword of Excellence Awards, British Telecom's Corporate Relations Department (1985: 5) claimed that 'even the most cynical of observers eventually admitted that Telecom had truly changed'. However, given that 'the evidence so far suggests that privatised companies have simply sustained improvements that were already taking place while they were in the public sector' (Newman, 1986: 172–3), the massive profits that BT was making and the windfall of the information revolution which BT was poised to receive, the change in perception was due more to the PR campaign than the fundamentals of BT operations.

The second key element was the creation of a perception of scarcity. This part of the flotation campaign, directed by Dewe Rogerson, benefited in two ways from the targeting of key sections of the public, who could afford and might be inclined to buy shares (about 25 percent of the adult population):

Mobilising the public would both reduce the amount of funding needed from institutions and create both in the UK and overseas the most important element of new issue marketing — a perception of scarcity. (Dewe Rogerson, 1985: 23)

In other words, the campaign (using PR, advertising, market research and design professionals among others) involved selling a changed BT to both financial institutions and the public.

The third element of the strategy was to offer the prospect of an immediate return much greater than could be gained from investing elsewhere. As a Dewe Rogerson briefing put it:

Without a sufficiently attractive offer, the marketing will fail, the wide share ownership objective will not be achieved, and British Telecom and the Government will have a public relations problem of a major and basic order. (cited in Newman, 1986: 85)

This was done by significantly undervaluing the shares and in effect paying investors to take them: 'over-attractive pricing of shares means that Government receipts from such offers for sale have fallen well below any reasonable measure of the discounted stream of future income from former state industries' (Newman, 1986: 173). The campaign was successful in changing the image of BT and in selling the shares. A sceptical City and financial media were decisively turned around by the PR campaign after the amount of profit likely was disclosed. As Newman (1986: 144–5) writes, the 'pervasive doubts' of the media were turned

into headlines ‘almost unanimous in their enthusiasm’ and a ‘commentator’s verdict’ on the flotation ‘that was almost ecstatic’. ‘The very success of the public relations campaign is awesome in its implications, for it virtually captured the press, and is almost alarming in its power’, argues Newman (1986: 172).

Privatization boosts PR

The government needed PR and PR benefited massively from privatization. Most of the nationalized industries expanded their PR operations in the run up to privatization, some dramatically so. British Gas tripled the size of its press office in the year before the sell off, most others markedly increased their press operations. Table 2 gives the figures for a selection of the biggest companies in public ownership.

As we have seen, financial PR companies were brought in to do the selling — Dewe Rogerson, a key player, handled 90 percent by value of all the campaigns, but a myriad of other consultancies were also involved. The government and the nationalized industries themselves spent unprecedented sums of money. As Emily Bell of *The Observer* put it:

Table 2 Changes in PR staffing in nationalized industries in the run up to privatization

	−5 years	−2 years	−1 year	Year of privatization	Percentage increase
British Telecom (1984)	24	32	31	40	66
British Aerospace (1985)	24	24	32	33	27
Britoil (1985)	0	3	3	3	
Cable and Wireless (1981 and 1985)	4	3	2	2	−50
British Gas (1986)	5	4	4	15	200
British Airways (1987)	6	4	4	5	−17
BAA (1987)	24	25	26	28	17
British Steel (1988)	10	8	8	8	−20
Water authorities (1989)	22	25	25	23	4
Central Electricity Generating Board (1990/1)	9	11	11	19	111
British Rail (1993/4)	21	32	31	49	113

Source: successive editions of the COI *IPO Directory*. (The ‘IPO Directory’ [also known as ‘The White Book’] is the abbreviated title of the COI-produced guide to information staff, currently titled *Information and Press Officers in Government Departments and Public Corporations* which is issued twice a year. Thanks to John Tulloch and to the COI Library for supplementing our collection with missing editions of the directory.)

One of the most intensely irritating elements of privatisation for the taxpayer is the opulent living it provides for a substantial band of advertising agencies, designers, public relations consultancies and assorted camp followers. (Bell, 1990: 47).

In the 1980s, the privatizations became controversial for the large sums of public money used to make the flotations attractive to the private sector. These ranged from writing off large debts, to government-funded sweeteners, to the billions spent on fees for the actual process of privatization. These have been estimated at £2375 million for privatizations between 1984 and 1990 (BT to electricity) (Travis, 1989). One of the most expensive privatizations was that of the electricity industry, on which the government spent £824 million for fees to underwriters, stockbrokers and banks. An additional £74.2 million was spent on promotional expenses. Roughly 10 percent of government spending on privatization went on promotional expenditure (£215.2 million), but this underestimates the proportional spending on promotion since the bulk of flotation fees are paid by the government rather than the industry and the spending on the pre-flotation corporate advertising campaigns (i.e. not including marketing or PR) by the companies themselves was generally at least equal to that by government in the flotation campaign (Comptroller and Auditor General, 1989).

Privatization brought in substantial fees to PR companies. The PR and marketing budget for the British Gas privatization (excluding advertising) was £15.4 million and Dewe Rogerson were apparently paid £2 million for the electricity account. They were the lead adviser to the electricity industry and the Department of Energy, with Lowe Bell giving private advice to the energy secretary, and were involved in selecting both advertising and PR agencies for the regional electricity boards. The PR companies retained by the various electricity companies are listed in Table 3. The privatization and corporate image-building PR activities, although lucrative, were one-off accounts and were not always a hugely significant contribution to their overall fee income, especially if they only got small subcontracted work. However, for lead agencies such as Dewe Rogerson, privatization work was extremely significant. One commentator has remarked that each new privatization left Dewe Rogerson 'awash with profits' (Michie, 1998: 27). Dewe Rogerson grew dramatically on the back of the privatization campaigns — its UK turnover rising from £5.91 million in 1983/4 to £55 million in 1990/1. Figure 2 gives the figures for Dewe Rogerson's UK fee income for the years 1983–91 with the privatizations (and the flotation of the TSB) for each year superimposed. It shows marked increases in income for each of the

Table 3 Agencies appointed to promote the privatization of the electricity industry (pre-flotation)

<i>Company</i>	<i>PR agency</i>	<i>Advertising agency</i>
Department of Energy/ Industry	Dewe Rogerson	None
Department of Energy	Lowe Bell	None
National Power	Anthony Wreford	Lowe Howard-Spink
PowerGen	Brunswick	Bartle, Bogle, Hegarty
Area distribution boards	Golley Slater	Yellowhammer
LEB	Financial Dynamics	Broad Street
Seeboard	Valin Pollen	Valin Pollen
Southern Electric	Shandwick	Harrison Cowley
SWEB	Golley Slater	Harrison Cowley
Eastern Electricity	Shandwick	Unknown
South Wales Electricity	Burson Marstellar	Golley Slater
East Midlands Electricity	Temple Communications	None
MEB	Granfield Rorke Collins	Granfield Rorke Collins
Manweb	Valin Pollen	Valin Pollen
Norweb	Shandwick	Stowe, Bowden, Wilson
Yorkshire Electricity	Unknown	Graham Poulter Partnership Charles Wall Advertising
Northern Electric	McAvoy Wreford Bayley	McAvoy Wreford Bayley

Source: Bell (1990).

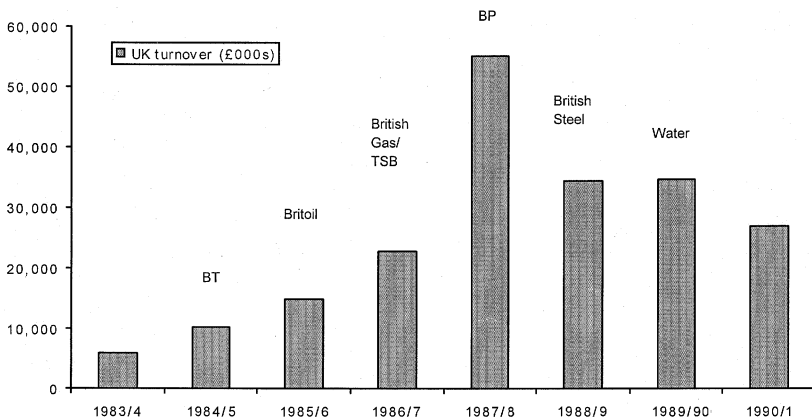


Figure 2 Dewe Rogerson UK turnover 1983–91

privatization accounts, with the biggest being their fee for both the advertising and PR accounts for the British Petroleum (BP) privatization. According to trade press figures, Dewe Rogerson were paid £23 million for this account, which made up just under 50 percent of that year's UK income. More recent company accounts show that the end of the privatization bonanza markedly reduced Dewe Rogerson's UK turnover (to £13.39 million in 1996/7, for example) although they remained one of the largest five agencies in Britain, until their takeover by the Incepta group in 1998 in a deal worth £27 million (*PR Week*, 30 April 1999b: 32).

By the late 1980s and early 1990s the privatization bonanza was nearly over (water, electricity and rail were left). Reg Valin, executive chair of Valin Pollen International, is credited with claiming that only 5 percent of fees came from privatization by the late 1980s. If this is true, their privatization fee income for 1989 was around £353,400 (5 percent of operating revenue from *PR Week* figures). According to Valin, 'It's ad hoc working for the Government. It's valuable revenue, but it's not repeated. Company revenues are more reliable' (Plachta, 1989: 57).

Nevertheless, the privatization accounts provided a key boost to the PR industry and the results of privatization opened up quite new markets for the consultancies to progress to. After privatization many of the companies hired the PR agencies who had advised on privatization for further business. Lowe Bell, for example, were hired by National Power, PowerGen and East Midlands Electricity (Hollingsworth, 1997: 195) and Lowe Bell Political and Financial Dynamics were hired by Northern Electric to defend the company against takeover threats by Trafalgar House in 1994 and CE Electric in 1996. The latter in turn retained Brunswick as part of the takeover battle (Joyce, 1996). Also, as a result of the success of the privatizations in raising revenue, 'private companies followed the path trodden by the Government and used PR companies to come to market. Agencies sprang up' (Cohn, 1990: 98).

The consequences of privatization

The scope and need for PR spending expanded following privatization. Three years after flotation, BT's advertising budget had rocketed. In the year to April 1987, BT spent £36.1 million on advertising, outstripping even British Gas, which was in the throes of privatization at the time. BT made eighth place in UK advertising spend, ahead of British Gas at 10th (Green, 1987). In 1989, British Gas, BT and the TSB were all running advertising campaigns worth over £20 million (Grice and Olins, 1989).

BT's advertising bill rose to £46 million in 1992 (Deacon and Golding, 1994: 6). In addition, privatized companies such as BP, the British Airports Authority (BAA), British Airways (BA) and BT employed corporate identity consultants to reshape their public image and logo. BA spent an estimated £24 million on its 1980s makeover, while British Telecom had paid £50 million to be transformed by corporate identity specialists Wolff Olins into BT (Skipworth, 1991). In the mid-1990s, the newly privatized Stationery Office (formerly HMSO) hired Smithfield Design (a subsidiary of Chime Communications) to develop its corporate identity (Chime, 1998). Corporate identity consultants have also been brought in by smaller businesses which have been hived off from companies which remain in common ownership, such as Parcel Force, formerly part of the Post Office, whose image change was contracted to design group Newell and Sorrel (Skipworth, 1991). By 1995, British Gas had a public affairs department with 33 staff and employed a number of outside PR consultants, including Angus Maitland (formerly of Valin Pollen and Burson Marsteller) and Lowe Bell (Michie, 1998: 112–14). In other words, their inhouse capacity had expanded by 800 percent since the early 1980s or by more than 100 percent since privatization.

The British privatizations of the 1980s were instrumental in the expansion of the PR industry. The money spent on promoting the companies and on the flotation campaigns themselves were intrinsically significant. The expertise and the revenue built up by consultancies such as Dewe Rogerson allowed them to make significant earnings in contracts for overseas privatizations, including in Eastern Europe after 1989. One result of privatization was, as Tony Carlisle put it:

It created money . . . government rates are mean by contrast with private sector rates, but nevertheless it's a big exercise and you make money — and so the ability to invest their money in building this business, which is where we spent it, in opening our operations in the US and Japan and Hong Kong, and helping to fund the drive to internationalize — all of that, you can argue, was stimulated in large part by the money, the visibility, the magnet for better quality business, for better quality people, which creates a virtuous circle. (interview with D.M., January 1998)

Dewe Rogerson have as a result dealt with privatizations in Western and Eastern Europe, in South America and the Caribbean, in Africa, Asia, Australia and in the Far East. During this period they increased their staff in London alone from 79 in 1985 (Dewe Rogerson, 1986: 13) to 177 in 1997 (Dewe Rogerson, 1997: 19). In 1997 according to Dewe Rogerson, they secured business which helped to raise half the equity which was raised across the world. The company unsurprisingly seems to have felt

grateful to the government for helping them to grow so dramatically and donated a modest £1000 to Conservative Party funds in both 1988 and 1989 (Dewe Rogerson, 1990).

But perhaps most significant is the key role which the privatizations had in changing the regulatory framework to one which was much more favourable to PR and promotional expenditure in general. Of importance here was virtual creation and dramatic expansion of investor relations and the massive increase in promotional expenditure by newly privatized corporations, in terms of marketing, advertising, corporate identity and political PR/lobbying/public affairs directed against competitors, would-be competitors, the regulatory framework and new/existing legislation.

Deregulating the professions

The deregulation of professions such as law and accountancy also contributed to an increasing promotional culture in which PR could and did operate. In 1984 the Law Society removed the prohibition against lawyers using advertising. Norwich-based PR consultancy Publicity Plus was claimed to be the first PR company to work for a firm of solicitors using advertising (Kavanagh and Charles, 1994). It can be noted that the sums of money spent by solicitors in comparison to the City and corporate PR is insignificant. One survey concluded that 'the relatively widespread use of advertising among law firms does not necessarily indicate a deep commitment to advertising as a strategic weapon in the profession' (Love et al., 1995: 466). However, bigger firms do spend more in this area.

Regulation of the promotion of accountancy was also relaxed in 1984. Accountancy firms, especially the biggest companies (Diamantopoulos et al., 1989), reportedly spent significant sums on PR consultancy and quickly appointed inhouse marketing and PR professionals. The term 'marketing' entered firms' vocabulary, replacing 'practice development' according to Price Waterhouse marketing partner Robert Sandry (cited in Williams, 1995: 46). In the nine months after the restrictions were relaxed the biggest eight accountancy firms spent a reported £750,000 on advertising alone (Driscoll, 1985: 120). Although some of the big firms already had a relationship with PR consultancies, strategic planning of advertising provided a clear boost for PR. Two of the biggest eight companies (Peat Marwick and Deloitte, Haskins and Sells) opted for integrated communications under the guidance of PR and seven of the biggest eight had appointed both PR and advertising agencies by 1985 (Driscoll, 1985). The trade association for England and Wales, the

Institute of Chartered Accountants of England and Wales (ICAEW), quickly commissioned a guide to 'Effective Corporate Communications' from two PR practitioners which was published in spring 1986 (Milward-Oliver and Shohet, 1986). Following trends elsewhere in the industry, specialist PR and marketing agencies, such as Buckmans, servicing 'professional' firms, sprang up (Williams, 1995: 47). By the 1990s, accountancy firms also routinely employed lobbying firms.

The commercialization of accountancy, of which the relaxation of the promotional guidelines were a part, also meant the transformation of the image and status of accountancy (not to mention profits). In the breathless prose of an account director at Peat Marwick's PR and advertising consultancy, CDP Waterhouse:

Accountants now rub shoulders with the glossy world of communications. They're being re-positioned away from dull, boring auditors into high-powered advisers to government, commerce and industry. (Driscoll, 1985: 120)

In terms of our argument, the significance of these developments lies in the central role of deregulation and the commercialization of the professions (Radcliffe et al., 1994; Willmott and Sikka, 1997) in the colonization by PR of new territory.

Deregulating the City

Perhaps most important in terms of budgets for PR was the so-called 'Big Bang' — the deregulation of financial services (Fishman, 1993; Laurence, 1996). The Financial Services Act of 1986 which followed, although initially meeting with objections from the City and from financial PR practitioners (e.g. John Hollis [1993] of Dewe Rogerson), in the event was of most benefit to the big brokerage houses and institutional investors and thus PR firms (Laurence, 1996).

Deregulation increased PR spending by encouraging financial institutions to market themselves. Some financial institutions such as the four big banks expanded their press office capabilities, others, such as Prudential, Nationwide and Halifax, employed senior PR personnel for the first time and many (e.g. Nationwide, Standard Life, Bank of Scotland) employed consultants for the first time in the run up to the 'Big Bang' (Murray, 1985). More importantly, however, the new climate and culture in which business operated as a result was much more favourable to PR (Miller, J., 1985).

Privatization, the new business climate and investor relations

The privatizations virtually created a new branch of PR known as investor relations, in which the PR companies involved in selling the flotations rapidly became expert (since they were in effect creating new investors). Many of the companies, including Valin Pollen, 'struck on the rich seam of investor relations, the business of keeping institutional and general shareholders informed' (Quinn, 1989: 52). The expansion of investor relations was 'a completely new area' according to Valin (Plachta, 1989: 57) and the huge increase in mergers and acquisitions in the 1980s were key areas into which PR moved and became much more important than previously.

City disenchantment with PR stocks has not prevented financial communications from becoming the fastest growing sector of public relations over the past year. The deregulation of financial services — the so-called 'Big Bang' — has made financial operators aware for the first time of the need to project their image to shareholders and the public alike. (Churchill, 1987: 14)

Most importantly, trends in the domestic and international financial markets led to a much greater demand for communications advice. As Tony Carlisle of Dewe Rogerson told us:

The competition for capital, sector consolidation, internationalization of business, all these things and others mean that we've moved a long, long way from the point where companies typically could manage their investor relations through a broker in a very informal fashion. . . . The average market capitalization is hugely bigger — the number of investors is bigger, their sophistication is greater, their analytical tools are better, their demands for information. . . . Now that's spawned a business that . . . was part and parcel of the broker's job . . . a very big and fundamental business in investor relations. Capital is fundamental and what companies are about is creating financial brands. That is what investor relations is about. It's about promoting efficiency of capital and capital structures. (interview with D.M., January 1998)

Furthermore, the privatized corporations themselves invested heavily in the new field. 'None of these companies previously had any experience of investor relations. They were catapulted into a position of leadership, whether they liked it or not' (Bing, 1993: 15). In particular, the 'Big Bang' resulted in smaller broking firms being absorbed into large investment firms thus squeezing investor relations out of financial institutions and opening the field to financial PR (Arfin, 1994). British

companies reportedly spent £37 million on financial PR in 1986. By 1996, this had risen to £250 million (Michie, 1998: 26).

Mergers and acquisitions

Deregulation and privatization also fuelled the increase in mergers and acquisitions and PR played an increasing role here too (Newman, 1983, 1984). Although PR has had a role to play in City takeovers for some time, the remit of the PR consultant has changed radically. In the 1970s the role of financial PR in merger and acquisition activity was focused on the dissemination of bid information. Before the 'Big Bang', Arfin (1994: 5) argues, 'most companies relied on their brokers and merchant bankers for a good deal of communications advice and informal investor relations. Financial public relations consultants, if used at all, were employed for media management.' As Karin Newman shows in her thorough account of financial marketing (Newman, 1984; see also Newman, 1983), financial public relations had existed prior to the 1980s and had expanded in relation to developments in the regulation of corporate information disclosure, the rise in takeovers (which was relatively small compared to the 1980s), responses to image crises and 'perhaps the most significant factor of all' the rise in institutional share ownership (Newman, 1984: 242, 250).

The difference in the 1980s was the increased use of PR (rather than advertising or marketing) at least to direct the mass communication function. In the 1980s, PR became a more strategic function of the takeover bid or defence. Arfin (1994: 6) argues that 1980s corporate history is 'littered with the vanished or absorbed companies that didn't catch on [to the need for strategic PR advice] fast enough'. Since the late 1980s, PR has become the agenda-setter for City bids in terms of deciding how they will proceed. Brunswick, one of the most prestigious — and secretive — financial PR firms, reputedly earned over £220,000 per week (the typical takeover bid lasts for approximately 60 days) in successfully defending ICI from a 1991 hostile bid from Hanson (Michie, 1998: 50). Indeed, according to Paul Kafka, director of corporate communications at Fidelity Investments, 'the rewards for contributing to corporate success are enough to make Midas weep' (cited in Michie, 1998: 26).

The 1980s saw a dramatic increase in the volume of mergers and acquisitions after a slump during the recession in 1980/1. From 1980 to 1985 between 469 and 568 companies a year were acquired. This figure rose to 1528 in 1987, 1499 in 1988 and 1337 in 1989 (Central

Statistical Office, cited in Maitland, 1993: 77). New stock exchange listings also increased from 35 in 1980 to between 101 and 155 in each year from 1986 to 1991 (Stock Exchange, cited in Maitland, 1993: 77). On the back of these trends financial PR became both a profitable and sophisticated niche.

From 1987, the value of UK merger and acquisition activity grew steadily, reaching a high of £45.5 billion in 1989 before a decline to £27.7 billion in 1990 with the onset of recession, which was keenly felt in the PR industry. However, the value of merger and acquisition activity in the UK reached successive all-time highs in 1995, 1997 and 1998. In 1997 there were 12 £1 billion plus bids completed or announced in the UK. The biggest deal of the year was the £9.8 billion merger of Guinness and Grand Metropolitan to form Diageo. Much of the PR work surrounding this deal was done inhouse by both parties, however Brunswick handled financial PR for both and their fee income is believed to have run into seven figures.⁴

Industry sources estimate that financial PR consultancies can command fees of up to 1 percent of the bid value in such deals. The value of merger and acquisition activity involving target companies in the UK in 1997 was £84 billion. In 1998 this figure rose to £120 billion (Thomson Financial Securities Data, press release 6 January 1999). This trend is part of a European (and indeed global) phenomenon, with the value of mergers and acquisitions involving European targets rising from £225 billion in 1997 to £327 billion in 1998 (Thomson Financial Securities Data, press release 6 January 1999).

The structural significance of the privatization project in establishing financial PR persists today. The dominance of consultancies who played key roles in the various privatizations and mergers and acquisitions is remarkable. According to a survey conducted by market researchers City Insights in August 1997, 80 percent of FTSE 100 stock that have nominated advisers are served by five PR agencies: Brunswick, Lowe Bell, Financial Dynamics, Dewe Rogerson and the Maitland Consultancy (Michie, 1998: 28).

Concluding comments

Public relations has become big business in Britain. There is almost no issue of consequence for business, government or pressure groups which has not been attended to by promotional professionals. Although this article has not dealt with the specific strategies or tactics of the PR industry or with general questions of success, it is clear that PR and

public affairs have seeped into the very fabric of policy and decision-making in Britain and in the European political arena. Our argument here has been that this has happened for determinate political and historical reasons. Most importantly in the British case the way, and the degree, to which it has come about has been as a result of the changes in the regulation of the market ushered in by successive Conservative administrations in the 1980s and 1990s.

This dynamic also has an international dimension to it which is the increasing mobility of capital and the progressive abolition of barriers to its profit-seeking behaviour. In particular we can point to the crumbling of regulation in the financial markets benefiting holders of liquid investment capital, institutional investors and large multinational borrowers over less mobile capital such as manufacturing industry and individual investors (Laurence, 1996).

We do not make any detailed argument here about the consequences of our findings for media theory or relate it directly to arguments about the public sphere, the information society or about the increased importance of the symbolic. Suffice to say that it is in our view important that such arguments begin with a proper recognition of the historical context and an attempt to weigh the empirical evidence, before grand theory (Mills, 1956) takes off from its necessary moorings in the real world. The 1980s ushered in marked transformations in the shape and role of the PR industry. These must be taken into account in understanding their contribution to political life and the quality of democracy.⁵

Overall, the growth of the PR industry owes incomparably more to the developments we describe than to a generalized increase in 'promotional culture'. This is not to argue, however, that we do not now live in a period of 'promotional culture'. Rather it is to say that the rise of promotional culture has happened as a result of determinate political, economic and cultural decisions and struggles. Furthermore, as theorists such as Andrew Wernick (1991: 194–7) recognize, this means that it is possible to think about reshaping and even 'ending' promotional culture by means of other specific struggles and decisions.

Such struggles are not likely to be easily successful, but the conclusion to our argument is that PR is not simply a neutral set of techniques which can either enhance or harm democratic governance. In practice the PR consultancy sector has an elective affinity with market ideology. Stuart Ewen has argued that the 'relationship between publicity and democracy is not essentially corrupt' (Ewen, 1996: 410), and this is entirely correct. Although 'promotional culture' is terminally lacking in

good faith, not all promotional techniques are intrinsically manipulative. However, in practice, the PR consultancy industry in Britain has acted largely for business interests and has had a key role in ensuring the success of particular types of business activity. Corrupt conspiracies there certainly were, but the role of PR has been to facilitate an 'institutional corruption' in British governance, the effects of which will be with us for many years to come.

The rise of the PR consultancy sector did not occur because of the emergence of new technology or because of a 'learning process' inside business organizations, or because PR professionalism and expertise increased or because the PR industry became effective in marketing itself, although all of these things arguably have happened. Instead, PR grew as a result of a decisive political and economic change of direction in government, in the context of the rise of the global power of TNCs. The proof of this is that PR did not expand everywhere at the same rate and remains a comparatively marginal presence in a wide variety of national systems.

The PR industry, however, is not just a servant of capital, it has enabled deregulation and privatization and the huge redistribution of wealth which has been seen in Britain in the past 20 years. Without PR consultancies, both government and business would have had much more difficulty than they actually experienced. Thus a key role of the PR industry in late 20th century Britain and a condition of its spectacular growth was to make profits from, and facilitate, the marked redistribution of wealth from the poor to the rich.

Notes

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1. Because the *PR Week* figures only include data from 1984 onwards, we have turned to figures from the PRCA, which do go back to 1979. Unfortunately, they include no data for 1981 and we have estimated this at half way between the 1980 and 1982 figures. We have used the PRCA data to provide an

estimate for the *PR Week* data projected backwards from 1983 to 1979. This involved calculating the average of the differences between these two series of data between 1984 and 1988. This works out at 61.8 percent and we include the figures here as a rough estimate only. More details about how we compiled these data in this article are in Dinan, forthcoming.

2. PR is classed as an intermediate expenditure (i.e. between raw materials and final products) in terms of outputs from industry. The Total Domestic Expenditure (TDE) deflator was recommended to us by the Office of National Statistics as the best available deflator for the PR industry.
3. The British industry seems to have reflected global trends in the early 1990s. Karen Miller records that US-based international consultancies faced dropping fee income in the early 1990s (Miller, K., 1999: 227).
4. Information in this paragraph and estimated fee from Ian Darby, a reporter at *PR Week* (interview with W.D., 23 July 1998).
5. We are not suggesting that the factors we have outlined here are the only relevant factors in explaining the rise and specific form of the PR industry. There are a number of other factors which seem to have a bearing on this. We do not have space to fully consider these here, but our view is that they are less important and in some cases are by-products of the factors outlined here. Nevertheless, we can point to factors such as the growing importance of European governmental institutions; the declining effectiveness of advertising and consequent diversion of resources into PR; the dwindling of resources for news gathering (in the late 1980s/early 1990s) at the same time as the news space to be filled in the press and on broadcasting expanded; the 'outsourcing' of PR capabilities to consultancies following recessionary periods (especially in 1979/80), leaving corporate PR departments relatively under strength and increasing the size of the consultancy sector.

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