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Abstract

The 1964-70 Wilson government has been the subject of intense criticism, yet limited academic study. Attention has focused primarily on its failure to achieve any breakthrough in the application of 'white heat' technology. The effect has been that many important aspects of the government's industrial policies have been ignored. In particular, its commitment to public ownership has received little consideration, despite appearing anomalous compared with the nationalisations of the preceding (and succeeding) Labour governments. Between 1964 and 1970, only iron and steel was brought into public ownership, and that was primarily 'unfinished business' from 1945-51.

This thesis determines why the 1964-70 government was so reluctant to use public ownership and, specifically, nationalisation. Firstly, the relationship between public ownership and the Labour party in 1964 is examined. The Attlee government's experiences with nationalisation and the revision of the party's programme during the 1950s are considered, along with the contribution which Wilson made to that revision. The thesis contends that, by 1964, the party's commitment to public ownership was genuinely different from that in 1945. However, it further asserts that the economic analysis on which it was based had already become outdated by 1964, and encumbered the government with an inappropriate ideological framework.

Secondly, the recent release of official papers has made possible a detailed consideration of the 1964-70 government's performance. They reveal that the government pursued a more active public ownership policy than is normally considered by historians. In shipbuilding and aerospace partial nationalisations were undertaken, while more generally interventionist frameworks were established. This thesis concludes that such policies were fatally undermined by the over-commitment of Wilson to sterling parity. Coupled with the shortcomings of the party's ideological framework, this explains both why the 1964-70 government's policies appear anomalous, and why the government continues to be severely criticised.

The Labour party and nationalisation from Attlee to Wilson, 1945-1968: Beyond the commanding heights

Mark Edward Tookey

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This thesis is submitted in fulfilment of the requirements for the degree of
Ph.D. in History at the University of Durham.

The research contained here within was conducted in the Department of
History, University of Durham.



December, 2000

- 8 MAR 2002

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Acknowledgements

A work of this nature can never be considered to have been produced by its author completely 'alone'. A large number of individuals and organisations have provided invaluable support throughout the course of my studies. Although it can only provide a partial reflection of the gratitude which I would like to offer to them all, I would like to take this opportunity to formally thank those who have helped me over the last four years.

Thanks must firstly go to the Department of History at the University of Durham for their continued commitment to my academic development since I joined them in October 1993. In particular, my two supervisors, Professors Ranald Michie and Philip Williamson, have supported me and guided me to standards far beyond those I could have attained on my own. The errors that remain in the work are, of course, my responsibility and not theirs. I hope only that the combination of political and economic interests which they have instilled in me is reflected in the finished thesis. I would also like to thank the office staff, Wendy, Tracy and Sue for their administrative help (and patience with the ability of Prof. Michie and I to misplace vital forms on a regular basis!).

In addition to such help, the sponsorship and support of the British Academy and the Arts and Humanities Research Board has been invaluable. Their preparedness to tolerate long research trips to the Public Record Office in London has been greatly appreciated. During my time at the Record Office I received essential assistance from numerous research room staff and I would like to thank them all, and Dr. Keith Bartlett in particular. Back in Durham, I am grateful to the officers of St. Aidan's

College for supporting me through their Graduate Studentship programme, especially Robert Williams and Alan Yarwood. In general, I have found the college atmosphere offered by the Senior Common Room in St. Aidan's to be a wonderful location in which to undertake study. The friendships I have formed there are too numerous to mention, but the 'cricket team' – Alan, Rich, Mike, Marcus and Phil – deserve especial mention, along with Flo and Flo and last, but by no means least, my College Tutor, Dr. James Coleman.

Finally, thanks have to be expressed to my parents, without whose continual support (and not just financial!) I would not have been able to complete my studies, and Anna Lisa, who has been my *companion* throughout. Even though she has had more than enough academic work of her own to occupy her time, she has never ceased to find the time to provide encouragement and support when it was needed. It is to her that this thesis is dedicated.

Table of Abbreviations and Conventions

The following abbreviations are used in the thesis:

1. BISF – British Iron and Steel Federation.
2. CBI – Confederation of British Industry.
3. DEA – Department of Economic Affairs.
4. EFTA – European Free Trade Area.
5. FBI – Federation of British Industry.
6. GATT – General Agreement on Trade and Tariffs.
7. IRC – Industrial Reorganisation Corporation.
8. LPACR – Labour party Annual Conference Reports.
9. MinTech – Ministry of Technology.
10. NEC – National Executive Committee of the Labour party.
11. NEDC – National Economic Development Council.
12. NRDC – National Research and Development Corporation.
13. NUM – National Union of Mineworkers.
14. NUR – National Union of Railwaymen.
15. PRO – Public Record Office, Kew, London.
16. TGWU – Transport and General Workers Union.
17. TUC – Trades Union Conference.

The following conventions are used in this thesis:

1. The place of publication for published works is London unless otherwise indicated.
2. Governments are referred to in the singular form, e.g. ‘the Wilson government’ and ‘the Attlee government’, even if they covered two or more parliaments.
3. In footnotes, published diaries are described by reference only to the author, volume number (if appropriate), page and date, e.g. Crossman, *Diaries*, ii, p. 42 (19/9/66).
4. In footnotes, papers from the Public Record Office are described without the prefix PRO. All references beginning with AVIA, BT, CAB, EW, FV, PREM and POWE, are documents in the Public Record Office.

Introduction

The twentieth century has been described by Seldon and Ball as the ‘Conservative century’.¹ It cannot be denied that the Conservative party was more successful in electoral terms and the length of its period in government between 1900 and 1997 greater than any other British political party. Yet a good case can be made for claiming that the last century was ‘Labour’s century’.² For while its periods of office were infrequent, and though it was not until 1945 that the party obtained an overall parliamentary majority, from the perspective of the twenty-first century the impact of the Labour party in government has been significant. Many of the most important legislative measures in the second half of the twentieth century, and controversial issues of political debate, had their origin in policies pursued by Labour governments.³ The character and form of the welfare state and the National Health Service, established by the 1945-51 Attlee government, have dominated the social policy agenda since their inception. Some of the most significant features of Britain’s post-war economic structure have arisen from policy decisions and directions taken by Labour, rather than Conservative, governments. Much of the intensity in economic policy debates can be traced to policies implemented by Labour administrations – concerning the role of the state in the management of the economy; the behaviour of

¹A. Seldon and S. Ball (eds.), *Conservative Century: The Conservative party since 1900* (Oxford, 1994).

²D. Tanner, P. Thane and N. Tiratsoo (eds.), *Labour’s First Century* (Cambridge, 2000) takes its title simply from the fact of the party’s foundation in 1900; but the contents indicate that wider claims could be made.

³The Labour party ‘is probably the most frequently criticised of Britain’s three main political parties’: Steven Fielding, ‘Labourism in the 1940s’, *Twentieth Century British History*, 3 (1992), p. 138.



trade unions; and, perhaps most controversial of all, the desirability of nationalisation and the balance to be struck between the public and private sectors of the economy.

The latter issue in particular – the need or otherwise for direct state control and ownership over industrial enterprises – has been a topic of lasting political controversy ever since the Second World War. In 1945 there was a clear political division on the issue of nationalisation: the Labour party campaigned on a programme of wholesale nationalisation while the Conservatives refused to accept a need for such radical changes in industrial organisation and ownership. By the 1950s, however, the position of both parties had changed – towards part of the ‘consensus’ of political opinion that some historians have seen emerging at this time.⁴ The Conservatives appeared reconciled to the majority of the nationalisations undertaken by the Attlee government and to the framework of a mixed economy, while the Labour party had decided against the need for any further, ambitious programmes of nationalisation. Iron and steel remained a source of controversy, marking as it were the disputed boundary of the public sector: finally nationalised by the Attlee government in 1951, only to be denationalised by the Conservatives in 1953, then renationalised in 1967. Yet the very fact that between 1945 and 1967 the fate of the iron and steel industry

⁴See, for example, Paul Addison, *The road to 1945* (Oxford, 1975); Anthony Seldon, ‘Consensus: A debate too long?’, *Parliamentary Affairs*, 47 (1994), pp. 501-14; Denis Kavanagh, ‘The post-war consensus’, *Twentieth Century British History*, 3 (1992), pp. 175-90. The consensus argument has been the subject of a considerable degree of criticism from other historians: see, for example, Ben Pimlott, ‘The myth of consensus’ in Lesley M. Smith (ed.), *The making of Britain: Echoes of greatness* (Basingstoke, 1988), pp. 129-42; H. Jones and M. Kandiah (eds.), *The myth of consensus: New views on British history 1945-64* (1996); Anthony Butler, ‘The end of post-war consensus: Reflections on the scholarly uses of political rhetoric’, *Political Quarterly*, 64 (1993), pp. 435-46. For a balanced overview of the consensus debate, see D. Fraser, ‘The post-war consensus? A debate not long enough?’, *Parliamentary Affairs*, 53 (2000), pp. 347-62. In the field of public ownership policy there is some validity in Porter’s proposition that a degree of consensus had emerged by the 1950s, if not on the *ideal* of nationalisation, then at least on the *scope* of the public sector: Dilwyn Porter, ‘Downhill all the way: Thirteen Tory years 1951-64’, in Richard Coopey, Steven Fielding and Nick Tiratsoo (eds.), *The Wilson governments 1964-1970* (1993), p. 12. This aspect of ‘consensus’ is often ignored by other historians in their dismissal of the more general arguments put forward by proponents of consensus. See, for example, Martin Francis, ‘Economics and ethics: The nature of

alone 'may be characterised as a classic example of adversarial politics'⁵ is indicative of the extent to which a new *status quo* had been established by the 1950s, in which the balance between public and private sectors was mostly settled.

Any notion, however, that long-term stability had been reached by the early 1950s on the balance of public and private within the 'mixed economy' is undermined by the dramatic and rapid swings in political support for nationalisation witnessed after 1970. At first the political tide seemed to be moving strongly in favour of further nationalisation: the 1974-79 Labour government brought shipbuilding, aerospace and a large proportion of the motor car industry under public control, while even the 1970-74 Conservative government under Heath had used public ownership to rescue troubled companies such as Rolls Royce which were deemed too important for market forces to be allowed to destroy. Yet having been the political flavour of the 1970s – an essential tool for supporting industry in difficult economic conditions – nationalisation and public ownership increasingly went out of favour in the 1980s and 1990s, as the majority political mood swung against state industrial ownership. Under Thatcher and then Major, the bulk of the public sector created since 1945 was privatised, and the ideology of public enterprise which had underpinned it was criticised in both the academic and political arenas.⁶

The extent of the change is demonstrated most clearly in the actions of the Labour party leadership under Blair. By the time that his 'New' Labour party was elected to power in 1997, the party had completed a process of total abandonment of

Labour's socialism, 1945-1951', *Twentieth Century British History*, 6 (1995), p. 243; Nick Tiratsoo and Jim Tomlinson, *Industrial efficiency and state intervention: Labour 1939-51* (1993), pp. 169-70.

⁵G.F. Dudley and J.J. Richardson, *Politics and steel in Britain, 1967-1988: The life and times of the British Steel Corporation* (Aldershot, 1990), p. 1; Doug McEachern, *A class against itself: Power and the nationalisation of the British steel industry* (Cambridge, 1980), pp 157-8.

⁶See, for example, Correlli Barnett, *The audit of war: The illusions and reality of Britain as a great nation* (1986).

its long-standing commitment to public ownership and control. Even the most superficial of contrasts between the Blair government and that of Attlee some fifty-two years before, reveals the extent of that abandonment. One of the first economic policy decisions of the Blair government was to relinquish control over interest rates to a newly-established, politically independent, Monetary Policy Committee of the Bank of England. While leaving the public ownership of the Bank unchanged, this constituted a 'privatisation' of its operations: a *Labour* Cabinet effectively completed the dismantling of the Attlee government's nationalisation programme begun by the Blair government's Conservative predecessors.⁷ This act did more than simply give effective independence to the Bank of England: it symbolised a determination by the Labour party leadership to demonstrate that the 'socialist experiment' of public ownership was at an end. It was a legislative indication that the removal from the party's constitution two years before of its 87-year commitment to 'clause IV', the 'common ownership of the means of production, distribution and exchange', had signified a real ideological change.⁸

The deliberate efforts of the contemporary Labour party to distance itself from its own past, and to convince the electorate that an 'end of an era' has been reached on the role of the state in the economy,⁹ has stimulated scholars to explore the era of

⁷As Francis has argued, 'Blair's desire to honour the generation of 1945 has not precluded a systematic effort to abandon much of its agenda': Martin Francis, *Ideas and politics under Labour, 1945-1951: Building a new Britain* (Manchester, 1997), p. vi.

⁸For an overview of the abandonment of clause IV in 1994-5, and the comparisons between it and the failed attempt at clause IV reform in 1959-60, see Peter Riddell, 'The end of clause IV, 1994-5', *Contemporary British History*, 11 (1997), pp. 24-49.

⁹Reflected not simply in the abandonment of nationalisation as party policy, but also in the repeated claims that there will be no return to the 'old days of boom and bust' of previous governments, both Labour and Conservative. The 1997 election manifesto argued that there had been 'too much economic instability, with wild swings from boom to bust' in previous decades: Labour party, *Britain Can and Must do Better* (1997). It is a point continually reinforced by the Chancellor of the Exchequer, Gordon Brown. In his November 1997 pre-Budget statement, for example, he argued that 'for forty years our economy has [had] an unenviable history, under governments of both parties,

nationalisation, public ownership and state control of industry. While the impression given by current 'New Labour' propaganda that nationalisation is a tool of economic policy with a past but no future is surely no more than a projection of the current political climate onto an unknown future (no doubt as a consequence of its desire to convince 'middle England' of Labour's genuine 'newness'), it certainly raises questions about why nationalisation was a tool of economic policy for the first four post-war decades. The process of historical reconsideration has been under way since the early 1990s, when Millward bemoaned that 'the causes of the nationalisations of the 1940s in Britain [a]re very thinly treated in the literature'.¹⁰

Despite the volume and value of the subsequent historical work on the subject, gaps nevertheless remain in our understanding of the political economy of British nationalisation over the period since 1945 *as a whole*. In particular, the period after the 1940s nationalisations continues to be 'thinly treated in the literature'. The 1960s stand out as a decade in which understanding of government use of the economic 'tool' of public ownership and control is remarkably weak. If considered at all, it is usually regarded in the historiography as essentially a continuation of the claimed period of 'consensus' of the 1950s.¹¹ The only event thought noteworthy is the renationalisation of the iron and steel industry, and that is frequently considered to be little more than 'unfinished business' from the Attlee years, and so not requiring substantial further examination.¹²

Yet the fact that little use was made of nationalisation or other forms of public ownership and control during the 1960s should attract the attention of scholars. From

of boom and bust': Gordon Brown, *Pre-Budget statement of 25 November 1997*, issued by HM Treasury (1997).

¹⁰Robert Millward, 'Preface' in Robert Millward and John Singleton (eds.), *The political economy of nationalisation in Britain 1920-1950* (Cambridge, 1995), p. xiii.

¹¹See McEachern, *A class against itself*, pp. 188-9.

the perspective of 'consensus' historiography, the relative absence of further nationalisation might be considered more evidence of the extent to which both parties had accepted the existing balance between the public and private sector. However, the renewed use of nationalisation in the 1970s demonstrates that such a hypothesis is not easily sustained. The apparent 'inactivity' of the 1964-1970 Wilson government seems anomalous in the longer-term context – when contrasted to the activities of both the *preceding* and the *succeeding* Labour governments.

This thesis will analyse the actions of the Wilson government on public ownership and control. In reality, there *was* important activity in this area, but it did not solely take the form of outright nationalisation that predominated in the 1940s and again in the 1970s. The reasons for changes in the form of industrial intervention will be examined: whether these provide evidence of a growing distrust of nationalisation within the Labour party, or more simply that the conditions of the 1960s were inappropriate to large-scale expansions of the public sector. It will be asked why and how direct intervention was undertaken to alter the ownership structures of certain industries (iron and steel, shipbuilding, aircraft manufacture), while in other instances where such intervention might similarly have been expected (the computer industry for example), it was not used. The constraints, avoidable and self-inflicted, which limited the scope for action in industrial policy will be scrutinised and their effects determined.

Throughout the thesis, the notion of 'failure', which has long dominated discussion of the 1964-70 government, will provide a framework to analysis. In particular, attention is paid to whether the government's actions in public ownership policy contributed to that sense of failure, and if so whether this is justified. The

¹²*Ibid.*

behaviour of the Wilson government will not, however, be studied simply in isolation. It will be placed firmly within the context of Labour party history. The ideological origins of the policies pursued by the government will be explored. This analysis will consider the Labour party's long-standing commitment to public ownership in the context both of the experiences of nationalisation under the Attlee government and the process of ideological revisionism that was to follow in the 1950s. The extent to which the Wilson government pursued a 'revisionist' industrial policy, and whether its experiences of practical economic and industrial management justified or negated their ideological convictions of 1964, will be examined. The value of this investigation lies not just in gaps in the historiography of nationalisation, but also in that of the 1964-70 Labour government. Nationalisation policy under Wilson has received little attention either in terms of its importance to his government, or in terms of the long-term use of nationalisation as a means to greater industrial efficiency and production. This thesis will address both gaps.

I

Historical consideration of public ownership policy has mostly focused on the period up to and including the nationalisations of the 1940s. This concentration on the Attlee years has been prevalent in many different strands of the political and economic literature since the publication in 1975 of Addison's *The Road to 1945*. This is not to deny the desirability of a clear understanding of the causes of the Attlee government's 1945 electoral triumph and the content of its political programme: Morgan's 1984 observations both that it was 'amongst the most effective of any British government since the passage of the 1832 Reform Act', and that study of it has frequently been 'in great danger of retreating from reality into the half-world of legend

and fantasy', are equally justified.¹³ Indeed, the government's reputation as achieving a high point of economic and social reform supports the case that the legacy of the twentieth century belongs as much to Labour as to the Conservatives. Yet the dominance of a 1940s perspective, and, in particular, the dominance of a 'road to the 1940s' perspective, has tended to divert attention from later periods.

Within the current literature, the work of Millward offers the most comprehensive analysis of the causes of nationalisation *in the 1940s*. He has consistently argued that 'traditional' explanations of the nationalisation programme leave substantial questions unanswered.¹⁴ Cairncross has proposed that nationalisation was the inevitable consequence of the election of a Labour party whose 'socialist vision' had public ownership at its centre,¹⁵ while Morgan has argued that nationalisation was in essence a pragmatic rescue package for certain troubled industries.¹⁶ Millward argues that treating the nationalisation programme simply as part of the party's socialist vision raises the question of why such a vision should 'be restricted to transport and fuel'. Similarly, to see nationalisation as a method of rescuing ailing industries leaves unanswered how we are to 'account for the fate of other ailing industries such as cotton and shipbuilding which were not nationalised and industries such as telecommunications, electricity, and airlines which were nationalised and yet were clearly young and healthy'.¹⁷

¹³Kenneth O. Morgan, *Labour in power, 1945-1951* (Oxford, 1984), pp. 1, 503.

¹⁴Robert Millward, 'The 1940s nationalizations in Britain: Means to an end or the means of production?', *Economic History Review*, 50 (1997), pp. 209-234; Robert Millward, 'Industrial organisation and economic factors in nationalisation', in Millward and Singleton, *The political economy of nationalisation*, pp. 3-12.

¹⁵As he argues, 'of all the achievements of the Labour government, there were few more closely identified with Labour party doctrine than the series of measures for the nationalisation of major industries': A. Cairncross, *Years of recovery: British economic policy, 1945-51* (1985), p. 463. See also Millward, 'The 1940s nationalizations in Britain', p. 209.

¹⁶See Morgan, *Labour in power*, pp. 97-100.

¹⁷Millward, 'The 1940s nationalizations in Britain', pp. 209-10.

In place of such ‘limited’ explanations, Millward has suggested a five-point thesis to explain the 1940s nationalisations. As the only comprehensive explanation of the nationalisation process, it must be considered in some detail. His thesis is that:

- (a) The infrastructure industries of electricity, gas, water, transport, and communications display the classic problems of natural monopoly and externalities on a substantial scale and this explains why ... they were subject to increasing government control.
- (b) The failure of arm’s length regulation of the infrastructure industries in the inter-war period explains why in the 1940s public control took the form of public ownership and why this had support over a wide political spectrum.
- (c) Manufacturing, commerce, and agriculture did not have problems of natural monopoly and externalities on anything like the same scale and were left largely in private ownership.
- (d) The fundamental class division between wage earners and owners of capital ... played a limited role in the 1940s drive to public ownership and had a clear manifestation only in [one] ... industry ... – the coal industry.
- (e) The election of a Labour government in 1945, and its commitment to economic planning together with the specific historical context of reconstruction following the Second World War go a long way to explaining the particular institutional arrangements which emerged in the public sector, specifically the nation-wide dimension of public ownership, the legal form of the public corporation, the means of achieving co-ordination within the fuel and transport sectors, and the nationalisation of the Bank of England.¹⁸

Millward’s thesis represents a considerable advance over previous explanations, in particular for the sense it brings of the *range* of causes which lay behind implementation of the nationalisation programme. Most of its main contentions are supported by the more narrowly focused work of other scholars: for example, industrial studies such as that of Hannah on the electricity industry are in agreement with points (a) and (b) relating to the ‘infrastructure’¹⁹ industries.²⁰

¹⁸*Ibid.*, p. 215.

¹⁹Also frequently referred to as ‘utilities’ and ‘network’ industries, both by Millward and others, without any intended difference in meaning.

²⁰L. Hannah, *Electricity before nationalisation: A study of the development of the electricity supply industry in Britain to 1948* (1979); J.F. Wilson, ‘The motives for gas nationalisation: Practicality or

Similarly, Supple's and Greasley's work on the coalmining industry reinforces Millward's conclusion that it was a peculiar 'political' case.²¹ More generally, recent work on the Attlee government's industrial policies has implicitly adopted Millward's thesis as the framework for discussion the nationalisation programme.²²

This study will seek to determine whether Millward's analysis has broader relevance in explaining the use of nationalisation by British governments over the longer post-war period. For while Millward's work has provided an invaluable analytical framework, his approach – to 'observe what emerged by the end of the decade [i.e. the 1940s] and to try and ascertain from that complex outcome what were the main causal factors' of the nationalisation programme²³ – is now unnecessarily narrow in its chronological perspective, not least given the availability of new archive material covering the 1960s. Superficially, several aspects of his thesis appear to be as central for explanations of nationalisation in the 1960s and beyond as they are to the 1940s. The failure of arm's length regulation, for example, was cited by the Wilson government in the 1960s as one reason why renationalisation of the iron and steel industry was essential. Similarly, it remained as true in the 1960s and 1970s as it had been in the 1940s that the particular 'institutional arrangements which emerged in the public sector' were often the result of political rather than economic considerations. However, without detailed analysis of nationalisation beyond the 1940s, firm conclusions cannot be drawn.

ideology?', in Millward and Singleton, *The political economy of nationalisation*, pp. 144-163; M. Chick, 'The political economy of nationalisation: The electricity industry', in *ibid.*, pp. 257-274.

²¹B. Supple, *The history of the British coal industry, iv. 1913-1946: The political economy of decline* (Oxford, 1987), Chapter 14, 'Nationalizing the coal industry 1945-1946', pp. 628-66; D. Greasley, 'The coal industry: Images and realities on the road to nationalisation', in Millward and Singleton, *The political economy of nationalisation*, pp. 37-64.

²²M. Chick, *Industrial policy in Britain 1945-1951: Economic planning, nationalisation and the Labour governments* (Cambridge, 1998), pp. 72-90.

²³Millward, 'The 1940s nationalizations in Britain', p. 215.

The current historiography has created a sense that the Attlee government's measures were on such a great scale, and were so much more significant than all other nationalisations, that consideration of them alone is necessary to understand the whole political economy of public ownership. Yet this implicit approach is problematic in two main respects. First, and perhaps most significantly, it pre-judges the significance of events without subjecting them to rigorous analysis. The very fact that the scale of nationalisation was so much less in the years after 1950 surely makes it all the more necessary to understand those nationalisations which did occur. Second, it also limits the fullness of any understanding of the causes of nationalisation in general, even in the 1940s. Comparing nationalisations undertaken in the immediate post-war years, when the need was for rapid economic reconstruction, with those of the 1960s and 1970s, when the economic need was for accelerated growth, allows substantial light to be shed on the balance of factors which lay both behind the choice to nationalise, and the method of public control that was implemented.

Consideration of the post-war history of the iron and steel industry demonstrates the value of such longer-term perspectives. Like coalmining, it was a 'notable exception' to the 'infrastructure industries' which dominate the 1940s nationalisation programme.²⁴ While arguably oligopolistic in operation, it was not demonstrably monopolistic, nor obviously a 'utility' industry. Its nationalisation is, indeed, difficult to explain from an economic point of view – a situation which in part explains the controversy which surrounded the process. Understanding the causes of its nationalisation, however, is surely made easier by virtue of the fact that it was nationalised not once but *twice*. The examination of the causes of its renationalisation offered in this thesis may be primarily useful for understanding Labour policy on

public ownership and control in the 1960s, but it also casts new light on the 1940s nationalisations. The exercise is still more useful given the contrast with road haulage – also denationalised by the Conservative government, but unlike iron and steel *not* renationalised by Labour. Explanation for the difference in treatment of iron and steel and road haulage is as relevant to an analysis of the 1940s nationalisation programme as it is to an understanding of the substance of the Wilson government's industrial policy.

Despite the potential value of an analysis of the Wilson government's public ownership policies, however, many aspects have remained unexplored. While the recent literature on the history of Labour economic and industrial policies has not been as narrowly focused on the 'road to 1945' as that concerning nationalisation *per se*, the 'road to 1964' still remains considerably less well trod by such historians.²⁵ Yet, as Jefferys notes, 'there [is no] ... shortage of important questions that might be asked' concerning the 1964-70 Wilson government.²⁶ In particular, from the perspective of Labour party history, it must be asked why the government, which was not obviously unpopular during its first two years of office, has from 1966 until the present day suffered from persistent and severe criticism: popular, political and academic.²⁷

The extent of the criticism can be gleaned from the most superficial of examinations of the political literature of the late 1960s and 1970s. Woodrow Wyatt, for example – despite having served as a Labour MP during the period of the Wilson

²⁴Chick, *Industrial policy in Britain*, p. 74.

²⁵As Jefferys has argued: Kevin Jefferys, 'British politics and the road to 1964', *Contemporary Record*, 9 (1995), pp. 120-146.

²⁶*Ibid.*, p. 121.

²⁷See Peter Catterall, 'Anatomising Wilson: Ben Pimlott', *Contemporary Record*, 7 (1993), pp. 321-2.

government²⁸ – used his 1977 book, *What's Left of the Labour party?*, to allege that the government had overseen the ‘take-over’ of the Labour party by a cabal of ‘communists, crypto-communists and their associates and friends’.²⁹ While perhaps one of the most dramatic of assaults on the government, Wyatt’s attack was by no means an isolated one. Paul Foot’s 1968 biography of Wilson – written from a left-wing political perspective³⁰ – is hardly less critical than Wyatt’s work.³¹ Moreover, although written after a distance of ten years, Stephen Haseler’s 1980 work *The tragedy of Labour* nonetheless reinforces the impression of a government of great unpopularity.³²

The existence of such bitter condemnation of the Wilson government, which shows little sign of abating in certain sections of the popular media even today,³³ has focused the attention of historians on the question of why the government was perceived to have ‘failed’. In particular, consideration has been given to the idea that its unpopularity was directly linked to the ‘excessive’ rhetoric that had been prominent in Labour party propaganda in the months preceding the 1964 election, particularly in the speeches of Wilson. Attention has been especially focused on the most famous aspect of the pre-election message – the appeal to embrace a ‘white heat’ of technological revolution. Certain authors have argued that this message was shallow

²⁸Albeit one who vigorously opposed the government’s plans to nationalise the iron and steel industry (and one who eventually defected to the Conservatives): see below, Chapter V. It is significant that the other Labour MP who opposed the nationalisation (Donnelly) also wrote critically about the government: see Desmond Donnelly, *Garadene '68: The crimes, follies and misfortunes of the Wilson government* (1968).

²⁹Woodrow Wyatt, *What's Left of the Labour party?* (1977), p. 75.

³⁰That is to say, from someone of whom Wyatt was alleging Wilson had mistakenly supported.

³¹Paul Foot, *The politics of Harold Wilson* (1968).

³²Stephen Haseler, *The tragedy of Labour* (Oxford, 1980).

³³Christopher Hitchens, for example, in August 1999 described the Wilson government as ‘mediocre and corrupt ... an administration so truly frightful and dispiriting that it has taken an unusually long time to “revive”’. He continued by alleging that by 1969 Wilson ‘was in power only to be in power and was sickening the electorate and poisoning the atmosphere as nobody except his deceptively jovial deputy James Callaghan was to do’: *London Evening Standard*, p. 27 (4 Aug. 1999).

political rhetoric without foundation in policy, and that, having built up public expectations to a high level with talk of ‘re-defining and re-stating our Socialism in terms of the scientific revolution’,³⁴ the Wilson government had to face the consequences when no practical legislative changes were forthcoming.³⁵ Yet recent work has disputed the idea that ‘little of substance’ underpinned the scientific vision that Wilson proclaimed. In particular, detailed examination of the role of the Ministry of Technology in the formulation of industrial policy has shown that over the course of the government new and distinct ‘white heat’ policies were at times attempted.

In his contribution to a 1993 volume on the Wilson government,³⁶ Coopey asserted that the Ministry of Technology (MinTech) provided ‘the central industrial policy initiative[s] of the period’.³⁷ Despite this centrality, however, other historians have – wrongly in his opinion – ‘focus[ed] on more marginal organisations, notably the DEA [Department for Economic Affairs] and the IRC [Industrial Reorganisation Corporation]’.³⁸ His approach has been supported by Edgerton, who has argued that from its inception MinTech was a ‘novel’ development in the administrative structure of industrial policy making, and that from 1966 to 1970, when many of the industrial functions previously assigned to other ministries were systematically transferred to it, it was a ‘very significant’ player in the economic policy arena.³⁹ There can be no doubt that the Ministry of Technology’s role has received inadequate scholarly

³⁴*LPACR 1963*, p. 140.

³⁵See, for example, Noel Thompson, *Political economy and the Labour party: The economics of democratic socialism, 1884-1995* (1996), pp. 183-194.

³⁶This work represents one of the few broad studies of the government and was inspired by the sense that in the atmosphere of universal condemnation, ‘whole areas of study which might have contradicted the generally damning conclusions have been ignored’: ‘Introduction: The Wilson years’, in Richard Coopey, Steven Fielding and Nick Tiratsoo (eds.), *The Wilson governments 1964-1970* (1993), p. 5.

³⁷Richard Coopey, ‘Industrial policy in the white heat of the scientific revolution’, in Coopey, Fielding and Tiratsoo, *The Wilson governments*, p. 103.

³⁸*Ibid.*, p. 120.

analysis. Moreover, its importance to the government's pursuit of industrial development policies is clear: as Coopey notes, by the end of the government it had 'either direct or indirect control, or responsibility for most manufacturing industries, including those in the public sector. It administered grant and regional policy and controlled the largest defence procurement budget in the government'.⁴⁰ Yet while this new work is a valuable addition to the existing literature, the extent of the emphasis on just one ministry leaves other policies pursued by rival ministries unexplored. For, as Coopey himself states, it was not until 1969 – that is to say, after five of the six years of the government's existence – that the ministry was effectively in sole control of industrial affairs, with the amalgamation of the functions of the Ministry of Power, the DEA and the Board of Trade.

Long before 1969, however, other ministries had made direct interventions in the iron and steel, shipbuilding and aircraft industries. Explanation for such actions is not offered by either Coopey and Edgerton,⁴¹ yet to ignore them appears perverse. This is all the more so in a longer-term perspective of the Labour party's industrial policies. During the 1970s several industries (such as shipbuilding and aerospace) for which the Ministry of Technology had been responsible in the 1960s were fully nationalised. This raises questions about why outright nationalisation was felt by the 1964-70 government to be unsuitable except in the case of iron and steel.

This thesis will address these problems and questions, and explore a range of issues which have as yet not been explored, let alone answered. First, it will seek to

³⁹David Edgerton, 'The "White Heat" revisited: The British government and technology in the 1960s', in *Twentieth Century British History*, 7 (1996), pp. 53-82.

⁴⁰Coopey, 'Industrial policy in the white heat', p. 112.

⁴¹Quite inexplicably in some instances: Edgerton, for example, in his 1996 article analyses both government policy towards the aircraft industry, and the MinTech-sponsored Industrial Expansion Act, yet fails to mention the government's attempts to take-over the Beagle Light Aircraft Company, which was part of the latter Act: Edgerton, 'The "White Heat" revisited', pp. 59-70.

determine if nationalisation was used sparingly in the 1960s because of a belief in the superiority of alternative forms of industrial management, such as those undertaken by the Ministry of Technology. Second, even if nationalisation had been a desired policy, did the circumstances either warrant it, or allow it to be used? Third, does the 1964-70 government's use of nationalisation and other forms of public ownership⁴² and control demonstrate that the Labour party leadership viewed such policies in an essentially pragmatic light – as policies which, when the circumstances justified them, would be used, but to which no dogmatic attachment was felt? Such questions cannot be answered until detailed analysis is made of the use of such policies by the Wilson government. Indeed, judgements as to the nature of the government's entire industrial policy appear uncertain without such analysis.

II

This study is based on a wide range of primary sources: government records, political pamphlets, parliamentary debates, party conference reports, propaganda materials and ministerial diaries. Particular use, however, is made – especially in chapters IV-VII – of the official papers of the 1960s Wilson government recently released at the Public Record Office (PRO). Such concentration on PRO records is not without its critics. Booth and Glynn argued in the late 1970s that in undertaking research ‘an excessive and narrow concentration on [the content of] State papers could cloud or bias understanding’.⁴³ In any case, such study was in their opinion for the

⁴²Here, as throughout the thesis, ‘nationalisation’ and ‘public ownership’ are taken to mean slightly different things. ‘Nationalisation’ is considered to be the 100% take over of an industry or company by a government (as undertaken by the Attlee government). ‘Public ownership’ is more broad, general state involvement in the ownership of industries or companies, including less than 100%. Nationalisation is therefore a subset of public ownership.

⁴³A. Booth and S. Glynn, ‘The public records and recent British economic historiography’, *Economic History Review*, 32 (1979), p. 311. Likewise, Fielding, Thompson and Tiratsoo have argued that it leads to ‘little [being] said about the party machines ... [while] the ordinary voters remain somewhat

most part unnecessary, since ‘there is rarely any shortage of material outside the State papers relating to policy decisions ... and in most cases the broad outlines and justifications are already known’.⁴⁴ More recently, Ball has returned to the issue, arguing that, at least as far as his own researches into 1950s defence policy were concerned, the release of government papers under the thirty-year rule had done little to advance his knowledge of the subject.⁴⁵ There have been strong refutations of such criticisms from PRO officials, but it is Lowe who provides the clearest case for the continued use of newly-released government papers.⁴⁶

Lowe is quite open in acknowledging the faults in certain sorts of government records. In particular, he accepts Booth and Glynn’s argument that the records of Cabinet, especially of Cabinet meetings, can be ‘deliberately misleading, inaccurate, and incomplete’.⁴⁷ Such a criticism – often made during the Wilson years by Richard Crossman in his political diary⁴⁸ – is certainly one which must be accepted. The records of Cabinet meetings were never intended to provide a verbatim account of the debates that took place, but to record the decisions that were made and the actions that ministers and ministries were consequently expected to take. Moreover, as Lowe further recognises, on many occasions it was neither at Cabinet, nor indeed at Cabinet committees, that decisions were taken, but in informal meetings of ministers, officials

mysterious, present at election times in the psephological data but otherwise without a significant voice’: Stephen Fielding, Peter Thompson and Nick Tiratsoo, *‘England Arise!’ The Labour party and popular politics in 1940s Britain* (Manchester, 1995), p. 4.

⁴⁴Booth and Glynn, ‘The public records’, p. 311.

⁴⁵S. Ball, ‘Harold Macmillan and the politics of defence’, *Twentieth Century British History*, 6 (1995), especially pp. 97-100.

⁴⁶The best defence of the use of the PRO archives from ‘within’ is offered by A. McDonald: ‘Public records and the modern historian’, *Twentieth Century British History*, 1 (1990), pp. 341-50; R. Lowe, ‘Archival report: Plumbing new depths: Contemporary historians and the Public Record Office’, *Twentieth Century British History*, 8 (1997), pp. 239-65.

⁴⁷Lowe, ‘Plumbing new depths’, p. 250; Booth and Glynn, ‘The public records’, pp. 304-5.

⁴⁸See, for example, Crossman, *Diaries*, i, p. 90 (7 Dec. 1964).

and advisors, the records of which may never have been produced, still less kept.⁴⁹ Yet despite accepting both points, it remains the case, as Lowe argues, that government papers provide an indispensable source of material on the policy formulation and implementation process. To ignore them is to 'impoverish' the work being undertaken, and fundamentally weaken its conclusions; as Lowe concludes, 'for those interested in policy making, the simple fact ... is that there is no more important single archive'.⁵⁰

One of the most important benefits of using government records to the fullest practical extent is that they reveal, to a far greater extent than any other source, the alternative policy directions that were considered by the government but not acted upon. Other sources, be they published or oral records, necessarily concentrate on the events that *did* occur, rather than those which *did not*. Even the voluminous political diaries which exist for the period of the Wilson government – in particular those of Crossman, Benn and Castle – focus primarily on the decisions made, rather than the discarded policy options. Only on occasions where the diarist disagreed with the policies adopted – for example, over the decision to attempt to maintain sterling parity in the case of Crossman and Castle – is substantial attention given to policy alternatives. Yet it is only through detailed examination of the different policy alternatives which the government considered that a true picture can be created of the reasons why policies were adopted or rejected.

Understanding the policy formulation process would, of course, be difficult solely through the consideration of Cabinet records, which tend, as noted, only to present the conclusions of policy debates rather than their inception – although there

⁴⁹Lowe, 'Plumbing new depths', pp. 247-9.

⁵⁰*Ibid.*, p. 240.

are frequent, often crucial, exceptions to this generalisation.⁵¹ However, as Lowe (and many others) argue, when Cabinet records are supplemented by examination of the ‘bulk of records generated by the “lower” levels of government’, such gaps in an understanding of the formulation of particular policies can be overcome.⁵² The chapters of this thesis which address the formulation and implementation of industrial policy by the Wilson government therefore make use of a wide range of such ‘lower’ level records, from the correspondence of Wilson’s Cabinet Office Economic Advisor, Thomas Balogh, to the records of interdepartmental committees of officials, especially in the Department for Economic Affairs, the Ministry of Power, the Board of Trade, and the Ministry of Technology.

The recent availability of such archival material has allowed analysis of policy decisions which have received only the briefest of considerations in existing studies of the period. For example, the deliberations of the Wilson government on alternative methods of achieving public control over the iron and steel industry are clearly revealed in the records of the Prime Minister’s office and the Ministry of Power. Such debate within the government, however, has until now been largely unexplored due to the Thirty-year rule. A more balanced examination of the content of the Wilson government’s industrial policy, and in particular its policies relating to the expansion of public ownership and control in industry, is now possible.

The thesis is divided into seven chapters. Chapter I explains why public ownership and control became an issue of such great importance for many in the Labour party, and traces its evolution as party policy in the period before their first major election triumph in 1945. The focus is on the period immediately following the

⁵¹For example, the agonising, carried out at Cabinet level, over the Wilson government’s decision to intervene in the Fairfields shipyard in 1965: see below Chapter VI.

second Labour government of 1929-31, in particular the attempts made to re-work the industrial objectives of the party's programme into practical proposals for legislative change. The content of this new programme is explored, and the reasons for and consequences of the dominance of the 'Morrisonian' model of public ownership and control from the mid-1930s onwards are discussed. The association of the party's ideological commitment to public ownership and control with Morrison's corporatist model of socialisation, which was explicitly made at this time, provides the background to Chapters II and III. Chapter II focuses on the emergence during the 1940s of doubts about the relevance of Morrisonian ideas both to the efficient organisation and development of post-war industry, and to the fulfilment of the party's ideological commitments. The implementation of the Attlee government's nationalisation programme is investigated, in particular the extent to which it relied on Morrison's corporatist organisational structures. A discussion of the contrast between the straightforward implementation of the fuel and power nationalisations and the complicated and protracted nationalisation of the iron and steel industry is followed by examination of the precise nature of the discontent that was emerging on the long-term consequences of the nationalisation process, both within the Attlee Cabinet and among other sections of the party.

Chapter III explores how, in the minds of certain leading party intellectuals, these doubts about Morrisonian nationalisation became linked by the mid-1950s with a perceived need to re-consider the party's ideological commitment to public ownership and control *per se*. While stressing that this did not lead 'revisionist' thinkers to reject public ownership and control, the chapter will consider the new approaches they proposed – in terms of the reasons for their implementation, and the

⁵²Lowe, 'Plumbing new depths', p. 241.

results which might be expected to emerge from their adoption. An examination of the difficulties the revisionists experienced in persuading the remainder of the party to accept their new proposals is followed by analysis of the 'scientific' socialism that Wilson developed in the early 1960s, focusing on its similarities and dissimilarities to that of the revisionists. The success of Wilson in convincing the party to accept his particular revision of the party's programme is explored, along with a consideration of how great the differences were in industrial policy between the 'scientific' socialism of the 1964 election manifesto and the party programme in 1945.

The remaining four chapters examine the implementation of industrial policy under the 1964-70 Wilson government. Chapter IV explores the economic framework within which the government pursued its industrial policies, focusing on the constraints which were faced, both economically and politically. The ability of the leading members of the government to cope with these constraints, and the extent to which their own actions exacerbated the constraints, is investigated. Chapter V analyses the single large-scale act of nationalisation in which the government engaged – iron and steel. A detailed examination is made of the precise terms of the nationalisation act, and the organisational structures it created, comparison being made to the previous measure of the Attlee government. A discussion of the difficulties that were experienced in nationalising the industry is followed by an exploration of the various alternatives to outright nationalisation that were offered and considered, and the reasons for their eventual rejection.

Chapter VI examines the government's broader use, or not, of public ownership and control as a means of supporting industry. For example, explanation is sought for why the computer industry, which appeared a potential target for such support, was left in private hands, when parts of the shipbuilding and aircraft

industries were taken over. Two case studies – the Fairfields Shipyard and the Beagle Light Aircraft Company – are examined in detail to identify the circumstances considered by the government to justify intervention, and also the sort of intervention which was appropriate. Consideration is given to the extent to which such interventions demonstrate the adoption of ‘new’ industrial policies, of the sort proposed in the 1950s and early 1960s. Such a discussion provides the background to the final chapter, which explores the attempts by the government to set up a general framework for industrial support. An analysis is made of the nature of the Industrial Reorganisation Corporation and the Industrial Expansion Act, the reasons for their creation, and the results which came from them. The extent to which they represented a genuinely new form of industrial intervention from that of nationalisation is discussed, along with the consequences for the future of the party’s industrial policies.

Chapter One

Nationalisation and the Labour party: The creation of an industrial policy

The Labour party successfully fought both the 1945 and 1964 general elections on the basis of programmes promising new directions in economic policy.¹ The 1945 manifesto, *Let us Face the Future*, boldly promised that erroneous decisions taken in the interwar years, which had resulted in economic and social hardship for many working people, would not be repeated. The manifesto contended that after the Great War ‘the people lost th[e] peace’ to the ‘hard-faced men who had done so well out of the war ... and their political friends’. In the years after 1945, however, the Labour party claimed it would ‘keep a firm constructive hand on our whole productive machinery’, planning economic development to ensure ‘jobs for all’ and ‘industry in the service of the nation’.²

After two decades of post-war economic development in which Britain had seen its rivals attain a superior rate of economic growth, the party’s 1964 manifesto, *Let’s Go with Labour*, once again offered a radical change. A ‘New Britain’, it pronounced, would be forged by a Labour government ‘poised to swing its plans into instant operation[; i]mpatient to apply the New Thinking’.³ It is not, however, simply in terms of rhetorical style and vision that the two manifestos were similar. Of equal

¹Although, as Jefferys argues, the extent to which either election was ‘won’ by the Labour party programme, rather than lost by the Conservatives, must not be exaggerated: Jefferys, ‘British politics and the road to 1964’, p. 142.

²Labour party, *Let us Face the Future* (1945), pp. 1, 4-7.

³Labour party, ‘Let’s Go with Labour for the New Britain’, reprinted in F.W.S. Craig (ed.), *British general election manifestos 1900-1974* (1975), p. 255.

significance is the commitment of both to the industrial policy of public ownership and control.

In *Let us Face the Future*, it was considered an essential part of post-war economic 'replanning' that ownership and control over some of the most 'basic industries' would be wrested from those whose 'private monopolies ... may be likened to totalitarian oligarchies within the democratic state'.⁴ These industries – primarily fuel and power, transport, and iron and steel – were 'ripe and over-ripe for public ownership and management in the direct service of the nation'. They were considered 'fundamental to our economic structure', and were claimed to have 'wholly or partially failed' the nation during the war, a claim which in some cases, notably coal, was hard to refute.⁵ In 1964, while the party did not enter the election with a similarly ambitious programme of nationalisation, it was still committed to nationalisation of the iron and steel industry – after its denationalisation by the Conservative government in 1953. It also promised that public ownership and control would be used whenever, wherever and however necessary to overcome inefficiency, backwardness and other barriers to the 'New Britain'.

Merely noting that in 1945 and 1964 the party had election commitments to nationalise numerous industries, or otherwise extend public ownership and control, does little to explain why it believed that such changes were crucial both in the transition to peace, *and* in the search for faster economic growth in the 1960s. Before the detail of the industrial policies of these governments can be examined, it is necessary to understand why it was that the party remained committed to state

⁴Labour party, *Let us Face the Future*, p. 2.

⁵*Ibid.*, pp. 5-6. For details of the performance of the coal industry during the war, see Supple, *The political economy of decline*, especially Chapter 11, 'From surplus to scarcity: 1939-1942', pp. 497-536 and Chapter 12, 'Getting through the war, 1942-1945', pp. 537-90.

ownership over a prolonged period of time. For, as Millward and others have contended, while the nature of the Labour party's public ownership commitment was not the sole cause of the post-1945 nationalisations, it affected both the choice of industries subject to direct government control and the method of control adopted. No explanation of the industrial policies of any of the Labour governments before 1997 is possible without this long-term perspective: it is only by understanding the ideological inspiration behind the party's policies that the execution of those policies in government can be adequately explained.⁶

I

The socialist ideology of the Labour party in 1945 was built around public ownership. After all, since 1918 the party's constitution had contained among the party aims a commitment (clause IV)

to secure for the producers by hand or by brain the full fruit of their industry, and the most equitable distribution thereof that may be possible, upon the basis of the common ownership of the means of production, distribution and exchange and the best obtainable system of popular administration and control of each industry and service.⁷

However, to conclude that post-war nationalisation was just a fulfilment of the party's aims oversimplifies the situation. As Millward has demonstrated regarding the 1940s nationalisations, it leaves unanswered a whole series of questions on the choices of industries taken over and the methods adopted for the implementation of that programme, a subject which clause IV did not address at all. It also leaves unexplored

⁶Both the lack of consideration given by many twentieth century historians to ideological questions, and the necessity of such consideration, are emphasised in Francis, 'The nature of Labour's socialism', especially pp. 220-1.

⁷Labour party constitution, 'Party Objects: Clause IV, Part Four' (originally Clause 3 (d) when adopted in February 1918). The words 'distribution and exchange' were only added in 1929.

an even more fundamental issue: why was it that the party adopted a commitment to public ownership and control in the first place?

When the party was established at the turn of the last century, industrial nationalisation was not a key component of its programme. Although there were many socialists among the party's membership, and although some trade unionists – in the Miners' Federation, for example – supported public ownership for their industries, Labour was not as yet 'a socialist party and proud of it'.⁸ However, even before the First World War the influence of socialists within the party was disproportionate to their numerical strength. Many of the party's leadership, including MacDonald, were staunch socialists, and much of the intellectual activity within the party was of a socialist nature.

Yet significant as socialism was within the party in its early years, ambitions such as the 'socialisation' of industrial production were not the immediate priorities of the party at this time. Before these matters could be addressed, more fundamental issues, especially the right to vote of all members of the working class, dominated the party's priorities. In 1914 there was little indication that the onset of war would do anything to alter this situation. Indeed, the only consequence of the war for Labour appeared to be that the party was split between those, such as MacDonald, who adopted a pacifist position, and others, such as Henderson, who were prepared to support the government – and from 1916, join it. However, by 1917 it was clear that the end of the war, whenever it came, would see the enfranchisement of the majority of the adult population.

⁸As the 1945 election manifesto had proclaimed: Labour party, *Let us Face the Future*, p. 6. See J. Winter, *Socialism and the challenge of war: Ideas and politics in Britain 1912-18* (1974), p. 16; Jim Tomlinson, *Democratic socialism and economic policy: The Attlee years, 1945-1951* (Cambridge, 1997), pp. 2-3.

This change was recognised by the party leadership as an event of fundamental significance for the party as much as the country. Firstly, the party would have to win the support of a substantial number of these new voters if it were ever to form a government.⁹ This support, however, could not be taken for granted: the party's programme would have to offer a distinctive approach to that of the Conservatives and Liberals. Moreover, this approach could not simply be 'sectional', but of broader national appeal. Secondly, given that 'political' reform was already being implemented, there was a strong case for arguing that this programme should move on from political reform to social and economic change. The consequences for the party were twofold. First, Labour, like the other main parties, would need a stronger organisational and administrative structure to cope with the increased size of electorate.¹⁰ Second, the adoption of a distinctive national programme of economic and social reform pointed inexorably towards a greater emphasis on a 'socialist' content than before – this being one area in which Labour was unquestionably distinct from the Liberals.

This combination of factors is revealed in the changes implemented by the party leadership during the last year of the war. The party's most skilled administrators, primarily Henderson and Webb, produced a new constitution as well as a new programme.¹¹ The heart of the constitutional changes was not the public ownership of clause IV, but the re-structuring of the party's bureaucratic structures – especially the strengthening of the National Executive Committee.¹² Nevertheless, the adoption of clause IV was far more than a 'sop' by the trade unions to the

⁹Ross McKibbin, *The evolution of the Labour party 1910-1924* (Oxford, 1974), p. 92.

¹⁰Something recognised by MacDonald: Winter, *Challenge of war*, pp. 234-6.

¹¹*Ibid.*, p. 261.

¹²McKibbin, *Evolution of the Labour party*, pp. 91, 93, 97; Jim Tomlinson and Nick Tiratsoo, *Industrial efficiency and state intervention: Labour 1939-51* (1993), p. 11.

‘professional bourgeoisie’ in the party, as some historians have argued.¹³ It was an explicit public confirmation of the distinctive political agenda that the party was offering.¹⁴ While the party’s electoral fortunes in the 1920s indicate that its appeal was, at best, limited, its role in separating Labour from its political rivals cannot be doubted – a separation deemed essential in a long-term perspective.¹⁵

II

Regardless of its impact on the electorate, the socialist content of the party’s post-war programme is clearly revealed by its reconstruction plans outlined in the 1918 publication *Labour and the New Social Order*. Written by Webb, it elaborated Labour’s commitment to build a ‘new social order, based ... not on the competitive struggle for the means of bare life, but on a deliberate planned co-operation in production and distribution for the benefit of all’.¹⁶ The significance of the war was emphasised to the greatest possible extent: it was, ‘if not the death, in Europe, of civilisation itself, at any rate the culmination and collapse of a distinctive industrial civilisation’.¹⁷ As part of the ‘new’ industrial civilisation, the party would seek to establish ‘a genuine scientific reorganisation of the nation’s industry ... on the basis of the Common Ownership of the Means of Production’.¹⁸ This commitment was explicitly recognised as being the policy which ‘marks off this Party most distinctively

¹³McKibbin, *Evolution of the Labour party*, pp. 96-7, 102. See also A. Thorpe, *A history of the British Labour party* (1997), p. 45

¹⁴Tomlinson and Tiratsoo, *Industrial efficiency and state intervention*, p. 11.

¹⁵It also, Jones has argued, ‘served to imbue [the party’s] members and supporters with a spirit of collective identity and common purpose’, as well as providing ‘a source of inspiration’ which ‘furthered the cause of party unity, drawing together a loose political organisation’: Tudor Jones, ‘“Taking Genesis out of the Bible”: Hugh Gaitskell, clause IV and Labour’s socialist myth’, *Contemporary British History*, 11 (1997), p. 4.

¹⁶Labour party, *Labour and the New Social Order* (1918), p. 4.

¹⁷*Ibid.*, p. 3.

¹⁸*Ibid.*, p. 12.

from any of the other political parties'.¹⁹ However, while indicating a vast number of industries and services which were suitable candidates for immediate nationalisation – including coalmining, railways and most other forms of transport, electricity, iron and steel, health care and insurance, and ‘the entire manufacture and retailing of alcoholic drink’²⁰ – it was noticeably weak in offering concrete explanations of exactly how public ownership was to be achieved and administered. This lack of detail was to characterise Labour’s thinking throughout the 1920s, and was a direct consequence of the intellectual dominance of Webb and the particular brand of socialism – Fabianism – with which he was associated.

The essence of Fabian socialism was a conviction that capitalism suffered from a fundamentally flawed structure, both economically and ethically. It exhibited ‘irremediably monopolistic’ tendencies which, under private enterprise, led both to ever-reduced efficiency of operation and to increased exploitation of the workforce.²¹ Since both outcomes were patently undesirable and unsustainable, it was, Fabians asserted, ‘inevitable’ that just as private competition was evolving into private monopoly, so the latter would evolve into public monopoly, a condition in which exploitation and inefficiency would disappear as industries came to be run by a ‘selfless, professional, intellectual elite’ acting for the public good.²²

Fabian socialism, like Marxism, thus presented itself as a ‘scientific’ interpretation of society and the direction in which it was evolving.²³ However, in place of the revolutionary change predicted by Marxism, Webb and other Fabians assumed only a gradual – though inevitable – evolution from capitalism to socialism.

¹⁹*Ibid.*, p. 11.

²⁰See the section entitled ‘Immediate nationalisation’: *ibid.*, pp. 13-15.

²¹Thompson, *Political economy and the Labour party*, pp. 15, 18-19.

²²Winter, *Challenge of war*, p. 52; Thompson, *Political economy and the Labour party*, p. 20.

²³*Ibid.*, p. 21.

The domination of Labour's intellectual thinking during the 1920s by Fabianism had profound implications for its policies and politics. The notion of the 'inevitability of gradualness', as Webb referred to the progress towards socialism, implied that the implementation of the party's programme was wholly compatible with conventional parliamentary politics.²⁴ Since progress towards socialism was 'scientifically' assured, the existing political, economic and social systems could be gradually reformed to bring about socialism. Moreover, given that such reform would be gradual, the need for the party to prepare detailed plans for immediate nationalisations was minimal – the methods and scope of public ownership would naturally evolve over time. This was the approach taken in *Labour and the New Social Order*, and remained substantially unchanged throughout the 1920s, as revealed by the 1928 programme, *Labour and the Nation*.²⁵

III

The experiences of the second Labour government between 1929 and 1931 mark a turning point in the relationship between the party, Fabian socialism, and public ownership.²⁶ Until 1929 it had remained possible to argue, as the party leadership under MacDonald did, that progress towards the establishment of socialism was both inevitable and gradual. However, the fortunes of the second Labour government, especially economically, cast substantial doubts on such conclusions.

²⁴Indeed, as Fielding points out, the rejection of any extra-parliamentary method of bringing about socialism has been a defining characteristic of Labour's programme at all times: Fielding, 'Labourism in the 1940s', p. 147.

²⁵Tomlinson and Tiratsoo have criticised *Labour and the Nation* on the grounds that 'beyond th[e] rhetoric there was little in the way of practical policy proposals': Tomlinson and Tiratsoo, *Industrial efficiency and state intervention*, p. 14. However, it should be noted that in several policy areas, *Labour and the Nation* did contain 'practical policy proposals': for example, the establishment of a National Economic Committee and an Employment and Development Board were proposed to try and overcome the nation's unemployment problems: Labour party, *Labour and the Nation*, pp. 20-1.

²⁶Alan Booth, 'How long are light years in British politics? The Labour party's economic ideas in the 1930s', *Twentieth Century British History*, 7 (1996), p. 4.

Throughout the 1920s, the continuing power of the ‘capitalist class’ in industries such as coalmining to impose its will on the workers had been repeatedly demonstrated.²⁷ For the majority of the 1920s, however, Labour had been in opposition, and unable to act. Difficult as the economic conditions were in 1929, the party at last had a chance to begin to move the country’s economic and social development in a socialist direction.

Yet the limited record of socialist advance made by the government indicated to many in the party that the Fabian approach was unsuited to the situation which had to be faced. The existing industrial owners showed no inclination towards voluntary socialisation.²⁸ The resistance of the financial markets to the government’s policies – culminating in the ‘Bankers’ Ramp’ – was equally clear to party members.²⁹ Even before the fall of the government, such resistance indicated that if any progress was to be made towards socialism, the party would have to adopt a more aggressive, and quite possibly confrontational, programme. This conclusion was certainly reached by the younger members of the party leadership such as Dalton and Morrison. They were impatient at the gradualness of Fabian socialism: as Morrison³⁰ stated, ‘socialism for me is a policy for today and not for some indefinite day after tomorrow’.³¹

The 1928 programme, *Labour and the Nation*, promised to ‘convert industry, step by step ... from a sordid struggle for private gain into a co-operative undertaking,

²⁷The failure of the General Strike, for example, convinced many trade unionists such as Bevin that only with the emergence of socialism could their fortunes be improved: A. Bullock, *The life and times of Ernest Bevin, i: Trade union leader, 1881-1940* (1960), pp. 446, 499.

²⁸Booth, ‘How long are light years?’, p. 7.

²⁹For a discussion of the validity of this judgement by the party, see Philip Williamson, *National crisis and national government: British politics, the economy and Empire, 1926-32* (Cambridge, 1992).

³⁰Who had been one of the few members of the 1929-31 government to be actually involved in socialisation (with London Transport).

³¹H. Morrison, *Socialisation and transport: The organisation of socialised industries with particular reference to the London Passenger Transport Bill* (1933), p. 140.

carried on for the service of the community and amenable to its control'.³² Yet there was clear evidence of doubt about what form those steps should take. In banking and finance, for example, the programme conceded that 'a searching inquiry' would be needed before the party could determine its policy.³³ It is true that the programme promised 'the transference to public ownership of the coal, transport, power, and life insurance industries', along with land.³⁴ Yet the foreword implicitly recognised that the 'formidable list' it had drawn up might prove impossible to implement in a single parliament. The party would simply have to take 'every parliamentary opportunity' to make progress, no matter how slow that was.³⁵ However, as Dalton argued, the difficulties experienced by the 1929-31 government indicated the need to 'hammer out a firm detailed policy of socialist reconstruction' by which Labour could be seen to be offering a decisive step towards socialism in the life of just *one* parliament.³⁶

The desire to take such a clear step did not indicate any alteration of thinking on what socialism entailed: public ownership and control over industry was central. Morrison stated unambiguously in 1933 that 'socialism presupposes the public ownership of a large number and a wide variety of industries'.³⁷ Dalton agreed, considering 'socialisation' to be one of the six defining objectives of socialism; while for Evan Durbin, who was to emerge as an important party thinker during the 1930s, it was essential for the state to acquire 'the power to decide the output, investment and

³²Labour party, *Labour and the Nation* (1928), p. 14.

³³*Ibid.*, p. 20.

³⁴*Ibid.*, pp. 47-8.

³⁵*Ibid.*, p. 4.

³⁶Dalton, at PLP meeting, 28 August 1931 in Hugh Dalton, *Memoirs, i: Call back yesterday, 1887-1931* (1953), p. 279; Hugh Dalton, *Practical socialism for Britain* (1935), p. 93.

³⁷Morrison, *Socialisation and transport*, p. 39.

employment policy of any economic undertaking'.³⁸ The strong consensus was reflected in the commitment of the 1934 policy statement, *For Socialism and Peace*, to 'convert industry ... from a haphazard struggle for private gain to a planned national economy owned by ... the community'.³⁹ What was new was the determination that, within one term of office, 'an important group of industries and services, central in the life of the nation, shall be added to the socialised sector'.⁴⁰

Frustration at the resistance to the party's ambitions had led by 1934 to the adoption of one of the central features of the post-1945 approach to nationalisation – a realistic programme of change which could be implemented during the course of a government. While little doubt existed about the need to socialise an 'important group' of industries, considerably more doubt existed as to which industries and services were important enough to be first targets, and how their socialisation was to take place. The need to be clear on these specifics was keenly felt, yet neither question was easily answered – in particular deciding the 'appropriate criteria' for selecting industries proved to be a 'fundamental problem'.⁴¹ The difficulty was that although, as Morrison argued, the ideal criteria might well be to 'secure efficiency in the public interest',⁴² such coldly rational calculations had to be tempered by other considerations, political or otherwise.

³⁸Dalton, *Practical socialism*, p. 27; E.F. Durbin, *The politics of democratic socialism: An essay on social policy* (1940), p. 294. See also Stephen Brooke, 'Evan Durbin: Reassessing a Labour 'revisionist'', *Twentieth Century British History*, 7 (1996), pp. 27-52.

³⁹Labour party, *For Socialism and Peace* (1934), p. 8.

⁴⁰Dalton, *Practical socialism*, p. 93.

⁴¹Elizabeth Durbin, *New Jerusalems: The Labour party and the economics of democratic socialism* (1985), p. 125.

⁴²Morrison, *Socialisation and transport*, p. 150.

IV

The primary difficulty faced by those responsible for creating the party's programme in the 1930s was the vast range of industries and services, and the vast range of reasons, for which nationalisation could be argued, from a socialist perspective, to be necessary. For certain industries – coalmining being the best example – public ownership had been proposed for decades. Bills for nationalisation of the coal industry were introduced in parliament even before the First World War. The miners union was vociferous in its calls for nationalisation: its case was immeasurably strengthened firstly by the centrality of coal to the economy, and secondly by the record of their suffering at the hand of the coal-owners in the 1920s. The 'necessity' of coal nationalisation, however, stemmed as much from the political power of the miners union within the party as it did to any economic arguments. The union was a dominant force in the TUC and sponsored a large number of Labour MPs; its case could not easily be ignored. In any event, the industry's nationalisation was a matter of faith to the likes of Dalton, who occupied mining constituencies.⁴³ The economic malaise in so crucial an industry merely made the need for public ownership more apparent to those such as Morrison with no emotional ties to the coalfields.

This evidence of broad-ranging economic and political justifications lying behind potential nationalisation targets is repeatedly demonstrated. Strong economic arguments were advanced for other fuel and power industries joining coal in public ownership. Both gas and electricity generation and supply were already partially in public hands, in the form of local authorities. Moreover, the establishment by a Conservative government of the Central Electricity Board as a public enterprise from

⁴³Dalton's feelings for the miners can be seen in his emotional speech in favour of the Second Reading of the Coal Industry Nationalisation Act in 1946: *HC Deb.* (418), cols. 819-20 (29 Jan. 1946).

its inception, indicated a general political recognition that the development of these infrastructure industries would involve the state. Equally important was the desire to create a unified fuel and power industry so that a 'great degree of stability can be introduced into the national life' through the co-ordination of fuel supply and pricing.⁴⁴ This emphasises the importance, as Morrison asserted, of economic efficiency as a criteria for nationalisation: the Labour party was not concerned simply with the transfer of ownership for its own sake.

The ideal of co-ordinated services, and hence increased efficiency, also brought the transport sector to the forefront of the targets for nationalisation. One of the few achievements of the 1929-31 government had been the co-ordination, under Morrison's direction, of London's transport system into the publicly-owned London Passenger Transport Board.⁴⁵ Morrison consequently sought to extend this co-ordination to a national level, bringing road, sea, air and rail transport under one single authority. Such a publicly owned national system of transport, it was felt, could be used in both 'the planning of industries and also of amenities... [and] to assist in the[ir] proper location'.⁴⁶

However, while economic co-ordination and efficiency were of great importance in justifying nationalisation for industries such as these, discussion of the financial sector provide evidence of the 'political' inspiration behind choices for public ownership. The Bank of England, perceived as central to the 'Bankers' Ramp' which 'sabotaged' the Labour government in 1931, became thereby an obvious political target for nationalisation. This is not to say that obtaining control over the 'financial power' that the City of London was 'able to assert against the government'

⁴⁴Clement Attlee, *The Labour party in perspective* (1937), p. 185.

⁴⁵Although the measure was not in fact enacted until 1933 by the National Government.

was only a political aim.⁴⁷ Since the 1920s there had been investigations into various aspects of the financial services industry – banking, investment, the provision of credit – such as the Macmillan Committee. Many Labour thinkers had concluded that nationalising the Bank of England would allow a Labour government to ‘ensure that credit policy [in the City] will be in line with the policy of the government’ and would ensure that ‘capital [could] be directed into the channels of most advantage to the community’.⁴⁸

There was far less agreement on whether the nationalisation of the joint-stock banks would also be necessary. Strong arguments were advanced in favour of the proposition: the 1932 Party Conference had passed resolutions calling for such nationalisation; the Socialist League, dominated by Cripps, saw it as an ‘integral part’ of socialism; and Durbin and Hugh Gaitskell initially considered it necessary.⁴⁹ However, the political risks of this particular nationalisation were significant. By the mid-1930s, a consensus emerged among the party leadership that it would be better, and more realistic, to ‘control’ the joint-stock banks through nationalisation of the Bank of England, thereby avoiding any unnecessary panic and opposition to Labour among the financial institutions, a fear that Dalton especially held.⁵⁰

The rejection of widespread nationalisation in the financial sector emphasises the importance given to questions of perceived practicality in the production of a nationalisation programme. This is further demonstrated by the great number of industries whose nationalisation was considered to be desirable during the 1930s, yet did not necessarily find their way into the 1945 nationalisation programme. The sheer

⁴⁶ Attlee, *Labour party*, p. 188.

⁴⁷ *Ibid.*, p. 179; Labour party, *For Socialism and Peace*, p. 16.

⁴⁸ *Ibid.*, p. 17; Attlee, *Labour party*, p. 180.

⁴⁹ Nicholas Ellison, *Egalitarian thought and Labour politics: Retreating visions* (1994), pp. 8, 14.

volume of the industries examined, such as cotton, shipbuilding, aircraft manufacture, milk production and distribution, and flour milling, is evidence of the energy with which the process of reforming the party's programme was undertaken. A reorganisation of the policy subcommittee of the party's National Executive Committee (NEC) to incorporate standing committees on – among other areas – the reorganisation of industry, and finance and trade, provided active forums for debate of possible nationalisation.⁵¹ The work of these committees was supported by the Economic Committee of the TUC, which by 1932 'had become the TUC's most influential body',⁵² and even more so by numerous independent discussion and campaign groups (for example, The Socialist League, the XYZ Club, the Society for Socialist Inquiry and Propaganda (SSIP), and the New Fabian Research Bureau (NFRB)).⁵³

These organisations and committees, with overlapping memberships,⁵⁴ provided a dynamic environment in which investigations of future nationalisations progressed apace. The NFRB in particular, drew up a huge volume of pamphlets and reports concerning possible targets for nationalisation.⁵⁵ Very few of these could be added to the infrastructure nationalisation programme without the risk of expanding it beyond the feasible legislative limits of a single government. In 1934, for example, the party's *For Socialism and Peace* included a long list of industries and services for

⁵⁰Attlee, *Labour party*, p. 150; Booth, 'How long are light years?', p. 19; Durbin, *New Jerusalem*, p. 75.

⁵¹This was particularly the case of the finance and trade committee under Dalton: Booth, 'How long are light years?', p. 8.

⁵²Durbin, *New Jerusalem*, p. 77.

⁵³See Booth, 'How long are light years?', p. 8; Durbin, *New Jerusalem*, p. 81; Thompson, *Political economy and the Labour party*, p. 88; Ben Pimlott, *Labour and the Left in the 1930s* (Cambridge, 1977), p. 36.

⁵⁴Dalton, for example, chaired the Party's finance and trade committee, was closely involved in the workings of the XYZ Club, and even found time to act as a party representative on the TUC's Economic Committee. Other young economists, such as Durbin and Gaitskell, were even more energetic: Durbin, *New Jerusalem*, pp. 76-81.

whom ‘the time has come for drastic reorganisation, and for [which in] the most part nothing short of immediate public ownership and control will be effective’.⁵⁶ Yet the party’s 1935 election manifesto reduced this list substantially.⁵⁷ In part this was simple practicality, but the party also had to consider the probable impact of a massive nationalisation programme on non-socialist voters.⁵⁸ Of the additional industries on list in *For Socialism and Peace*, in 1945 only iron and steel was deemed sufficiently central to overall economic production of the country to be included.

The one other key sector of the economy in which there was a determination among the party leadership and intellectuals in the 1930s to advance public ownership was the land. The common ownership of land once again demonstrates how the grounds for such ownership were a mix of economic and political considerations. On the one hand, arguments were put forward that public ownership would lead to far more ‘reasonable security for tenure’ and also the ‘proper utilisation of land as an integral part of Socialist planning’.⁵⁹ On the other hand, for those such as Dalton who believed ‘inherited wealth ... [to be] both wasteful and unjust’, and Gaitskell who saw ‘an underlying hatred of inequality and the Class Structure... [as] the *germ* of all socialist feeling’, expropriating the landed rich was a fundamental political objective.⁶⁰ Even here, however, it was not to prove possible to find space to include its nationalisation in the 1945 programme.⁶¹

⁵⁵See *ibid.*, p. 121.

⁵⁶More than a dozen, including water, shipping, shipbuilding, engineering, textiles and chemicals: Labour party, *For Socialism and Peace*, p. 15.

⁵⁷Down to just seven – banking, coal, transport, electricity, iron and steel, cotton, and the land: Labour party, ‘The Labour party’s call to power’, in Craig, *Election manifestos*, p. 108.

⁵⁸Booth, ‘How long are light years?’, p. 9.

⁵⁹Attlee, *Labour party*, p. 152; Labour party, *For Socialism and Peace*, p. 20.

⁶⁰Ellison, *Egalitarian thought*, pp. 14-15; Hugh Gaitskell quoted in P. Williams, *Hugh Gaitskell: A political biography* (1979), p. 69.

⁶¹The manifesto promised only that ‘Labour believes in land nationalisation and will work towards it’: Labour party, *Let us Face the future*, p. 9

The excess of potential nationalisations over the space deemed to be available in the party's programme is of great significance for an examination of Labour's use of nationalisation post-1945. For it is clear that the extensive examination process undertaken in the 1930s had produced far more targets than could be dealt with by just one government. The implication must be that the process had created a framework for long-term nationalisation. At each election the party would chose the most suitable candidates for nationalisation on the basis of the economic conditions then in existence, and proceed with the implementation of that programme. This would be repeated at the following election, while in the intervening years examinations of various private industries, and their 'need' for nationalisation, would be undertaken. Yet, as will be seen in later chapters, the Labour party's commitment to future nationalisation after 1945 proved substantially less straightforward than this.

V

Even given some partial consensus regarding the particular industries to be subjected to public ownership in the new Labour programme, it still remained to be determined how these industries were to be operated. Critical though this issue plainly was, little attention had been paid to it before the 1930s. The party's 1928 programme, *Labour and the Nation*, maintained that 'the Labour party, unlike other parties, is not concerned with patching the rents in a bad system, but with transforming capitalism into socialism'.⁶² Yet it offered little of practical note to back this up.⁶³ While arguing that, in 'planning the machinery through which nationalised industries are to be administered', a Labour government would give serious consideration to factors such as 'individual initiative and business experience', it

⁶²Labour party, *Labour and the Nation*, p. 4.

provided no indication that planning of this nature was necessary *before* achieving power.⁶⁴

Yet the experiences of the 1929-31 government demonstrated that, if progress was to be made towards socialism, the party would not only need a clear idea of *which* industries and services the party should seek to nationalise, but also to have a clear idea of *how* it was to nationalise and run these new public industries and services. The problem was that few members of the party had any practical experience of attempting either to set up or then operate a public concern. With Morrison almost the sole exception, it was to him that the party turned for practical policies, and with him that the origins of the post-1945 corporatist model of nationalisation lay.

Morrison translated his experiences with the establishment of the London Passenger Transport Board⁶⁵ into a set of guidelines of how socialisation could be given practical effect: *Socialisation and transport: The organisation of socialised industries with particular reference of the London Passenger Transport Bill*. At the heart of the book lay Morrison's personal conviction that 'socialism must stand the double test of being ethically sound and economically sound; for man cannot live by abstract ethics alone'.⁶⁶ It was this goal of economic 'soundness' which led him inexorably towards the conclusion that the public board or corporation represented the most ideal form of public industrial organisation.

Morrison rejected the idea of direct ministerial control over newly-socialised industries – in the manner of the Post Office – since such a system of control would require a 'greater number of ministers than is healthy for the proper functioning of

⁶³ *Ibid.*, pp. 23-4.

⁶⁴ *Ibid.*, p. 24.

⁶⁵ Experiences of 'great value' in his opinion: Morrison, *Socialisation and transport*, p. viii.

parliament' and was in any case impractical, because the minister, as a busy politician, 'could not in fact really manage the industry, even if he were personally qualified to do so'.⁶⁷ By contrast, creating a board of control ensured 'that management [w]ould be sufficiently free from ... undesirable pressures' from politicians or other interests such as workers and consumers, and thus be able to 'stand its ground in the interests of the undertaking which is committed to its charge'. At the same time, by ensuring that there were 'perfectly proper contacts between [a relevant] Minister and the boards', and also that 'Consultative Councils' were established, there could be no question that Labour simply wished to replace unaccountable private monopolies with similarly unaccountable public ones.⁶⁸ To Morrison, the advantages of such boards were overwhelming – he stressed, for example, how their 'freedom' from 'Treasury control' would allow them to pay salaries sufficient to obtain, and retain, the best employees.⁶⁹

Having decided on a public corporation, this still left open the issue of how the boards were to be constituted. Morrison saw three alternatives: 'the full-time board of technical experts[;] the board composed in the main of representatives of the interests concerned with the industry[;] ... and the corporate board of ability'. He was dismissive of the first idea, noting that 'the technical expert is by no means always a good administrator'.⁷⁰ He believed that a board comprising those appointed purely on their abilities to be 'upholding the best traditions of socialism', but he was well aware

⁶⁶*Ibid.*, p. 281. He was far from alone in adopting such a view: Douglas Jay stated that the case for socialism was 'mainly economic and rests on fact': quoted in S. Brooke, *Labour's war: The Labour party during the Second World War* (Oxford, 1992), p. 20.

⁶⁷Morrison, *Socialisation and transport*, p. 139.

⁶⁸*Ibid.*, pp. 137, 171, 174.

⁶⁹*Ibid.*, p. 165.

⁷⁰*Ibid.*, pp. 178-9.

that strong pressure existed in favour of the notion of an ‘interest’ dominated board.⁷¹ More specifically, pressure existed in favour of compulsory worker representation on the boards of the public concerns.

The notion of worker representation had a long tradition within the party, right back to the pre-First World War Guild Socialism of G.D.H. Cole. He and many others – such as the transport workers’ leader, Bevin – put forward strong arguments for workers’ claims for a role in the running of their industry, epitomised in the call of ‘the mines for the miners’.⁷² Such calls for ‘industrial democracy’, however, found very little sympathy with Morrison, who facetiously enquired if the proponents of such industrial democracy wanted ‘the dust for the dustmen’.⁷³ He refused even to accept the necessity of having statutorily-required representatives of labour on the boards. In his view it was an ‘undignified and humiliating proposal’ for it pigeon-holed individuals as ‘workers’, which as an idea ‘seems to me to be capitalist rather than socialist in its philosophical basis’. Much better, he argued, to have a board appointed by a minister purely on the grounds of ability and thereby ensure that workers or trade unionists who were appointed would be equals in all respects with their fellow board-members.⁷⁴

Confident as Morrison was of the efficacy of his ideas, he nonetheless included within *Socialisation and Transport* the caveat that the public corporation ‘must not be regarded as a pattern to be applied uniformly to all industries and services’.⁷⁵ This did not, however, prevent others seizing upon his ideas as a virtually ‘uniform’ model of control. Dalton, for example, modelled much of his thinking in

⁷¹*Ibid.*, p. 212.

⁷²Thompson, *Political economy and the Labour party*, p. 29.

⁷³Morrison, *Socialisation and transport*, p. 209.

⁷⁴*Ibid.*, pp. 209-10.

⁷⁵*Ibid.*, p. 137.

this area on Morrison's work.⁷⁶ Like Morrison, he dismissed – in his 1935 *Practical Socialism for Britain* – direct ministerial control as ‘an old-fashioned form of socialism’, whereas ‘modern though ... tend[ed] to favour ... the idea of the public corporation’.⁷⁷

The extent to which Dalton was influenced by Morrison is demonstrated by his ideas on the composition of such boards. While stating that ‘the principle of workers’ control’ and ‘industrial self-government’ constituted ‘essential elements of economic democracy’, he nonetheless concluded that ‘Mr Morrison, in my judgement, is right when he argues that the board ... should not be composed of representatives of sectional interests’.⁷⁸ The question of appointments was plainly an issue which troubled him (perhaps unsurprisingly, given that his parliamentary constituency was a mining district and the miners’ union were strong advocates of workers’ representation), for despite further admitting that Morrison was correct in arguing that boards ‘should be appointed on their own merits’, he still felt that ‘some of the appointments ... should be made only after consultation with the trade unions’, seemingly contradictory notions.⁷⁹

While others in the party such as Durbin⁸⁰ supported Morrison's public corporation model of nationalisation, this support was not universal. On the contrary, it was bitterly attacked by Bevin in particular. Bevin had been critical of the nature of the London Passenger Transport Board, since it excluded representatives of his own

⁷⁶And given Dalton's position within the party (he was chair of the NEC's finance and trade committee), his reliance on Morrison's thinking is a matter of significance: see Durbin, *New Jerusalem*, pp. 76, 87.

⁷⁷Dalton, *Practical socialism*, pp. 94-5.

⁷⁸*Ibid.*, pp. 161, 163.

⁷⁹*Ibid.*, p. 163.

⁸⁰Who served as honorary secretary for the NFRB, acted as economic expert to the XYZ Club and, by 1936, had been seconded by Dalton onto the finance and trade subcommittee: Durbin, *New Jerusalem*, pp. 76-81.

union. The idea that London Transport was to be the model for future nationalisations filled him with horror. He told the Economic Committee of the TUC in 1932 that it represented ‘positively the worst form of public control’.⁸¹ Yet despite his status in the trade union movement, the Committee dealt ‘rather slightly’ with his comments, and ‘came out strongly in favour of public corporations’ appointed on the grounds of ability. The fact that Bevin found himself in a minority of just one indicated how significant the influence of Morrison’s ideas was – or, at least, how few alternatives seemed available.⁸²

VI

Debate did not stop, however, with acceptance of the Morrisonian public corporation. Durbin, for example, argued that establishing the socialised industries was only the first stage in what Labour must offer and would, by itself, do ‘little good’. It would be just as necessary to establish, ‘at an early stage’, a ‘central control, or Supreme Economic Authority’, in order to co-ordinate the socialised sector.⁸³ The need for such an overarching authority had been accepted by Morrison as well; he considered it ‘probable that some sort of Economic Council will be established’.⁸⁴ Dalton agreed, seeing the role of a Supreme Economic Authority as providing the machinery to plan the relations between socialised industries.⁸⁵

Economic planning and co-ordination was considered by Durbin and others to be as essential a part of socialism as public ownership and control. However, while Morrison and Dalton were equally convinced of the need for such planning, for them

⁸¹Bullock, *Ernest Bevin*, p. 510.

⁸²*Ibid.*, p. 510.

⁸³Durbin, *Politics of democratic socialism.*, pp. 302-3; Thompson, *Political economy and the Labour party*, p. 112.

⁸⁴Morrison, *Socialisation and transport*, p. 294.

⁸⁵Dalton, *Practical socialism*, p. 310.

it was a required part of economic management, not socialism. Dalton saw it thus: ‘planning is not the same thing as socialism. Socialism is primarily a question of ownership, planning a question of control and direction’. Planning may have been prominent in the Labour party’s programme – in 1934 the party promised not only a Supreme Economic Authority, but also a National Investment Board which, in conjunction with a publicly-owned Bank of England, would direct and control investment⁸⁶ – but Dalton’s definition of socialism in terms of public ownership was unambiguous. For better or worse, the ideological re-thinking of the 1930s had made nationalisation a defining aspect of Labour’s socialism and its programme.⁸⁷

This evidence of differing ideological positions was emphasised by the experiences of the Second World War. The war was responsible for many of the conditions that swept the party to power at its end – for example, the Coalition government’s stress on the need for ‘egalitarianism and community feeling [which] became, to a great extent, the pervasive ideals of social life’ played very clearly to Labour’s advantage.⁸⁸ However, by extreme irony the war also gave credence to theoretical challenges to the socialisation that lay at the heart of its successful programme.⁸⁹ The main basis of these challenges lay with a reinterpretation of how control over the economy was to be obtained. The inspiration was the success of war-time ‘Keynesian’ techniques of economic management. Even before the war, the

⁸⁶Labour party, *For Socialism and Peace*, pp. 16-7; Attlee, *Labour party*, p. 180.

⁸⁷Booth has forcefully argued that it was for the worse, claiming that in reality the commitment to nationalisation revealed how little ideological development had occurred: ‘nationalisation remained the same utopian political rallying cry devoid of economic content or analysis. In this context, it mattered little whether Labour had plans to nationalise one industry or twenty in the form of a public corporation or a worker co-operative’. It does not appear justifiable, however, simply to equate a lack of ideological ‘progress’ (for which he primarily blames Dalton) with a continued commitment to nationalisation, the party’s position on public ownership in 1939 or 1945 was substantially more sophisticated than that of 1931: Booth, ‘How long are light years?’, especially pp. 22-3.

⁸⁸Addison, *The road to 1945*, pp. 18-19. Fielding accepts this within limits, but argues that the party was ‘mistaken’ in considering that a ‘new moral sense’ had been developed by the war: Fielding, ‘Labourism in the 1940s’, p. 141.

ideas of Keynes had an important impact on Labour thinkers.⁹⁰ Douglas Jay,⁹¹ for example, argued that Keynes's *General Theory*⁹² demonstrated that 'socialists have been mistaken in making ownership of the means of production the test of socialisation'.⁹³ Seconded onto the Treasury staff during the war, Keynes succeeded in 'transform[ing] the budget into the key regulator of the market economy'. Budgetary fiscal controls were used both to 'regulate aggregate demand' and to stave off the danger of national bankruptcy. The potential they offered to regulate the peace-time economy was not lost on Jay and others.⁹⁴

Jay himself went on to attack the very notion that nationalisation was 'any solution' to the 'central aim of socialist policy' – which he saw as the 'redistribution of resources and incomes'.⁹⁵ Nationalisation, while redistributing ownership, brought 'no transfer of income from rich to poor ... at all'.⁹⁶ He argued that 'there remains in effect only one method, taxation', whereby monetary redistribution could take place. He found support from other party thinkers, notably Durbin, who argued that the successful direction of industry by the Coalition government during the war tended to indicate that it was possible to obtain 'substantial control without ownership'.⁹⁷ In

⁸⁹Brooke, *Labour's war*, p. 231; Francis, *Ideas and policies under Labour*, p. 70.

⁹⁰Jim Tomlinson, 'Planning: Debate and policy in the 1940s', *Twentieth Century British History*, 3 (1992), p. 158.

⁹¹Who was a rising intellectual in the party during the 1930s: see Durbin, *New Jerusalems*, p. 81; Thompson, *Political economy and the Labour party*, pp. 118-19.

⁹²John Maynard Keynes, *The General Theory of employment, interest, and money* (1936).

⁹³D. Jay, *The socialist case* (2nd edn., 1947), p. 195; Francis, *Ideas and policies under Labour*, pp. 69-70.

⁹⁴Jay, *Socialist case* (2nd edn.), pp. 170-1. As Tomlinson has argued, 'Jay's evolution is typical of the way in which the perceived success of wartime planning encouraged the view that planning was central to Labour's peacetime programme' (although it should be noted that 'planning' *per se* was by no means an exclusively Keynesian concept): Jim Tomlinson, 'Planning: Debate and policy in the 1940s', *Twentieth Century British History*, 3 (1992), p. 159. However, as Booth notes, neither Durbin nor Dalton were totally convinced by Keynes' arguments: Booth, 'How long are light years?', p. 18.

⁹⁵Douglas Jay, *The socialist case* (2nd edn., 1946?), pp. 183, 198.

⁹⁶*Ibid.*, p. 199.

⁹⁷Durbin, *Politics of democratic socialism*, p. 294.

place of socialisation, 'control and efficiency could be achieved through subtler means'.⁹⁸

The war therefore began a process which risked, in the long-term, undermining the unchallenged centrality of nationalisation to the party's ideology.⁹⁹ However, there was no question in 1945 of the party abandoning its commitment to nationalisation. Public ownership and control had been a key part of the party's programme since the adoption of the new constitution in 1918. Even before that time socialist intellectuals in the party had been arguing in favour of such a commitment, but the political changes implemented at the end of the First World War persuaded the majority of the party to accept a distinct, socialist, political programme. After the collapse of the 1929-1931 government, many party leaders and intellectuals determined that the commitment had to be translated into a practical programme for immediate nationalisation. It was that programme, established by the mid-1930s, which essentially provided the framework for the actions of the Attlee government.

However, this long-term basis for the party's nationalisation programme was a weakness as well as a strength, for the economic conditions of 1945 were very different from those of 1934 or 1937.¹⁰⁰ It was a recognition of this which lay behind the ideological questioning of the young intellectuals. If the 1945 'shopping list' of nationalisations proved successful in securing the aims laid out for it, then it was unlikely that such questioning would have an impact on the party's relationship with nationalisation. However, if nationalisation did not prove the panacea it was considered by the party leadership then its place within the party programme might

⁹⁸Brooke, *Labour's war*, p. 231.

⁹⁹Ellison, *Egalitarian thought*, p. 16; Booth, 'How long are light years?', p. 23.

¹⁰⁰The dates of *For Socialism and Peace* and *Labour's Immediate Programme*, which laid out the basics of *Let us Face the Future*.

not be as secure as it seemed in the 1930s. Given this, consideration of the content of the 1945 programme and the methods adopted for its implementation is of great significance to the future of nationalisation. Although it would be wrong to claim that the party's public ownership commitment was on trial before it had even been tested, there is some validity in concluding that its continued place at the heart of the party's socialism was in no small part dependent on the 1945 'shopping list' being a success.

Chapter Two

The ‘Commanding Heights’: Nationalisation and the 1940s Attlee government

Only in 1945 did the Labour party gain real power for the first time. In both 1924 and 1929-31 the Labour governments had been restricted by lack of a parliamentary majority from bringing about large changes in areas such as industrial ownership, whether or not it had been desired to do so. In 1945, an absolute majority of almost 250 held out the promise that little effective opposition would be raised in the House of Commons to any of the government’s legislative proposals.¹ At first glance, however, this parliamentary strength appeared insignificant when compared with the problems of the immediate post-war years – exceeding even the considerable economic difficulties of 1924 and 1929-31.

Despite this, the new Labour government came to power promising an extensive programme of industrial nationalisation at ‘the heart of [its] economic policies’.² According to the party manifesto, *Let us Face the Future*, the experience of war had shown some ‘fundamental’ industries to be ‘[in]capable of rising to new heights of efficiency and expansion’.³ Nationalisation was considered an essential part of their post-war reconstruction. Three main categories of industries were felt to be in this position: the fuel and power industries (coal, gas and electricity); inland transport (rail, road, air and canal carriers); and iron and steel.⁴

¹Although opposition in the House of Lords was likely (and proved) to be more substantial.

²Tomlinson, *Democratic socialism and economic policy*, p. 94.

³Labour party, *Let us Face the Future*, p. 5.

⁴*Ibid.*, pp. 6-7.

This nationalisation programme was similar to that proposed by Labour in the 1930s, but the economic circumstances were now substantially more favourable to the Labour case. First, some of the industries concerned had, as Labour argued, performed badly during the war. Coalmining in particular had proved incapable of meeting the demands placed upon it in terms of output, as well as suffering from chronic industrial relations problems and low productivity.⁵ Others, while having performed adequately, reached the end of the war in a state of virtual collapse. The railways, for example, faced a substantial backlog of maintenance both to the network infrastructure and to the trains themselves: overworking of ageing rolling stock and damage from bombing had seriously affected the industry.⁶ The need for some form of prolonged government intervention in such industries, whether nationalisation or not, was almost inevitable regardless of the outcome of the 1945 election.

Second, the conduct of the war from an economic and industrial perspective supported the Labour party's argument that the state should play a greater role in the management of the economy.⁷ Like the First, the Second World War saw the state taking responsibility for a wide range of industrial operations deemed essential to the war effort: coal and the railways are obvious examples. More significantly, the state also assumed greater responsibility for macroeconomic management than had been the case in peace-time. Although by the end of the war the country's financial position was perilous, the success of the state in financing the war effort and directing scarce

⁵See Supple, *Political economy of decline*, Chapter 11, 'From supply to scarcity: 1939-1942', pp. 497-536 and Chapter 12, 'Getting through the war, 1942-1945', pp. 537-590; William Ashcroft, *The history of the British coal industry, v. 1946-1982: The nationalized industry* (Oxford, 1986), pp. 3-5; Greasley, 'The coal industry', pp. 39-46.

⁶Gerald Crompton, 'The railway companies and the nationalisation issue 1920-50', in Millward and Singleton, *The political economy of nationalisation*, p. 141.

⁷Although, as Fielding, Thompson and Tiratsoo argue, the legacy of the war is substantially more complex than is often assumed, and cannot simply be assumed to have turned the electorate towards

labour and raw materials was in stark contrast to the perceived failure of arms-length intervention in the inter-war years.

By 1945 it was implicitly assumed by the members of the Coalition government that the methods of economic management utilised during the war should be used also in peacetime. The 1944 *White Paper on Employment*, for example, effectively committed both the Conservatives and the Labour party to the management of post-war levels of employment. It was indicative of the wartime impetus to the notion that the state must take responsibility for certain aspects of economic performance and development. In 1945 a larger percentage of the electorate apparently considered that the Labour party could be entrusted with such responsibility than favoured the Conservatives.⁸

Yet the possession of a substantial political mandate for change and a clear programme of nationalisation still left substantial challenges for the Attlee government. No administration had ever attempted nationalisation on the scale their manifesto envisaged, and the Morrisonian model of public control was untried on an industry-wide level. However, despite these difficulties and the need to rebuild the remainder of the shattered economy, the government succeeded in fulfilling its manifesto pledges. By 1951, all of the key industries and services singled out for nationalisation in *Let us Face the Future* had been taken over. The process of nationalisation might therefore appear uncomplicated. From the perspective of the ideological position held by the Labour party in 1945, the six years of the Attlee

Labour: Fielding, Thompson and Tiratsoo, *'England Arise!'*, especially chapter 2, 'Popular attitudes in wartime', pp. 19-45.

⁸Although it must be recognised that perceptions of the relative abilities of the parties in the field of economic management were by means the sole criteria by which voting patterns are to be explained. Nonetheless, as Tomlinson and Tiratsoo have argued, during the 1945 election 'Britain's industrial future was certainly at the centre of debate': Tomlinson and Tiratsoo, *Industrial efficiency and state intervention*, p. 64.

government seem the first crucial steps towards the creation of the all-encompassing public sector envisaged in clause IV of the party's constitution.⁹ Moreover, it could be thought that after nationalisation had been achieved in adverse economic circumstances, there would be few difficulties with further nationalisation in the future. All that appeared necessary for continued expansion of the public sector was Labour's continued electoral success.

Successful implementation of the 1945 nationalisation programme, however, masks the serious questions – both practical and, more significantly, ideological – that the implementation process had exposed.¹⁰ For despite all the attention that Labour's leading thinkers gave to the issue during the 1930s, the practicalities of nationalisation were more complex than had been envisaged. Moreover, far from symbolising the first stage in an extended process of future industrial reorganisation, fulfilment of the 1945 'shopping list' of nationalisations left many within the party questioning the need for further nationalisation at all, at least in the form which had been adopted.¹¹ By the time that the protracted nationalisation of iron and steel was finally completed in 1951, it was clear that taking industries into public ownership had not proved to be the panacea that most had expected.¹²

An examination of the Attlee government's nationalisation programme is therefore essential for any longer-term assessment on the Labour party's public ownership policy. While considerable attention has been given to the 1945-51 nationalisations, however, little work has approached the subject from this perspective. The work of Millward, Chick and others, has shed substantial light on

⁹Fielding, 'Labourism in the 1940s', pp. 142-3.

¹⁰A point Francis has rightly emphasised: Francis, *Ideas and policies under Labour*, p. 65-6.

¹¹Fielding, 'Labourism in the 1940s', pp. 150-1.

¹²Tomlinson, *Democratic socialism and economic policy*, p. 123.

the causes of the particular nationalisations and the methods used to bring about their take over.¹³ But if the *consequences* of the Attlee government's actions for the future of nationalisation are to be understood, the work of these scholars must be reconsidered and new questions asked.¹⁴

I

Although the range of industries for which nationalisation was considered during the 1930s to be essential has been examined in the previous chapter, it was noted that substantially more industries were identified than could be included in a practical legislative programme. It is of some importance, therefore, to determine which target industries identified in the 1930s were judged the most important targets for nationalisation in 1945. In explaining the choice of particular industries and services nationalised by the Attlee government, and the nature of the nationalisation process itself, attention has traditionally focused on shared features of the majority of the industries concerned – specifically on the extent to which they could be represented as ‘utilities’.¹⁵ However, if the nationalisation process actually undertaken – as against that planned in the 1930s – can be represented as an attempt to create a public utility sector, then serious questions must be asked regarding the long-term future of nationalisation. For the number of industries which could be so classified is finite: indeed, few genuine ‘utility’ industries were excluded from the 1945 programme. This being so, the scope of a public sector built around ‘utilities’

¹³See, for example, Millward, ‘The 1940s nationalizations in Britain’; Chick, *Industrial Policy in Britain*, especially Chapter IV, ‘Nationalisation’, pp. 72-102.

¹⁴Francis is almost alone in addressing the topic in any detail; see Francis, *Ideas and policies under Labour*, Chapter IV, ‘Public Ownership’, pp. 65-99. Although he stresses, as this chapter will, the extent to which the nature of the 1945 nationalisation programme limited the potential for future nationalisation, his approach appears to concentrate too heavily on ideological explanations rather than on the practicality of method adopted.

¹⁵See Chick, *Industrial policy in Britain*, pp. 72, 74-5.

might well have been established after little more than one parliament of nationalisation.

As several authors have argued, however, it is necessary to recognise that there are serious flaws with the ‘utility’ model of nationalisation. The basic features of utilities, according to Chick, are that

their operation was often attended by externalities and spillovers; where the social value of output exceeded its private value; many of them were important areas of fixed capital investment, often containing a natural monopoly component; where the minimum efficient scale was large relative to the size of the market, and usually subject to decreasing costs; [and] their output was widely used by an electorate which had a persistent interest in its availability and price.¹⁶

These features are readily apparent in some of the industries nationalised between 1945-51: the gas and electricity industries, and to a some extent – certainly in the case of the railways – the transport sector as well. Yet, as Chick observes, the effort to categorise the nationalisation programme as concerned simply with utilities is ‘spoilt by some notable exceptions’.¹⁷ The water industry was structurally and operationally little different from the gas or electricity industries: few would question that it was and remains an utility. Despite this, its nationalisation was not proposed in 1945: only in 1950 did it find a place in the election manifesto. On the other hand, two industries that were in the 1945 manifesto – coalmining, and iron and steel – were not obvious utilities according to the criteria identified by Chick.¹⁸ Neither could be said to have possessed natural monopolistic conditions of operation, despite the movement towards cartelisation encouraged by the market conditions of the inter-war years.

¹⁶*Ibid.*, p. 72.

¹⁷*Ibid.*, p. 74.

¹⁸As Francis argues, ‘the inclusion of the public ownership of iron and steel in Labour’s 1945 programme made it ultimately impossible for Labour to discuss nationalisation (even if it had wanted to) exclusively in utilitarian terms’: Francis, *Ideas and policies under Labour*, p. 74.

Indeed, in the case of coalmining, the continued fragmentation of ownership was considered one of the greatest problems facing the industry.¹⁹

Nonetheless, there *was* within the 1945 nationalisation programme a group of utility industries for which nationalisation could be seen as a 'natural' development of their pre-existing industrial structure. Gas and electricity were the two most obvious examples.²⁰ Both were distributive utilities serving the entire population, from individual householders to large industrial consumers. In addition, both already had large proportions of their operations in public hands, primarily via the control of local authorities. Moreover, in electricity the publicly-owned and operated Central Electricity Board already exercised a considerable influence over the development of the industry.

Similarly the railway industry had been developing in a direction which, while different to that of gas and electricity, hinted at future reorganisation on a national basis.²¹ Fragmented before the First World War, the industry had been amalgamated in the early 1920s into four main companies, due primarily to a recognition that the scope for competition within the industry was severely limited. With the ever-growing challenge in the inter-war years of road transport, even the justification for the existence of four separate rail companies was debatable by 1939. By the end of the war, some form of further amalgamation was likely regardless of the composition

¹⁹Greasley, 'The coal industry', pp. 44-5; Tomlinson, *Democratic socialism and economic policy*, p. 95.

²⁰Of electricity, Chick noted that 'technical demands for the reorganisation of the electricity industry were long standing' before 1945: see Chick, 'The electricity industry', pp. 257-74, p. 258. For details of the pre-nationalisation of the gas industry, see John Wilson, 'The motives for gas nationalisation', pp. 144-163.

²¹As Gourvish has argued, nationalisation 'was never far below the surface of political debate in the inter-war years': Terry Gourvish, *British Railways 1948-73* (Cambridge, 1986), pp. 15, 16-24. See also Crompton, 'The railway companies and the nationalisation issue', pp. 116-143.

of the post-war government.²² The war had overstrained the network to such an extent that many years of massive financial investment would be required to make good the damage. With the ability of a private railway industry to generate sufficient capital questionable,²³ it was easy for the Labour party to provide convincing arguments for not merely amalgamating the industry, but nationalising it as well.²⁴

The nature and structure of these three industries readily explains why nationalisation was considered by the Labour party to be suitable and necessary for them. Yet few other industries were developing in such a fashion, leaving only limited scope for similar targets to be included in any future nationalisation programmes. However, the presence in the 1945 'shopping list' of coalmining, iron and steel, and the remainder of the transport sector demonstrates that control over 'utilities' was not the sole, or even chief, criterion for nationalisation. This is not to say that the programme lacked coherence, quite the contrary. However, rather than being merely a matter of utility nationalisation, it had an underlying rationale based on three broad concepts – put crudely: *power*, *efficiency* and *equity*.²⁵

The first of these three - *power* - is perhaps more accurately described by reference to the 'commanding heights', that phrase beloved by left-wing members of the party such as Bevan and Mikardo. Put simply, the desire to nationalise the industries and services of the 'commanding heights' was based on a belief that these had true power over the economy. They were so fundamental to the operation of the economy that control over their current performance and productivity, price structure

²²*Ibid.*, pp. 140-1.

²³As it had been in the interwar years: *ibid.*, Section 5, 'Financial weakness and its implications', pp. 131-6.

²⁴*Ibid.*, pp. 132-3, 140.

²⁵The basis of this analysis is Millward's thesis identified in the introduction (see Introduction above and Millward, 'The 1940s nationalizations in Britain', pp. 215-6). Since the focus of this study is

and future development plans, gave control over the development of the whole economy. From this perspective it is easy to see why not just the utilities of gas and electricity, but also coal, iron and steel, and transport were deemed essential targets for nationalisation. Iron and steel, for example, although as much a manufacturing industry as a 'basic' utility, was critical in terms of control over general prices and production – its products being almost universally required by other industries. Even the Bank of England, which might appear anomalous if compared to other targets for nationalisation, was an obvious objective for public ownership and control given its central place within the financial sector – all the more so given that even in 1945, many in the party still held that the 1929-31 government had been undermined by a 'Banker's Ramp'.

The theme of *efficiency* in many ways complemented that of *power*.²⁶ Given that these industries were crucial to the performance and development of the economy, it was, Labour argued, logical and indeed essential that the state should take a direct interest in their efficient development. Such an interest did not necessitate nationalisation: it could – as the Conservatives argued in 1945 – be met by regulation, the establishment of supervisory bodies and so on.²⁷ However, it could be argued that the best method of ensuring efficient development of the industries concerned was nationalisation. This was certainly true in the case of coalmining. Since the beginning of the 1930s, governments had become ever more involved in regulating the development of the industry: indeed, in 1938 the National government had nationalised coal royalties in the belief that their private ownership was hindering

more directly related to the behaviour and motivation of the Labour party, it has been considered necessary to adapt his thesis in a more explicitly political direction.

²⁶See Tomlinson, *Democratic socialism and economic policy*, pp. 95-100; Tiratsoo and Tomlinson, *Industrial efficiency and state intervention*, pp. 18-20.

development. The failure to achieve substantial improvements in the industry's performance had been revealed during the Second World War by a persistent decline in the output of coal. Moreover, the deep enmity of the workers towards the owners, which even direct government control of the mines had been unable to overcome, and their strident support for nationalisation, indicated that only replacement of the owners by the state was likely to bring about lasting improvements in industrial relations, and hence performance. In a post-war situation in which the need for coal – still the primary fuel source – was predicted to be substantial, the case for nationalisation was strong.²⁸

The desire to secure the most efficient operation of these key industries explains why even in the cases of gas and electricity, where municipalisation already provided a substantial degree of public ownership and control, the Labour party argued in favour of nationalisation. Fewer and larger production units, it was argued, organised in ways which cut across the boundaries of local authorities, made a national scheme of ownership and control more logical in economic terms, as did the need to satisfy rural as well as urban consumers.²⁹ Similar 'economic logic' lay behind the decision to bring under single public control the various transport services: co-ordinated, rather than competing, rail and road haulage networks seemed to promise tremendous efficiency gains.³⁰

²⁷Conservative party, 'Mr. Churchill's declaration of policy to the electors', in Craig, *Election manifestos*, pp. 120-1.

²⁸Although it was vigorously rejected by the Coal Owners Association and the Conservative party. Indeed, even the 1945 Reid Report (widely considered as the death-knell for private ownership) did not explicitly recommend public ownership, arguing only that a 'comprehensive scheme of reorganisation' was needed: Ministry of Fuel and Power, *Coalmining: Report of the Technical Advisory Committee* (1945), paras. 676, 760; Tomlinson, *Democratic socialism and economic policy*, p. 103.

²⁹Labour party, *Let us Face the Future*, p. 6; Chick, *Industrial policy in Britain*, pp. 79-80, 86-88.

³⁰Labour party, *Let us Face the Future*, p. 7.

Explanation for the content of the 1945 nationalisation programme of 1945 cannot, however, be offered purely in terms of *power* and *efficiency*. Labour politicians may have occasionally sought to do so in order to convince the electors that the programme was based on sound economic principles. However, for the Labour movement the programme was more than simply a set of pragmatic economic policies necessary for post-war recovery. There was also a strong ethical element in the nationalisation programme, one that stressed the social justice rather than economics of the transfer of the industries to public hands. It was held to be *inequitable* for private individuals to be in a position to take advantage of the general need for such essentials as electricity, gas and coal. The ability of private individuals to make profits from such industries should be ended, and their assets and the wealth they represented used by the state for the good of all.

Such ethical arguments did not, of themselves, necessitate nationalisation. In the case of gas and electricity, there was no *ethical* need to change the ownership of many concerns, given local authorities. However, when the ethical case was combined with economic justifications for nationalisation, it was possible to demonstrate that, while ownership by local authority was not *inequitable*, it remained *inefficient*. The construction of the 1945 nationalisation 'shopping list' was a result, therefore, of a combined ethical and economic justification: the industries chosen were centres of power and wealth which, on the grounds of *equity* and *efficiency*, the state could not, in the view of the Labour party, leave untouched.³¹ However, as Tomlinson convincingly argues, this complex combination of factors contained

³¹Francis, *Ideas and policies under Labour*, pp. 71-2.

problems of its own: 'in part', he notes, 'the degree of disillusion over nationalisation ... may be seen as resulting from this overburden of objectives'.³²

In addition, this perspective also reinforces the impression that the future of nationalisation was by no means certain. For not only were there few 'utilities' beyond those nationalised between 1945-51; there were also few industries and services excluded from the nationalisation programme which could easily be presented as sources of genuine 'power' and influence over the economy. The nationalisation of many of those which remained from the party's deliberations in the 1930s – such as water, shipping, and textiles – would not obviously lead to a substantial increase in the state's power to direct the economy, certainly not when compared to those included in the 1945 programme. Moreover, nationalisation was being justified primarily on the basis of the economic and redistributive benefits it would bring, rather than on the grounds that it was an inherently 'better' method of industrial organisation. If, however, it failed in practice to achieve these aims, it would be difficult for the party to seek future nationalisation without new ideological justifications.

II

Emanuel Shinwell, as Minister of Fuel and Power responsible for the Attlee government's first major nationalisation,³³ the coalmining industry, famously observed that when he took office in August 1945 he was shocked to discover that 'nothing practical and tangible existed' as a basis for nationalisation. Despite all the years that nationalisation had been part of the party's programme, he had to sit down

³²Tomlinson, *Democratic socialism and economic policy*, p. 117.

³³The Bank of England was technically the first nationalisation, but coalmining was the first *industry* to be taken over.

at 'a clear desk' and work out just how the fuel and power industries, were to be taken over.³⁴ Shinwell's assertions, however, sit uneasily with reality. On the contrary, the methods of nationalisation adopted by the Attlee government were – in most fundamental respects – derived from ideas formulated long before 1945; primarily in Morrison's 1933 *Socialisation and Transport*.³⁵

Like the content of the nationalisation programme, the method of nationalisation is of critical importance to the future conduct of nationalisation policy. The consequences of reliance on a Morrisonian model have been explored by few historians.³⁶ The focus has primarily been on the problems in the newly-nationalised industries which made them appear unpopular with customers and the electorate – especially concerning accountability.³⁷ However, another question should be asked: did the use of the Morrisonian model *per se* limit the scope for future nationalisation? In particular, there should be examination of the extent to which it was unsuited to all but a few major industries whose pre-existing organisational structures lent themselves – as has been seen – towards 'national' operation. In such circumstances the commitment of the Labour party to Morrison's ideas would indicate that any future nationalisation might well require a process of ideological rethinking.

Morrison's pre-eminence on nationalisation issues was recognised from the outset by Attlee and his other Cabinet colleagues. His appointment as chairman of the Cabinet's Socialisation of Industry Committee ensured that his ideas would form the basis of each nationalisation scheme. It was a recognition that the model public authority he had proposed in *Socialisation and Transport* represented the most

³⁴Emanuel Shinwell, *Conflict without malice* (1955), p. 172.

³⁵Tomlinson and Tiratsoo, *Industrial efficiency and state intervention*, pp. 15-16.

³⁶See Francis, *Ideas and policies under Labour*, pp. 78-90.

³⁷*Ibid.*, p. 79; Chick, *Industrial policy in Britain*, pp. 92-97.

detailed and well-thought out plan that was available to the government. Indeed, to paraphrase Shinwell, it was when alternatives were sought to Morrison's ideas that nothing 'practical and tangible' was found to exist. Even though some members of the government had doubts about the details of Morrison's proposals, given the paucity of alternatives there was little likelihood that the nationalised authorities would differ greatly from the public corporations envisaged in *Socialisation and Transport*.

The structures established for the first nationalisation – coal – laid out the basic, Morrisonian, model that was to be followed in the succeeding cases, with subtle alterations required by the specifics of the industry concerned.³⁸ The very first section of the Coal Industry Nationalisation Act indicates the government's approach. It provided that responsibility for the 'working and getting of coal in Great Britain', and the 'making supplies of coal available' to all, would rest not – as, for example, was the case for the Post Office – with direct ministerial control, but with a 'National Coal Board'.³⁹ While responsible to a minister and thereby to parliament and the country, the Coal Board would be independent of direct day-to-day control from the government – in Morrison's view essential if efficient management was to be possible.⁴⁰

³⁸Tomlinson suggests that a concentration on it is consequently 'helpful' to an understanding of the nationalisation process in general: Tomlinson, *Democratic socialism and economic policy*, p. 102.

³⁹*Coal Industry Nationalisation Act* (1946), Section 1.

⁴⁰See Morrison, *Socialisation and Transport*, pp. 165-71. Morrison's continued adherence to this principle is revealed by his opposition, in 1948, to Strauss's (Minister of Supply) proposed inclusion in the iron and steel nationalisation Bill of power to 'give specific directions to the Corporation about the total capacity of the industry, the quantities, quality and size of its products, and the location of new works'. Morrison (with the backing of the Ministerial Committee on the Socialisation of Industry) argued that 'the taking of such a power would be contrary to the hitherto-accepted doctrine that socialised boards could be trusted to act, by and large, in the national interest and need not be subjected to the same degree of control as private industry; the critics of the Bill would ask why it was necessary to appoint a Corporation at all; and the minister would find it difficult, if not impossible, to obtain competent persons to serve on the Corporation': CAB 128/13, CM (48) 63, 1 (15 Oct. 1948).

The desire to give the new public corporations independence in operational matters is confirmed by the very broad definitions of what the Coal Board would be expected to do. According to the Act, the functions of the Board 'shall include the carrying on of all such activities as it may appear to the Board to be requisite, advantageous or convenient for them to carry on for or in connection with the discharge of their duties'.⁴¹ Sceptics might conclude – as the Conservatives alleged in parliament – that defining the Board's responsibilities in this fashion merely revealed a lack of ideas in the government on what the new public authorities should do.⁴² It was far more likely, however, that the intention was to enable the authorities to undertake their duties without an over-burdensome legislative framework of responsibilities. This is all the more probable given their composition. In what amounted to a virtual word-for-word quotation from *Socialisation and Transport*, suitable candidates for membership Coal Board were defined as those persons 'appearing to [the Minister of Fuel and Power] to be qualified as having had experience of, and having shown capacity in, industry, commercial or financial matters, applied science, administration, or the organisation of workers'.⁴³

The government was aware, however, that simply to create independent public monopolies to run the industries it took from private hands would be unlikely to satisfy many of its own supporters. Even Morrison recognised that tangible checks had to be placed on the power of the boards to prevent them exploiting their monopoly

⁴¹*Coal Industry Nationalisation Act*, Section 2.

⁴²See Anthony Eden, *HC Deb.* (418), col. 718 (29 Jan. 1946).

⁴³*Coal Industry Nationalisation Act*, Section 2 (3). Compare this to Morrison's expressed preference for a membership of 'persons who have had wide experience and have shown capacity, in transport, industrial, commercial or financial matters or in the conduct of public affairs': Morrison, *Socialisation and Transport*, p. 159.

position.⁴⁴ The most direct of these checks were to be exercised by the relevant ministers. Firstly, these ministers would appoint the boards running the industries.⁴⁵ Secondly, the ministers were given the power to issue ‘after consultation with the Board ... directions of a general character as to the exercise and performance by the Board of their functions in relation to matters appearing to the Minister to affect the national interest, and the Board shall give effect to any such directions’. Moreover, the nationalisation measures required that ‘in framing programmes of reorganisation or development involving substantial outlay on capital account, the Board shall act on lines settled from time to time with the approval of the Minister’.⁴⁶

It was not, however, merely with regard to its own position vis-à-vis the nationalised boards that the government sought to limit their independence. Although worker control had long been abandoned as unrealistic by Labour policy makers, and was roundly dismissed in *Socialisation and Transport* as both impractical and undesirable, the notion that workers should have greater influence in the running of industries was more readily accepted.⁴⁷ Calls for mandatory trade-union representation on the nationalised boards had long been rejected by Morrison as incompatible with the notion of boards served by the most able candidates. Interestingly, the idea was also unpopular with the TUC, which feared it would be impossible for any trade unionists so appointed to reconcile two potentially conflicting

⁴⁴In April 1950, when pressure was building for the appointment of a Select Committee to oversee the socialised industries (an idea he considered ‘would not in the long run facilitate the smooth and efficient working of these industries’), Morrison admitted that ‘if parliament and the public felt that there was no check on the efficient working of each socialised industry other than the opinion of the responsible minister and the board, there would be strong pressure for the appointment of a Select Committee’: CAB 128/17, CM (50) 22, 4 (20 Apr. 1950) and CAB 128/17, CM (50) 66, 8 (27 Apr. 1950).

⁴⁵*Coal Industry Nationalisation Act*, Section 2 (7, a).

⁴⁶*Ibid.*, Section 3 (1-2).

⁴⁷Tomlinson, *Democratic socialism and economic policy*, pp. 97-8.

loyalties.⁴⁸ Instead, the nationalisation measures required the boards to secure, alongside the ‘safety, health and welfare of persons in their employment’, the ‘benefit of the practical knowledge and experience of such persons in the organisation and conduct of the operations in which they are employed’.⁴⁹ In addition, the government sought to ensure that consumers had a voice in the operation of the new public industries by providing for the establishment of Consumers Councils – for both industrial and commercial consumers.

While limited by the requirements to satisfy government, workers and consumers, it remained the case that real authority rested with the boards. Such checks and balances as existed were little more than inevitable responses to pressures for visible accountability. They did little to restrict the scope of the boards’ domination. Moreover, the Morrisonian nationalisation schemes exhibited strong tendencies towards the centralisation of power within the industries at board level.⁵⁰ Even in cases such as the gas industry (where a semi-independent regional structure was implemented) and transport (where a thematic organisation was adopted) it was still with a single board that ultimate power effectively rested.

Given this, two main conclusions can be drawn about the nature of the nationalisation schemes. The first is that the unpopularity which was perceived even by such advocates as Morrison to rapidly engulf the nationalised industries, is readily explicable. The Morrisonian method of nationalisation ensured that little change occurred towards a ‘democratisation’ of industrial control.⁵¹ Moreover, those changes that did occur, especially in the granting of substantial independence to the new

⁴⁸*Ibid.*, p. 97.

⁴⁹*Coal Industry Nationalisation Act*, Section 4.

⁵⁰Tomlinson, *Democratic socialism and economic policy*, pp. 115-6.

⁵¹That is to say that neither workers, nor consumers, nor society in general, had any demonstrably greater say in the running of the industries than had been the case when they were in private hands.

boards, appeared likely to decrease the impression of public accountability, rather than the reverse. Secondly, it appears that Morrison's ideas were primarily suited to the 'basic' industries and services which were taken over between 1945 and 1951. The concept of a single board governing an entire industry is surely best applied in cases where the industry performs a relatively small number of functions. It is difficult to envisage such an organisational structure being suitable in many manufacturing industries where a diversity of operations and products are the norm.⁵² If these industries were to be nationalised then new techniques of nationalisation were surely necessary.⁵³

III

Given the existence of such difficulties with the Morrisonian model of nationalisation when exposed to the test of practical experience, it might be wondered why the Attlee government persisted with it. However, the process of taking over the industries initially proved remarkably straightforward. With the first industries to be nationalised, the Socialisation of Industry Committee was rarely faced with issues of sufficient contention to require the opinions of the Cabinet as a whole being sought. Even in the case of coal – the very first measure – the Committee only submitted its proposals to Cabinet when final approval was needed. Moreover, the Cabinet was quite willing to accept the Morrisonian scheme outlined by the Committee, and approved the draft Bill with the minimum of discussion and no apparent disagreement.⁵⁴

⁵²If, that is, industrial efficiency, which was set out as one of the criteria for nationalisation, was to be maintained.

⁵³Iron and steel was such an industry included in the 1945 nationalisation programme, and, as will be shown below, its nationalisation was extremely problematic.

⁵⁴As already noted, Cabinet conclusions are by no means verbatim records of the discussions entered into, but it is clear from the brevity of the reported discussion that opposition to the measure was

This ready Cabinet acceptance was largely repeated with the gas and electricity industries. Conflicting opinions did emerge on the organisational structures of the industries, but there were no serious divisions among ministers. That these measures failed to generate controversy within the Cabinet is unsurprising. That they failed to generate substantial controversy when presented to parliament might seem more surprising. The occasion of coal nationalisation could have been used by the Conservatives to indicate their continued ideological opposition to nationalisation. However, the token nature of their opposition demonstrates that they had little real resistance to offer to the fuel and power industries being made public concerns. Eden, who opened the debate on the Bill's Second Reading for the Conservatives, recognised that the government had 'got their mandate' for nationalisation,⁵⁵ and as a consequence the main thrust of his speech criticised the details of the Bill rather than the justification for the measure *per se*.⁵⁶ Considering that a substantial change was occurring in the country's industrial structure, general criticism of the change itself was in short supply.

The Conservative reaction to the coal Bill, repeated with gas, electricity and the railways, provides support for those arguing in favour of the existence of a post-war 'consensus'. These first nationalisations reveal how rapidly the Conservatives came to accept the existence of a post-war public sector of certain 'basic' industries and services. They had themselves acknowledged in 1945 that these industries and services would require sustained government support – in the case of coal arguing in

minimal or non-existent. The only point of discussion was one raised by Bevan regarding the level and method of compensation: CAB 128/2, CM (45) 62, 6 (13 Dec. 1945). See below, section V.

⁵⁵*HC Deb.* (418), col. 725 (29 Jan. 1946).

⁵⁶He argued, for instance, that giving the Minister power in Section 3 of the Bill to give 'directions of a general character' to the Coal Board meant that there was 'no clear line of demarcation in the Bill between the Board and the Minister': *ibid.*, col. 721

favour of a 'central authority' to run the industry, albeit a privately-owned one.⁵⁷ With Labour's election victory the Conservatives clearly decided to accept that the method of government intervention in these industries and services would be nationalisation.

However, the Conservatives did not accept the principle of nationalisation as a means of industrial organisation on a wider-scale – that is to say, beyond certain basic industries and services. This indicated that substantially greater resistance would be offered to further nationalisation measures – precisely what happened with the Attlee government's later nationalisations, especially iron and steel. An examination of these later nationalisations is essential for analysis of nationalisation over a longer time period. For the difficulties experienced with nationalisation in the last years of the Attlee government had considerable influence on the Labour party's subsequent attitudes towards public ownership and control.

IV

One of the clearest indicators that the nationalisation programme began to run into difficulties is provided by the Cabinet records. While the nationalisations of coalmining, gas, electricity and the railways had been matters for little more than the rubber stamp of Cabinet approval,⁵⁸ those of road haulage and iron and steel received considerable attention. Time and time again the Cabinet was asked by the Socialisation of Industry Committee to make decisions fundamental to the nature of

⁵⁷Conservative Party, 'Mr. Churchill's Declaration of Policy to the Electors', in Craig, *Election manifestos*, pp. 120-1.

⁵⁸Coal nationalisation took only one Cabinet discussion to be approved: see CAB 128/2, CM (45) 62, 6 (13 Dec. 1945). The main details of the electricity and gas schemes were also settled in single meetings (respectively, CAB 128/6, CM (46) 69, 6 (18 July 1946) and CAB 128/12, CM (48) 3, 2 (13 Jan. 1948)). With both gas and electricity, the regional structure had been a matter of debate (especially regarding the number and nature of control in Scotland and Wales), but little controversy:

the schemes, and was frequently unable to reach agreement. The 'sanitised' Cabinet minutes cannot hide the lack of agreement on even such crucial questions as whether the schemes should go ahead.

The two industries had several common characteristics which made their nationalisation complicated. Firstly, they consisted of a multiplicity of separate companies and operators. Incorporating them within Morrisonian nationalisation measures was likely to be much more complex than the previous industries. Secondly, a great many of the companies were resistant to the idea of nationalisation, and determined to make it as hard as possible for the government to take them over. This had also been the case with coalmining, but the strength of the coal owners' position had been seriously undermined by the poor performance of the industry during the war. Thirdly, and this particularly applied to iron and steel, the industries were so broad in their scope that to nationalise them in their entirety would be both impractical and undesirable, as even the government admitted. While some companies were involved in the supply and production of large-scale basic iron and steel which classified them as 'utilitarian' in function, the industry also included others, especially the specialised, finished steel manufactures, which clearly did not.

Before attempting to tackle iron and steel, the government found itself faced with substantial difficulties over which parts of the road haulage industry it wished to take over. To incorporate all possible forms of road haulage would have been in effect to nationalise all road transport outright, something that was considered a near practical impossibility.⁵⁹ The difficulty lay in determining a dividing line, a point at

for electricity see CAB 128/6, CM (46) 107, 5 (19 Dec. 1946); for gas see CAB 128/12, CM (48) 3, 2 (13 Jan. 1948).

⁵⁹Given the very large size of the bureaucracy which would have been required to co-ordinate the activity of the thousands of vehicles.

which road haulage ceased to be for personal use or the internal use of a company, and became commercial. This led the Cabinet into long and protracted discussions as to the practicality of taking over certain licence classifications, and the practicality of restricting other licences to certain short-haul operations.

The eventual abandonment by the Cabinet of a scheme to which it had finally agreed,⁶⁰ on the grounds that it was simply impractical, while seemingly only a technical matter, is in fact one of fundamental importance.⁶¹ For in deciding that the nationalisation of industries beyond a certain point was undesirable (in this case on the grounds of the bureaucratic nightmare that would ensue) the government was in effect rejecting any literal commitment to public ownership of the means of production, distribution and exchange laid out in clause IV of the Labour party's constitution. The Attlee government's policy on the road haulage industry demonstrated that it was not prepared to put ideology before economic logic. In their judgement, nationalisation of the entire road haulage industry would lead to great administrative and operational difficulties, and to reduced efficiency. They clearly felt this was neither desirable, nor politically defensible.

The difficulties revealed by nationalisation of road haulage were increased with the protracted take over of iron and steel. As with road haulage, there was the substantial problem to overcome of deciding exactly what part of the industry should

⁶⁰That is to bring within the scope of the nationalisation scheme 'C'-License holders, with certain exemptions.

⁶¹The original proposal of Barnes (Minister of Transport) in April 1946 was to exempt from nationalisation C-License holders whose business operated in an area less than 40 miles in radius, plus any others who could make a convincing argument for their exemption. The Cabinet was adamant that 'to give complete freedom to operate this class of traffic would endanger the economic success of the whole scheme of nationalisation', its determination was reinforced by the evidence of how large a proportion of the road haulage industry operated under the C-Licence. This importance, however, proved the undoing of the scheme, since by March 1947 it was apparent that 'both in parliament and in the country there was strong opposition to the proposed restrictions and a majority of the Labour party would oppose' any nationalisation of C-Licences. In the light of this, the Cabinet abandoned

be nationalised.⁶² A relatively small number of firms constituted the vast majority of the activity of the industry, certainly in terms of consumption of raw iron and the production of basic processed iron and steel. Beyond this, however, was a huge number of firms, down to very small producers of finished steel goods such as cutlery. Deciding where to draw the line caused much agonising.⁶³

The government's desire not to involve itself in the take over of such concerns has much significance. It reinforces the impression created by road haulage that the government was not willing to extend the scope of the public sector beyond either 'basic' industries and services, or 'basic' elements *within* other industries and services. This was consistent with the line taken in *Let us Face the Future* that 'many smaller businesses ... can be left to go on with their useful work'.⁶⁴ Yet it indicates the adoption of a much broader definition of such 'smaller businesses' than was apparent from the manifesto, which gave no indication that any parts of the iron and steel industry would be exempted from nationalisation. The consequences for future nationalisation are important, for this approach necessarily narrows the number of industries, and parts of industries, available as potential targets.

It must be recognised, however, that the government did not necessarily reach such a position voluntarily. With iron and steel, its behaviour was influenced by the difficulties it experienced in dealing with the industry's trade association, the British

any inclusion of C-Licences in the nationalisation measure: see CAB 128/5, CM (46) 35, 5 (15 Apr. 46); CAB 128/6, CM (46) 64, 4 (4 July 1946); CAB 128/9, CM (47) 28, 3 (13 Mar. 1947).

⁶²CAB 128/5, CM (46) 30, 3 (4 Apr. 1946).

⁶³The Cabinet was primarily torn between two schemes, one encompassing 85 companies and 155 subsidiaries, the other, more limited, scheme including 32 companies and 100 subsidiaries: CAB 128/12, CM (48) 39, 5 (14 June 1948). The Cabinet was also faced with particular problems, such as the company Messrs. Dorman Long (which was included in the nationalisation scheme), which was heavily involved in structural engineering in Britain and in Africa and South America. Although the Cabinet decided to continue with its nationalisation, it demonstrates the extent to which the iron and steel industry 'crossed' from 'infrastructure' to manufacturing: see CAB 128/16, CM (49) 58, 2 (13 Oct. 1949).

⁶⁴Labour party, *Let us Face the Future*, p. 6.

Iron and Steel Federation (BISF). The BISF was a complex organisation, involved in far more than simple representation of its members' interests. Through various subsidiary organisations, the BISF was a key player in several vital areas of the industry's operation, especially the import and distribution of raw iron.⁶⁵ It also employed a staff of technical experts whose knowledge was considered by many to be its most valuable asset.⁶⁶ Clearly the position of the BISF in the nationalisation scheme was a matter of vital importance to its success or failure.

The difficulties facing the government in any 'take over' of the BISF were numerous and substantial. Firstly, the exact nature of the BISF was not readily apparent to those outside of its organisation: it had so many inter-linked parts that bringing it within the framework of a legislative proposal would not be easy. This difficulty was exacerbated by a second obstacle: the intractable opposition of the BISF to any substantive measure of nationalisation.⁶⁷ It was not prepared to co-operate with the government's attempts to discover its true structures. Thirdly, so opposed was it to nationalisation that the services of its skilled personnel might not be secured: they might very well refuse to work for the nationalised industry and resign, leaving a huge gap in the management of the industry.⁶⁸ Finally, the BISF was sufficiently politically aware to realise that it could not simply sit back and wait for nationalisation to happen.⁶⁹ Instead, it pursued a vigorous propaganda campaign on two fronts: on the one hand opposition to the concept of nationalisation, on the other accepting a need

⁶⁵Ruggero Ranieri, 'Partners and enemies: The government's decision to nationalise steel 1944-8', in Millward and Singleton, *The political economy of nationalisation*, p. 281.

⁶⁶*Ibid.*

⁶⁷CAB 128/6, CM (46) 76, 3 (1 Aug. 1946); CAB 128/17, CM (50) 6, 4 (2 Mar. 1950). Although, as Ranieri shows, they were prepared to try and 'buy off' the government with limited schemes of public ownership: see 'Partners and enemies', pp. 284, 288-9.

⁶⁸In 1950, for example, it refused to help Strauss in 'persuading suitably qualified people to accept appointment to the Iron and Steel Corporation': CAB 128/18, CM (50) 51, 1 (27 July 1950).

⁶⁹Ranieri, 'Partners and enemies', p. 286.

for change and making alternative proposals to nationalisation.⁷⁰ By presenting the government with a series of compromise schemes, it sought both to undermine public confidence in the need for nationalisation, and to weaken the resolve of members of the government to press ahead.⁷¹

While the reception of the general public to the BISF's campaign, supported by the Conservatives, is not readily measurable, it seems to have encouraged doubts in the minds of several Cabinet members. Despite having been elected only a few years before with a commitment to the industry's nationalisation, some ministers were now unenthusiastic.⁷² One of those who appeared the most doubtful was the architect of the entire nationalisation process, Morrison, who was prepared to argue at Cabinet that iron and steel was a step too far.⁷³

Explanation for the lack of enthusiasm for iron and steel nationalisation among ministers such as Morrison, Shinwell, Lord Jowitt (Lord Chancellor), Greenwood (Lord Privy Seal), reveals a series of highly significant conclusions on their part.⁷⁴ Their central reason for abandoning or modifying the nationalisation scheme was that it would not achieve its desired aims. Primarily, it would fail to bring about the greater efficiency which had been put forward as a fundamental justification for public

⁷⁰Including its Five-Year Plan in 1946, described by Ranieri as 'a remarkable achievement': *ibid.*, pp. 281-2.

⁷¹See CAB 128/5, CM (46) 30, 3 (4 Apr. 1946).

⁷²Indeed, Shinwell (Minister of Fuel and Power) argued at the first Cabinet discussion on the subject that 'he felt that the Cabinet should not overlook the many difficulties inherent in the proposal', and emphasised the problem of deciding 'where the line should be drawn': CAB 128/5, CM (46) 30, 3 (4 Apr. 1946). Ranieri's contention that the Attlee government would 'probably have dropped it [i.e. nationalisation], had they not been under pressure from members of the left both inside the Cabinet, among Labour backbenchers and in the trade unions' certainly appears justified: Ranieri, 'Partners and enemies', p. 275.

⁷³See CAB 128/12, CM (48) 36, 4 (7 June 1948).

⁷⁴For evidence of their opposition, see, for example, the Cabinet meeting of 4 April 1947, at which Lord Jowitt and Greenwood argued that 'it would be sufficient if the government were to acquire a controlling interest in the companies concerned by the purchase of 51% of the shares. This would minimise the extent to which the government might be paying for obsolescent or obsolete assets': CAB 128/9, CM (47) 39, 6 (4 Apr. 1947).

ownership and control.⁷⁵ Given the BISF's resistance to nationalisation, any change would have to be undertaken in spite of the opposition of the industry, rather than with its support – a process which might well result in a weakened industry, rather than a strengthened one.

Consequently, repeated calls were made in Cabinet for compromise with the BISF.⁷⁶ The issue came to a head in July 1947, when Morrison reported that the BISF was prepared to 'accept far-reaching statutory control of the industry'.⁷⁷ He argued that 'in present circumstances, when it was of vital importance to secure the maximum output of steel, it seemed to him to be the duty of the Cabinet to refrain from any step which would jeopardise steel production' – the implication being that nationalisation would lead to a reduction of output. Morrison was strongly backed by Williams (Minister of Agriculture) and Jowitt, while Viscount Addison (Secretary of State for Commonwealth Relations) stated 'that he had always doubted whether any real gain would come from the nationalisation of the iron and steel industry'. Wilmot (Minister of Supply) recognised that the BISF's new proposals 'represent[ed] a very substantial change in their former attitude'. Only Bevan and Cripps (President of the Board of Trade) expressed 'strong opposition to the compromise proposals' and strong support for nationalisation. After three weeks of raging arguments, the Cabinet was persuaded by Dalton, Bevin and Attlee to settle for postponing nationalisation – a proposal which hardly indicated any great enthusiasm for nationalisation on their part either.⁷⁸

⁷⁵It was argued in the Cabinet in April 1947 that 'if the government acquire the whole of the shares of the companies concerned, it was difficult to see what incentive the companies would have to innovate and enterprise', either before or after nationalisation: CAB 128/9, CM (47) 40, 2 (28 Apr. 1947).

⁷⁶Morrison and Dalton (Chancellor of the Exchequer) urged Wilmot in June 1947, for example, to meet the BISF to discuss new proposals for co-operation: CAB 128/10, CM (47) 57, 1 (26 June 1947).

⁷⁷And also agreed that 'these powers would be exercised directly by an Iron and Steel Board, and that, to enable the Board to exercise these powers effectively, the necessary expert staff be made available from Steel House [the headquarters of the BISF]': CAB 128/10, CM (47) 64, 2 (24 July 1947).

⁷⁸CAB 128/10, CM (47) 66, 4 (31 July 1947) and CM (47) 70, 6 (7 Aug. 1947).

Ministers such as Morrison and Jowitt feared that to give greater emphasis to the need to nationalise the industry than to secure its efficient operation and development would leave the government exposed to accusations of a dogmatic attachment to nationalisation that, it is clear, few in the government now had.⁷⁹ The desire for compromise was reinforced by the potential difficulties that passage of any iron and steel nationalisation Bill faced in parliament. In the House of Commons, substantially more opposition than had previously been experienced was certain, while in the House of Lords the government's ability to gain approval for the Bill was questionable. Previously, the Lords had been reluctant to provoke confrontation with the Commons over nationalisation Bills that had been uncontroversial in the lower House. With iron and steel, however, this was not likely to be the case,⁸⁰ and given that the Bill would in all probability have to be hybrid,⁸¹ the scope for delaying its passage would be considerable. Reform of the House of Lords was in fact undertaken to prevent the upper House obstructing the Bill indefinitely, but it still appeared impossible to nationalise the industry before the next election.⁸²

That scenario was keenly felt by Cabinet ministers to be undesirable, since it would allow the Conservatives and the BISF to make the nationalisation measure a major electoral issue, yet the case for its nationalisation was, as many ministers admitted, far from overwhelming.⁸³ Morrison in particular argued that the

⁷⁹See CAB 128/9, CM (47) 40, 2 (28 Apr. 47).

⁸⁰CAB 128/15, CM (49) 41, 2 (20 June 1949).

⁸¹That is, a measure which affected specific private interests (rather than 'categories' of such interests: for example, all steel companies with an output above, say, 500,000 tons per annum). The passage of such Bills required they be approved by parliament separately with respect to each individual concern. The numerous votes this process entailed made the likelihood of defeat for the government greater than otherwise, especially if (as in this case), it was faced by a determined opposition in the Commons and, especially, the Lords. For governments with a small majority (the 1964-70 Wilson government, for example), the problems were all the greater.

⁸²CAB 128/13, CM (48) 77, 3 (2 Dec. 1948); CAB 128/16, CM (49) 47, 2 (21 July 1949); CAB 128/16, CM (49) 65, 2 (10 Nov. 1949).

⁸³Francis, *Ideas and policies under Labour*, pp. 74-5.

government would be better off dealing with problems in the existing nationalised industries, rather than trying more – and highly controversial – nationalisation. The eventual nationalisation of the industry in the face of his opposition was undoubtedly a triumph for the pro-nationalisation ‘faction’ within the Cabinet.⁸⁴ However, the perception that to abandon the measure would be a blatant renegeing on a manifesto commitment weighed heavily with many, especially Attlee. Moreover, the failure – unsurprisingly – of the compromise proposals of the BISF to satisfy the majority of Cabinet members meant that there were few alternatives to nationalisation available.⁸⁵ Nonetheless, the extent to which the Cabinet constantly reconsidered the issues, even after the passage of the Iron and Steel Nationalisation Act, indicates the lack of certainty surrounding the decision to continue. That serious thought was given until immediately before the public iron and steel authority was due to assume control over the industry to postponing the implementation of the Act until after a further election,⁸⁶ makes it plain that there were few Cabinet ministers who did not harbour some doubts about the proposal.

V

The practical doubts which the road haulage and iron and steel raised among ministers on nationalisation of such non-‘basic’ industries would by themselves have had a significant impact on the plans of the Labour party for future nationalisation.⁸⁷ In addition there were further causes for re-consideration, relating to the effectiveness

⁸⁴Led primarily by Bevan who had, for example, pressed the Cabinet in 1945 to nationalise the building materials industry, as well as not any action which might ‘preclude the government from extending public control to other industries during the present parliament if circumstances arose which made such action desirable’: CAB 128/2, CM (45) 52, 1 (13 Nov. 1945). It was also the case, however, that such leading figures as Cripps, Dalton, Bevin and Attlee, favoured nationalisation (even if without the fervour of Bevan): Ranieri, ‘Partners and enemies’, pp. 275, 289-90.

⁸⁵*Ibid.*, pp. 288-9.

of nationalisation *per se* to achieve its aims. Two main areas of doubt emerged: the first concerned the ability of nationalisation to bring about a real redistribution of wealth, the second whether nationalisation had led to any meaningful redistribution of economic power.

Questions concerning the impact of nationalisation on wealth redistribution centred on the impact of the compensation process adopted. Compensation had long been controversial for the Labour party. Some on the left had long held that expropriation without compensation was all that owners deserved, given the long years in which they had earned profits from the exploitation of their workforce. Such arguments were expressed especially about the coalmining industry, but were felt by some to be more generally applicable. But expropriation had never been accepted by the mainstream of the party, and it was not given serious consideration in 1945. Moreover, given that in the gas and electricity industries many owners were local authorities, its entire conception was demonstrably illogical. Dismissing the concept of expropriation, however, was an easier task than drawing up schemes for compensation that would satisfy the diverse concerns of existing owners, the Treasury, and a majority in the party – which, while accepting that compensation had to be given, were unwilling to see too high a level offered.

The preferred solution – or at least, the method most commonly used by Morrison and his colleagues – was that of compensation based on stock-market value.⁸⁶ Holdings in the various companies were compulsorily replaced with government stock of a commensurate value, the appropriate value being calculated as

⁸⁶That is to say, until after the election that was to be called in 1951. See CAB 128/18, CM (50) 58, 2 (14 Sept. 1950).

⁸⁷Brooke, 'Reassessing a Labour 'revisionist'', pp. 27-8.

⁸⁸CAB 128/9, CM (47) 40, 2 (28 Apr. 1947).

an average over a chosen period. While demonstrably fair – assuming a ‘typical’ period could be found to estimate the value of the shares and stocks – this method was obviously only suitable for concerns listed with the Stock Exchange. For owners of the municipal gas and electricity companies, along with those of other unlisted companies, compensation levels had to be set by consideration of the value of their enterprises relative to the listed companies.⁸⁹

The coalmining industry alone was felt to be unsuitable for such calculations. So complex was the industry, with the value of individual concerns affected by a huge range of factors, often highly technical and geological in basis, that the government made no attempt to specify in the Nationalisation Act exactly how much compensation would be offered, or exactly how it would be offered. Instead, a Compensation Tribunal was set up which would first determine a global sum of compensation, and then calculate the distribution of that sum by district, and by colliery company. Details of the compensation package were still being disputed in the 1950s, and few if any people ever professed to understand whether the final settlement was a fair one.⁹⁰

What was never in dispute, except perhaps in the case of coal where the Coal-Owners’ Association believed they received less than was justified,⁹¹ was that the terms of compensation were fairly generous so far as the owners were concerned.

⁸⁹See CAB 128/9, CM (47) 26, 5 (6 Mar. 1947). Particular problems were experiences with compensation for local authorities, no doubt due to the political sensitivity of expropriating *public*, rather than *private*, bodies: see, for example, CAB 128/10, CM (47) 54, 4 (17 June 1947), where the Cabinet debated, and eventually rejected, a proposal to increase the compensation terms to local electricity authorities by £15 million (although a slightly more generous package than originally intended was nevertheless agreed to).

⁹⁰Officials within the Ministry of Fuel and Power never even worked out how the Compensation Tribunal had calculated the global sum, let alone whether the calculation had been equitable, for the Tribunal members ‘were laconic in the extreme ... provid[ing] neither an indication or their assumptions ... nor any other explanation of how they arrived at their decision’: Supple, *Political economy of decline*, pp. 658-9.

This is demonstrated during the nationalisation debates in the Commons by the lack of real objection raised by the Conservatives, many of whom had interests in the companies taken over.⁹² The real objections to the compensation terms came from within the Labour party, and indicated growing ideological concerns.

These arose on two, related, grounds. Firstly, in attempting to be seen to offer full and fair levels of compensation, the government was considered by many of its supporters to be paying too high levels.⁹³ In effect, the levels of compensation were creating an impression that nationalisation was little more than a financial transaction, the only difference from the norm being that the government was the purchaser, and was making the purchase compulsory. Moreover, the extent of the compensation not only cost the Treasury vast sums at a time when the country was in a perilous financial position, but also burdened the industries with such levels of indebtedness that their potential for development would be hampered and their consumers have to pay higher than desirable prices.

The sense that the compensation process meant that even after nationalisation the industries would still be financially beholden to the old owners,⁹⁴ when one of the purposes of nationalisation had been to end just such a situation, was felt by many in the party to be deeply inequitable.⁹⁵ It was also linked to the second strand of criticism – that it failed to bring about any redistribution of the nation's wealth. The

⁹¹The lack of clarity over exactly how the Compensation Tribunal had calculated the global sum made it easy for the owners to criticise it.

⁹²Although they were not especially enthusiastic about receiving large quantities of fixed-interest government stock.

⁹³A point recognised by the Cabinet when it considered iron and steel compensation: CAB 128/9, CM (47) 39, 6 (4 Apr. 1947).

⁹⁴In the sense that the public industries were obliged to make payments to the Treasury to cover the costs of the compensation issued to the owners: see, for example, *Coal Industry Nationalisation Act*, Section 28 (1, a).

⁹⁵As Bevan argued, it was 'important to avoid any suggestion that under the new dispensation miners would still be working to provide payments to the owners to compensate them for their former profits': CAB 128/2, CM (45) 62, 6 (13 Dec. 1945).

ability of nationalisation to act as a method of wealth redistribution had been considered a key ethical argument in favour of public ownership. Yet this was weakened by the principle of full compensation. For the result of such compensation was to ensure that the wealth of the persons concerned was not in fact altered. The *form* of the wealth held by the previous owners changed - from property, company stocks, and so on, to government stock - but the actual *quantity* did not.

Although this should have been apparent even before 1945, it was not until the nationalisation process had begun that serious consideration of the problem was undertaken by Labour party thinkers.⁹⁶ Before that time, the focus of most work, by Durbin for example, had been on economic questions of industrial power, rather than equality.⁹⁷ Once the matter was addressed, Jay and Crosland questioned whether nationalisation could be, in practice, a realistic method of redistribution.⁹⁸ It was recognised that it would achieve a gradual redistribution of wealth, since the rate of interest on government stock tended to be lower than the typical returns earned from existing assets.⁹⁹ However, the effects of such a lower rate of return would take a considerable length of time to bring any noticeable change, and it was not a realistic method of achieving significant or rapid change. Far better, Crosland argued, to pursue active redistributive taxation policies which held out the prospect of results in

⁹⁶Booth is particularly scathing of the lack of detailed attention given in the 1930s to questions of what nationalisation was intended to achieve, and how it would achieve these aims. He alleges, for example, that Dalton and others were guilty of 'creating party policy in the context of a widespread and dogmatically-held but naïve view that the key to improving economic performance lay in control over the levers of economic power': see Booth, 'How long are light years?', pp. 10-13.

⁹⁷Brooke, 'Reassessing a Labour 'revisionist'', p. 46.

⁹⁸*Ibid.*, pp. 45-6.

⁹⁹Holding large blocks of a single stock – i.e. government stock – also offered less flexibility than owners had previously enjoyed.

a much shorter time frame, and leave nationalisation to fulfil the other ethical, and especially economic, aspirations held for it.¹⁰⁰

As the nationalisation process advanced from legislation to the actual existence of public industries, it was also apparent that it was not producing a redistribution of power and influence in and over the economy. One major justification for nationalisation had been that it would - as the term implied - remove control of the industries concerned from the hands of a few into those of the nation as a whole. Clearly, this was not to happen in a literal sense, but the importance given to the concept in a more figurative sense should not be under-estimated. The nationalised boards were expected to govern in the name, and interests, of the nation, with the managerial freedom insisted upon by Morrison being tempered by their sense of responsibility and public service.

Within a very short period of time, however, doubts were expressed about whether the method of control was in practice creating any greater sense of public responsibility on the part of the managements. Increasingly, it was felt that the only change had been to swap a private system of management which gave little or no consideration to the opinions of workers, the government, or the nation, for a public system which produced no significant improvement. Indeed, some of the new public boards seemed even less willing than their predecessors to listen to outside opinions. Secure in the knowledge that they had been appointed in the name of the nation, the boards were unwilling to recognise that the nation had a right to scrutinise their behaviour.¹⁰¹

¹⁰⁰This view was challenged by Durbin until his death in 1948. While accepting that public ownership was only one of the instruments of industrial policy, he remained far more convinced of its benefits than Crosland: Brooke, 'Reassessing a Labour 'revisionist'', p. 48.

¹⁰¹Jim Tomlinson, 'Mr Attlee's supply-side socialism', *Economic History Review*, 46 (1993), p. 15; Chick, *Industrial policy in Britain*, pp. 92-4.

The British Electricity Authority (BEA), quickly proved itself keen to pursue policies not merely independent of the desires of the government, but in direct confrontation with it. In the winter of 1947-8, the Minister of Fuel and Power, Gaitskell, was concerned that both the current and future development schemes proposed by the BEA were unjustifiably extravagant in the post-war economic circumstances.¹⁰² He recognised that demand was increasing at a extreme pace, but he sought to persuade the BEA that the solution, in the short term at least, was to restrict demand rather than embark on a costly power station development plan. Gaitskell asked the BEA to introduce metering, and thereafter differentiated rates dependent on the time of day, with the effect of raising the cost of peak-time consumption.

As Chick notes, ‘that the BEA should have resisted Gaitskell’s attempts to introduce meters and time-of-day tariffs was, perhaps, unsurprising’, given that they were intent on pursuing the rapid expansion of the generative capacity of the industry.¹⁰³ However, as he continues, ‘what was more surprising, and certainly revealing of the dynamics of the emerging balance of power between ministers and the nationalised industries, was that their resistance should have proved successful’.¹⁰⁴ The problem was that Morrison’s specific purpose in proposing the creation of public corporations or boards had been to ensure that interference in their operations be kept to the minimum. As Tomlinson rightly argues, ‘to a significant degree nationalisation as a means of planning the economy was a chimera, given the Morrisonian notion of public sector managerial independence’.¹⁰⁵ While the relevant minister may have

¹⁰²The reverse was also true. As Tomlinson notes, many boards resisted government attempts to persuade them to establish ‘shelves’ of projects against an impending slump’: Tomlinson, ‘Planning: debate and policy in the 1940s’, p. 161; Tomlinson, *Democratic socialism and economic policy*, pp. 101-2, 117-120.

¹⁰³Chick, *Industrial policy in Britain*, p. 92.

¹⁰⁴*Ibid.*

¹⁰⁵Tomlinson, ‘Planning: debate and policy in the 1940s’, p. 161.

retained the notional power to give ‘general directions’, the confrontation between Gaitskell and the BEA showed how little power the minister had in reality. To have issued such a general direction within months of the corporation being established would have been politically humiliating for the government. Instead, Gaitskell set up a committee to examine the issues in public. The attitude taken by the BEA to this body, the Clow Committee, came as a shock: its representatives ‘persistently obstructed the work of the committee’, refused to release information and engaged in ‘filibustering’. Morrison’s ‘faith in the “public spirit” of the board of the public corporation suddenly looked suspect and fragile’.¹⁰⁶

It cannot be mere coincidence, however, that this sense of fragility was becoming apparent at the very time that the general problems facing the government were rapidly increasing. From 1947 onwards, the government were confronted with a series of crises and difficulties that threatened at times to overwhelm them. Within days of the coal industry passing into public hands, the country was plunged into a fuel crisis that cut short any celebrations for the industry’s successful nationalisation. The fuel crisis was succeeded by a currency crisis that summer, when the weakness of sterling undermined the attempt to allow open currency conversion. It is no wonder that Gaitskell was keen to rein in the expansionist tendencies of the BEA, given the financial difficulties that now faced the government.¹⁰⁷ Moreover, the combination of problems was about to grow worse as the ‘easy’ nationalisations (the utilities and the weakened coal and rail industries) had already been implemented, while the more

¹⁰⁶Chick, *Industrial policy in Britain*, pp. 93, 97.

¹⁰⁷As Tomlinson and others note, 1947 marked a decisive turning point in the Attlee government’s general economic policy, towards greater fiscal restriction. ‘The central economic point’, Tomlinson contends, ‘is that prior to 1947 the government had not got to grips with the excess demand in the economy The changes of 1947 were certainly ‘Keynesian’ in the sense that the budget was explicitly used to reduce the level of demand’: Tomlinson, ‘Planning: debate and policy in the 1940s’,

controversial proposals, especially iron and steel, had now to be tackled. As Dalton famously observed, after 1947 it was 'never glad, confident morning again'.¹⁰⁸

VI

By the time the iron and steel industry finally passed into public control in 1951, it was clear that the number of further industries which the Attlee Cabinet was likely to consider 'ripe or over-ripe' for public ownership and control was severely limited. Water, the one obvious utility industry excluded from the 1945 programme, was being prepared for nationalisation when the government lost power at the 1951 election, but was already facing difficulties. Although Bevan and Dalton were keen proponents of the measures, other ministers, including Attlee, had serious doubts about the project – the Prime Minister arguing that he 'was not yet satisfied that a sufficiently strong case had been made out on general grounds for making this further inroad into the functions of local authorities'.¹⁰⁹ Beyond water the government had few fresh targets.¹¹⁰ The 1950 election manifesto listed cement, sugar and, 'if necessary', 'any appropriate sections' of the chemicals industry, but by the time of the 1951 election, this list had been abandoned – to be replaced with the commitment

pp. 169-70. Clearly this impacted on the investment programmes, and spending in general, of the nationalised industries, as Gaitskell's clash with the BEA shows.

¹⁰⁸Hugh Dalton, *Memoirs, iii: High tide and after, 1945-1960* (1962), p. 205.

¹⁰⁹See CAB 128/17, CM (50) 28, 6 (4 May 1950); CAB 128/18, CM (50) 44, 6 (10 July 1950). For an overview, see John Hassan, 'The water industry 1900-51: A failure of public policy?', in Millward and Singleton, *Political economy of nationalisation*, pp. 189-211. See especially Section 4, 'The role of interest groups', pp. 200-4, in which the lack of enthusiasm to clash with local authorities is stressed, and Section 6, 'Labour's nationalisation policy in the 1940s', pp. 206-9, in which the growing lack of desire to introduce legislation attacking property rights is noted (a lack of desire which impacted on land nationalisation as well).

¹¹⁰Initial discussions were held in the Cabinet regarding the nationalisation of sugar. Bevan was strongly in favour of nationalisation, but Webb's (Minister of Food) proposals simply to strengthen the powers of the British Sugar Corporation, and renegotiate the terms of the Refining Agreement 1937, found considerably more favour with the Cabinet: CAB 128/18, CM (50) 67, 6 (23 Oct. 1950) and CAB 128/18, CM (50) 68, 3 (24 Oct. 1950).

only to 'take over concerns which fail the nation and start new public enterprises wherever this will serve the national interest'.¹¹¹

This apparent transformation in view can be explained from two perspectives. Firstly, it was apparent even to Morrison himself that his corporatist model of nationalisation contained serious flaws. Fundamental problems of accountability existed, as revealed by the increasing demands from parliament to be granted the power of a select committee to oversee the nationalised industries. Moreover, the Morrisonian method was best suited to easily identifiable, coherent industries where national organisation and direction was appropriate. Such industries, however, were few and far between. As the experiences with road haulage and iron and steel had shown, more complex industries, especially those in manufacturing, were less well suited to such reorganisation. Secondly, it was far from apparent that nationalisation would bring about many of the objectives set for it. Nationalisation had failed to bring about a substantially more equitable distribution of wealth, and its ability even to bring about the more efficient operation and development of the industries concerned was being questioned by some.

The Labour party was thus faced with a difficult ideological situation. As Francis has argued, little more than five years after gaining their first ever majority in parliament, a key part of their industrial policy, one which they had assumed would be a continuing policy for years to come, appeared to have exhausted its potential.¹¹²

¹¹¹Labour party, 'Let Us Win Through Together', and 'Labour party Election Manifesto', in Craig, *Election Manifestos*, pp. 155-6, 174.

¹¹²As he argues, 'self-reflection was ... necessitated by the fact that while the 1945 manifesto *Let us Face the Future* had in many senses been a summary of the first fifty years of Labour party thinking, within three years of the 1945 victory most of the manifesto commitments were already on the statute book. The expectations of the two previous generations of socialists had been made a reality with an ease few would have predicted ... by 1948 Labour was already having to ask seriously the question where could it, or should it, go next?': Francis, 'The nature of Labour's socialism', p. 224. Fielding largely supports this conclusion, noting the fact 'that this 'system of thought [i.e. the belief in the

Fundamental questions had to be addressed: whether public ownership and control were still desirable objectives; whether nationalisation was a realistic method of bringing about such ownership and control; and how those industries which were already nationalised were to be run in order to make them accountable to the nation. Even before they lost power, thinkers such as Jay, Crosland and Gaitskell had turned their attention to such questions. Without a thorough reappraisal, however, the industrial policies of the party appeared fatally weakened by the experience of a government which had been expected to lay down their foundations.

socialism represented by public ownership] entered a terminal crisis at the very same moment at which it seemed to have been finally validated is perhaps one of history's cruellest ironies, the implications of which have still not yet been fully resolved': Fielding, 'Labourism in the 1940s', p. 153.

Chapter Three

Revisionism or rhetoric?: The changing nature of the Labour party's industrial policy from Attlee to Wilson

Between 1945 and 1950, the Labour party's first parliamentary majority had allowed the Attlee government to implement its substantial programme of nationalisation. Further nationalisation depended on the retention of that majority in 1950 and beyond. Instead, by 1951 it was the Conservatives who had a majority in the House of Commons. Although in strict numerical terms the Labour party succeeded in maintaining its voting strength in 1950 and 1951, the increased concentration of its votes in certain constituencies meant that its majority was massively reduced in 1950 and totally wiped out in 1951.¹ Labour's electoral fortunes were in part affected by the decline in the Liberal vote between 1945 and 1951 which appears to have benefited the Conservatives to a much greater extent than Labour.² In addition, the policy rethinking undertaken by the Conservatives during the late 1940s, including their acceptance of most of the Attlee government's nationalisations, meant that they were a stronger opponent than had been the case in 1945.³ However, while

¹In 1951, Labour had 295 MPs compared to the Conservatives 321. Labour actually polled more votes than the Conservatives – 13.95 million compared to 13.72 million – but due to the concentration of its voters, ended with less MPs: see David Butler and Gareth Butler, *British political facts 1900-1994* (7th edn., 1994), p. 216.

²The collapse of the Liberal vote between 1945 and 1951 benefited the Conservatives to a far greater degree than Labour. If the Liberals had succeeded in maintaining their percentage of the vote (9.0%), they would have received 2.57 million votes in 1951. In reality, they gained only 731,000. The 1.84 million voters the Liberals 'lost' account for the bulk of the increased vote that gave election victory to the Conservatives: see *ibid.*

³Of the four by-elections which took place between 1945 and 1950, the Conservatives won three, two from Independents and one from the ILP, with the four seat remaining Independent: see *ibid.*, p. 236.

these factors were largely beyond Labour's control, their defeat in 1951 cannot be explained simply by reference to the actions of the other main parties.

The 'failure' of the Labour party to stay in power focused a degree of attention on the content of its 1950/51 programme. Zweiniger-Bargielowska has argued that, in terms of economic policy, this attention was particularly concerned with the issue of consumption.⁴ The Attlee government, she has argued, struggled to come to terms with the demands of consumers, having focused to a far greater extent on issues of production. A great many voters, however, especially females, were more concerned with the restrictions which still existed on their consumption patterns, and the government, despite such measures as the 'bonfire of controls', appeared determined to retain a great number of direct controls over the economy.⁵ As Rollings has argued, the government remained committed to 'the continuance of some controls in the long term throughout their period in power'.⁶ In this regard, the Conservative promise to free private industry from excessive government control appeared more in tune with shifts in popular opinion.

Yet while Zweiniger-Bargielowska's identification of consumption as a problem area for the Labour party – as it was to remain throughout the 'affluence' of the 1950s⁷ – is certainly justified,⁸ the problems of the party's production policies

⁴Ina Zweiniger-Bargielowska, *Austerity in Britain: Rationing, controls, and consumption, 1939-1955* (Oxford, 2000), pp. 2-3, 256.

⁵*Ibid.*, pp. 256, 261-2; Francis, 'The nature of Labour's socialism', p. 231; Tomlinson, 'Mr. Attlee's supply-side socialism', p. 11; Tomlinson, 'Planning: Debate and policy in the 1940s', p. 162.

⁶See Neil Rollings, "'The Reichstag method of governing'? The Attlee governments and permanent economic controls', in Helen Mercer, Neil Rollings and Jim Tomlinson (eds.), *Labour governments and private industry: The experience of 1945-1951* (Edinburgh, 1992), especially pp. 15-17, 27-30.

⁷Jefferys notes that 'in 1959, press and academic commentators concluded in unison that Labour's third defeat in a row reflected its inability to come to terms with post-war affluence'. This did not, however, prevent Gaitskell and the party's General Secretary, Morgan Phillips, concluding that nationalisation policy had cost votes: Jefferys, 'British politics and the road to 1964', pp. 130-1. See also Zweiniger-Bargielowska, *Austerity in Britain*, pp. 263-4.

cannot be ignored. As has been demonstrated, the use of nationalisation as a key element of the Attlee government's industrial policies was, by 1950, becoming problematic.⁹ The extended Cabinet deliberations over iron and steel nationalisation revealed serious doubts about the success of nationalisation in general, and about the desirability of further nationalisation – as the lack of enthusiasm over intervention in the water and sugar industries confirms.

Objections to further nationalisation existed on a number of fronts.¹⁰ First, the Conservative party and private industry were determined to prevent nationalisation extending into the manufacturing sector – witnessed by the Conservative commitment to denationalise iron and steel, and the 'Mr Cube' campaign by the sugar producers to prevent their nationalisation.¹¹ Second, questions were raised by some authors and commentators about the efficiency of the newly-nationalised sector, and whether public ownership itself was responsible for some of the inefficiencies.¹² Third, and most important, doubts about future nationalisation existed *within* the Labour party leadership. As has been shown in Chapter Two, Morrison and several other ministers expressed the opinion that iron and steel nationalisation risked *reducing* the efficiency of the industry. Problems of accountability also led Morrison to focus on the problems of the existing nationalisation sector.¹³ Meanwhile, several of the party's most influential thinkers, such as Jay and Durbin, were questioning whether

⁸As Brooke notes, Durbin had already identified in 1940 (in *The politics of democratic socialism*) that the 'embourgeoisement' of the working class would present a significant challenge to Labour: Brooke, 'Reassessing a Labour 'revisionist'', p. 42.

⁹Francis, *Ideas and policies under Labour*, p. 65.

¹⁰See Francis, 'The nature of Labour's socialism', p. 229.

¹¹See Conservative party, 'This is the Road' in Craig, *Election manifestos*, p. 143.

¹²R. Kelf-Cohen, *Nationalisation in Britain: The end of a dogma* (1958), pp. 260, 296; D. Jay, *Socialism in the new society* (1962), p. 303. H. Clegg & T. Chester, *The future of nationalization* (Oxford, 1953), p. 153; 'General conclusions', in W. Robson (ed.), *Problems of nationalised industry* (1952) p. 353; J. Hughes, *Nationalised industries in the mixed economy* (1960), p. 3;

¹³Tomlinson, *Democratic socialism and economic policy*, p. 121.

nationalisation contributed either to greater public – in a broad sense – control over industry, or to a redistribution of wealth.¹⁴

The 1949 revised party programme, *Labour Believes in Britain*, and the election manifestos of 1950 and 1951 reflected the cautiousness of Morrison and other party leaders on nationalisation and their sensitivity towards the intensifying opposition to it, offering ‘consolidation’ rather than as radical a programme as 1945.¹⁵ In 1950, *Let Us Win Through Together* offered a substantially smaller number of nationalisations than had been promised in 1945.¹⁶ The sugar and cement industries were to be taken over and water reorganised under new public control, but beyond this only the chemicals industry would be examined with a view to determining if it were necessary to ‘transfer to public ownership any appropriate sections of this vital industry’.¹⁷ By 1951, even this short ‘shopping-list’ had been abandoned – although a commitment remained to ‘take over concerns which fail the nation’.¹⁸ The manifesto itself provided an explanation for this reduction in commitments: the party had still to face the task of reforming the *existing* public industries and services ‘until each public enterprise is a model of efficiency and of social responsibility’.¹⁹

However, while the party’s relationship with nationalisation was being modified to take account of these various problems, the commitment to bring more industries under public ownership was still extant in 1950 and 1951.²⁰ Despite the Attlee government’s experience of nationalisation of certain types of industry being

¹⁴See Brooke, ‘Reassessing a Labour ‘revisionist’’.

¹⁵*Ibid.*, pp. 27-8.

¹⁶Although, as has been noted in Chapter One, a substantial number of industries whose ‘need’ for nationalisation had been identified in the 1930s remained in private hands.

¹⁷Labour party, ‘Let Us Win Through Together’, in Craig, *Election manifestos*, pp. 155-6.

¹⁸Labour party, ‘Labour Party Election Manifesto’, in *ibid.*, p. 174.

¹⁹Labour party, ‘Let Us Win Through Together’, in *ibid.*, p. 155. However, it should be recognised that the economic difficulties brought about primarily by the rearmament programme and the Korean war added to the desire to limit the commitments being made: see Hassan, ‘The water industry’, p. 208.

more problematic than expected, and of the Morrisonian model of administration creating problems of accountability,²¹ there was little evidence that the party was considering abandonment of its commitment. Moreover, its narrow defeat in 1951 did little to convince the party's leadership that a fundamental modification of the ideological basis of its programme was desirable.²² The maintenance of the Labour vote, even if not its reflection in numbers of MPs, indicated that a return to power in 1955 was by no means unlikely.²³

Among the party's intellectuals, however, both left- and right-wing,²⁴ it was considered necessary 'to review and re-define Labour's ideology and strategy in the light of the experiences of the war years and the post-war Attlee government'.²⁵ As Francis and Brooke argue, it is important to understand that this rethinking was well under way even before the fall of the Attlee government.²⁶ Indeed, as was noted in the previous chapter, in the activity of Jay and Durbin in particular, it was even being undertaken before the *establishment* of the government.

As in the 1930s, the Fabian Society placed itself at the centre of much of the activity, and its publication in 1952 of the *New Fabian Essays* demonstrated that new ideological perspectives were under active consideration. The emerging policy debate

²⁰Francis, 'The nature of Labour's socialism', p. 230.

²¹See Francis, *Ideas and policies under Labour*, pp. 78-90.

²²Fielding, 'Labourism in the 1940s', p. 151. This is not, of course, to say that no revision of the party programme was undertaken in the late 1940s and early 1950s. In 1949, for example, the party issued *Labour Believes in Britain*, with an emphasis on 'consolidation' of the achievements of the Attlee government: see Brooke, 'Reassessing a Labour 'revisionist'', p. 27.

²³Fielding, Thompson and Tiratsoo, *England Arise!*, p.209.

²⁴Francis rightly stresses the importance of recognising that revisionists came from across the political spectrum of the party – from Crosland on the right, to Crossman on the 'left', and on to Strachey who was a 'revised Marxist': Martin Francis, 'Mr. Gaitskell's Ganymede? Re-assessing Crosland's *The future of socialism*', *Contemporary British History*, 11 (1997), especially pp. 55, 57, 61; Francis, 'The nature of Labour's socialism', p. 223. This is supported by Brooke, who, for this very reason, describes use of the term revisionist as 'problematic' (yet without suggesting any alternative): Brooke, 'Reassessing a Labour 'revisionist'', pp. 29, 31.

²⁵Francis, 'Re-assessing Crosland's *The future of socialism*', p. 51.

²⁶*Ibid.*, p. 53; Francis, *Ideas and policies under Labour*, p. 5; Brooke, 'Reassessing a Labour 'revisionist'', p. 29.

did not initially seek to question the idea of public ownership and control itself. On the contrary, the desirability of its extension remained an underlying principle for almost all of the thinkers involved.²⁷ The primary issue was how the party should approach the next phase of public ownership and control, given the changed economic circumstances and the experiences of nationalisation in practice. Those involved urged that attention should be focused on how public ownership and control were to be justified in future; in what directions it should advance; and how public industry was to be organised.

However, this search for new foundations for the existing party programme led a group of intellectuals to reach conclusions which *did* fundamentally undermine the *raison d'être* for nationalisation. In particular, but not exclusively, thinkers on the right of the party found themselves involved in a process of ideological 'revisionism' whose logic placed them at odds both with the historic ideology of the party and with the existing views of many – if not a majority – of their fellow party members. The driving force behind this process was the electoral fortunes of the party. While Francis is right to stress the long time period over which revisionist thought developed, it remains the case that without the defeats suffered by the party in 1955 and 1959 much of the immediacy of the revisionists' work would not be present.²⁸ The conclusion which had been drawn in 1951 – that the electoral setback suffered was only temporary – could no longer be sustained. The party leadership under

²⁷Williams, *Gaitskell*, p. 449.

²⁸Francis, 'Re-assessing Crosland's *The future of socialism*', especially pp. 52-3. Brooke similarly stresses that 'as an intellectual outlook, "revisionism" pre-dated "consolidation" [i.e. 1948] considerably'. However, his judgement that 'the moment of "consolidation" offered ... an opportunity to put the revisionist case less tentatively than in the past' is significant, since the election defeats in 1955 and 1959 can be seen to have offered just such opportunities as well: Brooke, 'Reassessing a Labour 'revisionist'', p. 29.

Gaitskell concluded that its re-election depended on a thorough reworking of the party programme to reflect the changing economic and social conditions of the 1950s.

No one incident illustrates the importance of electoral defeat on the radicalisation of ideological revision than the remarkable attack made by Gaitskell on clause IV of the party's constitution.²⁹ In the immediate aftermath of the 1959 election defeat, Gaitskell called on the party to reform a commitment to public ownership and control which, he argued, could not 'possibly be regarded as adequate' for a statement of Labour's aims for the 1960s.³⁰ However, the attempt to modify clause IV was not an abandonment of the party's commitment to public ownership and control. Despite what was thought by opponents within the party, neither Gaitskell, nor his fellow 'revisionists' such as Crosland and Jenkins, considered that public ownership and control were of no relevance to 'socialism in the 1960s'.³¹ It is true that in the immediate aftermath of the 1959 election defeat Douglas Jay argued, in the revisionist journal *Forward*, that Labour would never again achieve power without reform as radical as dropping clause IV, severing the links with the trade unions, and even altering the party name.³² Nonetheless, there appears little indication that Gaitskell was convinced of the need for such radical re-thinking, or that he was prepared – as Dalton alleged Jay was – to 'pour ... out the baby with the bathwater, and then throw ... the bath after them'.³³ As Jones has argued, left-wing suspicions

²⁹ As Jones argues, it was 'conceived in a climate of persistent electoral failure': "Taking Genesis out of the Bible", p. 1.

³⁰ *LPACR 1959*, p. 112.

³¹ 'Socialism in the 1960s' being the title of a Fabian Society pamphlet series that thinkers such as Crosland and Crossman contributed to.

³² Jones, "Taking Genesis out of the Bible", pp. 4-5; Williams, *Gaitskell*, pp. 538-9.

³³ *The political diary of Hugh Dalton 1918-40, 1945-60*, ed. B. Pimlott (1986), p. 695 (11 Oct. 1959). As Dalton told Gaitskell, Jay's article 'gave it all a bad start, and struck the tuning-fork for all the Gregorian Chants of the Old Believers': Williams, *Gaitskell*, pp. 543-5.

that Jay's article was the 'launching stage of a deliberate, post-election Gaitskellite strategy' were 'groundless'.³⁴

For Gaitskell, Crosland, and most other revisionists, the need to reform clause IV stemmed from the confusion which it engendered about the aims of the party. This, they believed, had been demonstrated at the 1959 election. Gaitskell sought *clarification* of the party's relationship with public ownership and control, not a *severance*. His failure to secure reform of the constitutional position might be taken as evidence that the revisionism of the 1950s and early 1960s was a flowering of ideological debate which had little impact on the long-term programme of the party.³⁵ At first sight, the content of the 1964 manifesto – *Let's Go with Labour for the New Britain* – might seem to confirm this view. The manifesto re-stated the party's commitment not merely to public ownership and control, but also to nationalisation. The iron and steel industry was to be renationalised. More generally, whenever private industry showed itself incapable of making a breakthrough to greater productivity, the impetus was to be provided 'either by public enterprise or ... [by state] partnership with private industry'.³⁶

However, it should be asked whether the public ownership and control proposed in 1964 was the same sort of ownership and control proposed in 1945 or even 1951 – or whether it had undergone a qualitative change. It is from this perspective that 'revisionism' has to be considered. The 'clause IV debate' is in many ways a distraction. It obscures the re-evaluation of the ideological justifications for public ownership and control by the revisionists, since it implies that their 'failure' over clause IV indicates a more general failure to impress their new ideas upon the

³⁴Jones, "Taking Genesis out of the Bible", p. 5.

³⁵This is the implicit approach taken by Jones: see *ibid.*, especially p. 4.

party.³⁷ Yet it is far from clear whether such a failure actually occurred. Without an understanding of the nature of revisionist thought, and its impact on the *long-term* ideological perspectives of the party, it is impossible to make an adequate assessment of the success or failure of the policies of the Wilson governments, since the very reasoning behind them risks remaining undetermined.

I

The starting point for almost all of those involved in the policy re-thinking of the 1940s and 1950s, particularly for the so-called revisionists, was a belief that ‘renewed attempts to assess the nature of contemporary capitalism are overdue ... [for] socialists will not succeed ... unless they form a very clear idea of what capitalism has become and is becoming’.³⁸ The basis of this belief was the impression that over the previous decades capitalism had undergone fundamental changes in its nature and structure. Furthermore, these changes were *so* fundamental that they rendered most contemporary socialist thinking obsolete; many socialists still fruitlessly ‘conduct[ing] a battle over the ghost of an economy which no longer inhabits the earth’.³⁹ The first significant exposition of a new ‘revisionist’ critique of capitalism had come with Durbin’s *The Politics of Democratic Socialism* in 1940, and had been substantially built on by the Fabian debates from the late 1940s onwards, leading to the *New Fabian Essays*, and especially the contributions of Crossman and Crosland. Debate by no means ended there: it was vigorously pursued thereafter through such organs as the *Socialist Commentary* journal. However, the 1955 election defeat provided the

³⁶Labour party, ‘Let’s Go with Labour for the New Britain’, in Craig, *Election manifestos*, p. 260.

³⁷Jones has described the attempt to revise clause IV as ‘the culmination of the revisionist attempt not just to demote the role of public ownership in Labour policy and ideology but also to demythologise that dominant idea, thereby eroding its significance for the party’: Jones, ‘“Taking Genesis out of the Bible”’, p. 4.

³⁸J. Strachey, *Contemporary capitalism* (1956), p. 11.

greatest stimulus, resulting in the appointment of a revisionist party leader, Gaitskell, and the publication in 1956 of Crosland's *The Future of Socialism* and Strachey's *Contemporary Capitalism*. These two books together marked the high point of the revisionist critique of capitalism, and provide probably the clearest and most detailed presentation of the critique.⁴⁰

The basis of the revisionist approach was far broader than that required simply to analyse the future of public ownership and control as party policy. Its focus was more fundamental: it was argued that to consider questions of industrial ownership and control *before* determining the nature of contemporary industrial operation and organisation was illogical. This was all the more so since the central inspiration behind their work was the contention, expressed in American academic thought from the 1930s onwards, that a quantitative change in the size of the units of industrial production was bringing about a qualitative change in the nature of that production.⁴¹

Under the influence of such works as Burnham's *Managerial Revolution* (1942), Berle and Mean's *The Modern Corporation* (1932), and Galbraith's *American Capitalism* (1952), revisionists attached great importance to the trend apparent since at least the turn of the century for the size of industrial companies to increase substantially.⁴² This trend – brought about by the 'ruthless strength' of the competitive process – was leading, in such industries as chemicals, oil and steel, to a situation where the vast majority of production was concentrated in the hands of just a

³⁹*Ibid.*, p. 25.

⁴⁰Stephen Haseler, *The Gaitskellites: Revisionism in the British Labour party 1951-64* (1969), pp. 80, 82.

⁴¹For an analysis of the impact of American economic thinking on the revisionists, especially Crosland – who was criticised by Dalton, Crossman and Young for an over-reliance on American work – see Francis, 'Re-assessing Crosland's *The future of socialism*', pp. 56, 58-9, and Francis, 'The nature of Labour's socialism', p. 236.

⁴²Strachey, *Contemporary capitalism*, pp. 20-5; Anthony Crosland, *The future of socialism* (1956), pp. 33-4.

few giant companies and corporations.⁴³ This was not interpreted necessarily as a move towards simple monopoly, but certainly one towards oligopoly. Almost without exception, greater size was seen to result in 'superior competitive power', producing greater market share and allowing for savings in the costs of operation (and hence the possibility of superior profits).⁴⁴

Significant though this development was, it was not the emergence of giant corporations *per se* that attracted attention, but the consequences. In particular, attention was focused on the fact that these giants were almost exclusively joint-stock, limited-liability, companies.⁴⁵ This was critical, since it meant that ownership did not necessarily involve management; indeed, there was an increasingly clear division emerging between the two. Such a process had, of course, been occurring for decades. However, it was argued firstly that socialists had given inadequate consideration to it,⁴⁶ and secondly that it had accelerated greatly since 1945. Crosland claimed that 'the nominal owners have largely lost even the residue of control which they retained before the war'.⁴⁷ In their place had emerged a 'class' of professional managers, who owed their power not to ownership but to their professional skills and – above all – to their 'position within the managerial structure'.⁴⁸

These revisionists' conclusions over-simplified the motives of both shareholders and managements, and revealed an exaggerated belief in an inherent moral superiority of the 'manager' over the 'owner'. Nonetheless, the significance of the conclusions being drawn are clear. Traditional socialist arguments for public

⁴³ Strachey, *Contemporary capitalism*, pp. 20, 23.

⁴⁴ *Ibid.*, pp. 21, 24.

⁴⁵ *Ibid.*, p. 35.

⁴⁶ As Francis observes, 'Durbin had recognised it in 1940, [yet] ... he chose not to develop his observations further'. Francis, 'Re-assessing Crosland's *The future of socialism*', p. 55.

⁴⁷ Crosland, *Future of socialism*, p. 34.

⁴⁸ *Ibid.*, pp. 33-4.

ownership were undermined by any conclusion that ownership 'has less and less relevance to the question of control'.⁴⁹ Crosland argued that 'it seems unlikely that the pattern of ownership will uniquely determine anything'.⁵⁰ This constituted a direct attack on the presumed necessity for future nationalisation schemes. Nationalisation had previously been understood as a method whereby control could be obtained for the whole of society through a change in the ownership structure of an industry. Crosland denied that this aim was achievable by the sort of nationalisation applied by the Attlee government. As evidence that ownership and control were no longer clearly linked, he claimed that in the nationalised sector control may have 'passed out of the hands of the capitalist class [but only] into the hands of a new and largely autonomous class of public industry managers'.⁵¹ If control was a socialist aim, then a vast increase in nationalisation would be 'wholly irrelevant to socialism'.⁵²

II

Nonetheless, to equate the revisionists' rejection of the traditional socialist case for nationalisation with a rejection of the need for public ownership and control would be fallacious. They still considered that in some instances public ownership *would* be necessary to further the advance towards socialism. Crosland argued that if a 'convincing case could be made out [for public ownership] on economic grounds', then to refuse such reorganisation would be illogical. On the other hand, the experiences of the existing public sector – where problems such as 'over-central[isation]' and poor 'labour morale' appeared endemic – indicated to Crosland

⁴⁹*Ibid.*, p. 70.

⁵⁰*Ibid.*, p. 71.

⁵¹*Ibid.*, p. 30. See also Richard Crossman, *Socialism and the new despotism* (1956), p. 6.

⁵²Crosland, *Future of socialism*, pp. 496-7; Francis, 'Re-assessing Crosland's *The future of socialism*', p. 57.

that *nationalisation* would rarely be economically justifiable.⁵³ Accordingly, his attention shifted to other forms of public ownership.

In addition, the revisionists believed that public ownership was necessary to achieve other economic and ethical aims. Indeed, for many revisionists such alternative justifications for public ownership were considerably more relevant than those of industrial control. The most important of these aims was that of equality.⁵⁴ Despite the lack of progress evident in this direction from the Attlee government's nationalisations,⁵⁵ Roy Jenkins, in the *New Fabian Essays*, concluded that 'a substantial extension of public ownership is ... an essential prerequisite of greater equality of earned income and an inevitable concomitant of greater equality in the ownership of property'.⁵⁶ He was supported by other revisionist thinkers who felt that there was a 'gross maldistribution of property' in Britain, and that since one of the primary aims of socialism was 'social equality', action was now plainly needed to redress this maldistribution.⁵⁷

To Crosland, despite the changes in the operation of the capitalist system, so far as questions of equality were concerned 'the problem is ... fundamentally one of the distribution of property'.⁵⁸ This suggests that Francis' argument that, for Crosland, 'socialism was about equality, not about public ownership', is only partially

⁵³Crosland, *Future of socialism*, pp. 485 & 469.

⁵⁴As Francis has noted, as early as the publication of *Labour Believes in Britain*, a far greater emphasis was being placed on equality than was the case in 1945. Indeed, as he further notes, a case can be made for the proposition that 'the Attlee government had been too concerned to define its socialism in economic rather than ethical terms' (especially Cripps and Attlee): Francis, 'The nature of Labour's socialism', pp. 225, 229, 234-5.

⁵⁵Where the issue of compensation appeared to have blunted the contribution public ownership could make in this area: see above, Chapter II, section v.

⁵⁶R. Jenkins, 'Equality', in Richard Crossman (ed.), *New Fabian essays* (1952), p. 83.

⁵⁷Anthony Crosland, 'Transition from capitalism', in *ibid.*, p. 65; Hugh Gaitskell, *Socialism and nationalisation* (1956), p. 3; Williams, *Gaitskell*, p. 388; Thompson, *Political economy and the Labour party*, p. 157.

⁵⁸Crosland, *Future of socialism*, p. 487.

correct.⁵⁹ For while it is true that Crosland saw the *purpose* of socialism as equality rather than public ownership, it remains the case that he continued to view public ownership as an essential *method* of achieving socialism: ownership might well now be irrelevant to control, but it was still the primary source of wealth generation, especially via capital gains, and thus its concentration in the hands of the few was inequitable to the many.⁶⁰ He was aware that a capital gains tax was a 'perfectly possible' method of *controlling* such gains, but their total *removal* could only be achieved by an extension of public ownership.⁶¹ The state had to acquire a 'capital stake in economic growth' through share purchasing if it desired to ensure that such growth would result in a fairer distribution of wealth rather than the reverse.⁶²

So while the revisionist case for public ownership was increasingly divorced from the traditional notions of nationalisation, this did not mean – as many sceptical party members feared – that the revisionists had abandoned public ownership. In any case, Crosland, for example, found 'the arguments for re-nationalising steel ... irresistible'.⁶³ Furthermore, although he personally doubted if many other industries – with the possible exception of machine tools – were 'patently inefficient or unprogressive', if such industries did emerge then 'precise and selective' public ownership could well be the only solution.⁶⁴

⁵⁹Francis, 'Re-assessing Crosland's *The future of socialism*', pp. 51, 58.

⁶⁰A judgement which Francis himself appears to accept: see 'The nature of Labour's socialism', p. 227.

⁶¹*Ibid.*, p. 485; see also Anthony Crosland, *The Conservative enemy: A programme of radical reform for the 1960s* (1962), pp. 47-8. For a further revisionist examination of the comparative merits of taxation and public ownership with regard to reducing the inequality of income, see Jay, *Socialism in the new society*, pp. 259-60, 276-77.

⁶²Crosland, *Future of socialism*, pp. 488 & 495.

⁶³*Ibid.*, p. 40.

⁶⁴*Ibid.*, pp. 472, 476-7.

III

The revisionist position on public ownership and control was most directly expressed in Gaitskell's 1956 Fabian pamphlet *Socialism and Nationalisation*. Gaitskell's own intellectual contribution to revisionism has frequently been downplayed, with Crosland's *The Future of Socialism* seen as the 'manifesto for Gaitskellism' – the implicit assumption being that Gaitskell himself had little to contribute.⁶⁵ Yet while following a similar approach, Gaitskell's *Socialism and Nationalisation* demonstrates that he was a thinker in his own right. It reveals, as Crosland himself recognised, a less radical approach than the work of Crosland and Strachey.⁶⁶ In re-examining the 'traditional arguments' for nationalisation, Gaitskell argued that 'in modern conditions it can hardly be held that shareholders, as such, by virtue of their ownership of property ... exercise ... power'.⁶⁷ Given this, and given also the disappointing failure of nationalisation to live up to expectations in areas such as worker control and accountability to parliament, Gaitskell was forced to admit that 'the earlier traditional arguments for general nationalisation ... are weakened'. Significantly, however, this conclusion was followed directly by the caveat 'but not destroyed'.⁶⁸

Gaitskell fully recognised, as did the other revisionists, that there were 'genuine drawbacks and difficulties in nationalisation'.⁶⁹ Indeed, he was even more explicit, arguing that the problems 'are almost all associated with large-scale management', and that 'we have to weigh the gains from eliminating the wastes of

⁶⁵This approach, taken by Haseler in *The Gaitskellites*, is rightly criticised by Francis: 'Re-assessing Crosland's *The future of socialism*', pp. 51-2.

⁶⁶Francis, 'Re-assessing Crosland's *The future of socialism*', p. 51. This is not to deny the explicitly revisionist method adopted. It proclaimed, for example, that 'it is time to re-examine the traditional arguments [for nationalisation]': Gaitskell, *Socialism and nationalisation*, p. 7.

⁶⁷*Ibid.*, p. 11.

⁶⁸*Ibid.*, p. 98.



competition against the disadvantages of destroying the competitive spirit'.⁷⁰ This appears to be a fundamental assault on the principles of nationalisation, one of which was to remove this 'competitive spirit'. He nevertheless continued in a similar vein, stating that he was 'driven to the conclusion that the most vital question is how far social and economic equality can be achieved without more nationalisation and public ownership'.⁷¹ His preliminary conclusion was that the 'growth of social services [and] severe taxation' – rather than traditional nationalisation – were bringing about such equality as there was.⁷² However, as with other revisionists this conclusion led him towards advocating alternative forms of public ownership, rather than abandoning the principle as such.

Gaitskell was clear that any 'advance towards a more even distribution of wealth' could only be carried out if the 'redistribution of existing privately-owned wealth', either by taxation or death duties, were combined with a 'high[er] proportion of publicly-owned property'.⁷³ Such ownership, which would not require the 'exercising [of] detailed control', would be achieved by the acquisition of equity shares, either via accepting them in lieu of cash for death duties or as direct purchases out of budget surpluses. This would ensure that the profits of industry 'would be available for the community'.⁷⁴ On the decision of when control as well as ownership was desired, even here there were alternatives to nationalisation. The state could purchase 'selected firms' as a form of limited nationalisation, but it could also establish new state enterprises to 'carry out a project where private firms would not undertake the risk', or set up 'mixed enterprise[s]' involving the state and private

⁶⁹*Ibid.*, p. 24.

⁷⁰*Ibid.*, pp. 24, 29.

⁷¹*Ibid.*, p. 31.

⁷²*Ibid.*, p. 31.

⁷³*Ibid.*, pp. 34-5.

firms.⁷⁵ As Gaitskell – and indeed the revisionists in general – concluded, ‘the point is that we need not conceive of public ownership as always a matter of taking over a whole industry, making a structural change ... and setting up a single large organisation, but as embracing also many other types of change’.⁷⁶ Or, as he succinctly expressed it, nationalisation ‘must be treated as a *means* and not grouped with the ultimate aims [of the party]’.⁷⁷

IV

Much of the attention given to revisionism by historians has focused on the confrontation between Gaitskell and several party conferences which arose as a consequence of this particular belief.⁷⁸ The two main clashes which occurred, in 1957 on the proposed party statement *Industry and Society*, and in 1959 on the revision of clause IV, are undoubtedly of great significance. Both events demonstrate the bitter opposition of many on the left-wing of the party to any dilution of the commitment to public ownership and control. They also indicate that the majority of conference delegates and trade unions, while prepared to accept some reform of the nature of that commitment, would not accept any move which threatened its existence.

Industry and Society: Labour's policy on future public ownership was effectively *Socialism and Nationalisation* writ large. The similarities were manifold, from the opening claim that ‘public ownership has always been regarded by British socialists as a means towards achieving the ultimate ideals of socialism [rather than an ideal in itself]’, to the conclusion that the most significant question to be answered

⁷⁴*Ibid.*, p. 35.

⁷⁵*Ibid.*, p. 35.

⁷⁶*Ibid.*, p. 35. For similar conclusions, see, for example, Crosland, *The Conservative enemy*, p. 44.

⁷⁷Gaitskell, *Socialism and nationalisation*, p. 5.

⁷⁸See Jones, ‘Taking Genesis out of the Bible’; Riddell, ‘The end of clause IV’, especially pp. 25-6; Jefferys, ‘The road to 1964’, pp. 120-146, especially pp. 125-6.

was 'what part can *public ownership now* play in achieving our ends?'.⁷⁹ Mirroring the conclusions in *Socialism and Nationalisation*, it argued that even 'if the functions of ownership are disappearing, the rewards are not', and that the 'special character of equity shares' – primarily their rapid generation of capital gains – made their ownership crucial to the equality of wealth.⁸⁰ Although keen to stress that a Labour government would not 'indulge in a wildly inflationary scramble for shares', it made clear that there would be a gradual transfer.⁸¹

Yet while such an approach was a departure from previous party policy, *Industry and Society* did not advocate – any more than the revisionists had done – the abandonment of the existing policy of 'extending public ownership in the interests of planning and control'.⁸² Alongside 'general controls' over the economy as a whole, circumstances were envisaged – for example where 'the units of production are too numerous and too small to face effectively the challenge of modern technology', or where production 'persistently falls short [of demand]' – when direct intervention would have to be undertaken.⁸³ Significantly, however, save in the unique cases of iron, steel and road haulage – where renationalisation was called for – new methods of public management were proposed.⁸⁴ The emphasis was on diversity of ownership

⁷⁹Labour party, *Industry and Society: Labour's policy on future public ownership* (1957), pp. 7, 10 [emphasis in original]. The underlying reliance on the revisionist critique of capitalism was unmistakable throughout the work. 'The structure of industry', it asserted, 'is rapidly changing', leading to the emergence of firms so large as to represent a 'new and distinctive form of business organisation'. Furthermore, management in those firms was becoming 'increasingly specialist and increasingly professional.' 'More and more' these managements were 'assum[ing] a life of its [sic.] own', while the role of shareholders was becoming less and less significant.

⁸⁰*Ibid.*, pp. 32-3.

⁸¹*Ibid.*, pp. 40, 56.

⁸²*Ibid.*, p. 41.

⁸³*Ibid.*, pp. 42, 45.

⁸⁴If, after suitable enquiry had taken place, a change in ownership should prove to be 'desirable', then any of several different schemes might be adopted. The public ownership of a single firm, for example, might 'suffice to break a production bottleneck', or, in other circumstances, 'new industries, like atomic energy, can be pioneered from the start under public ownership': *ibid.*, p. 47.

and control, with a flexible approach to industrial problems as – or indeed if – they emerged, rather than with any dogmatic attachment to nationalisation.

In presenting *Industry and Society* to the 1957 party conference, the leadership emphasised it was not a ‘substitute for traditional forms of nationalisation’, maintaining that ‘there is a clear commitment in the document to extend public ownership in any industry, or part of industry which, after thorough enquiry, is found to be failing the nation’.⁸⁵ Opposition, however, was vociferous. The instant that debate was opened to the floor, a resolution was moved by a delegate from the National Union of Railwaymen (NUR) rejecting *Industry and Society* and stating that ‘this conference affirms its belief in the common ownership of all the basic industries and the means of production and deplores the tendency to deviate from these accepted principles’.⁸⁶ Although this resolution and other proposed amendments were heavily defeated by the block votes of the leading unions it set the tone for the debate. When delegates stepped to the rostrum to support the pamphlet, cries of ‘shame’ were reported to have echoed through the hall.⁸⁷

Support for the document from many unions, and the NUM and TGWU in particular, ensured that there was no danger of it failing to be accepted. Such loyalty could not, however, hide the lack of support within the party for the new proposals. Morrison rejected it on presentational grounds, condemning it as ‘confusing’ and ‘too clever by half’.⁸⁸ Others were much more bitter in their criticisms – their feelings encapsulated by an NUR delegate who alleged that ‘if Ramsay MacDonald had been alive today, and had listened to that statement, he would have been overjoyed. You

⁸⁵ *LPACR 1957*, p. 128.

⁸⁶ *Ibid.*, p. 131.

⁸⁷ *Ibid.*, p. 137.

⁸⁸ *Ibid.*, p. 136.

are asked today to accept ... the inevitability of gradualness'.⁸⁹ The position of the unions was made plain by Frank Cousins who, while supporting the document, warned the NEC that 'you do not necessarily get socialism with nationalisation, but you do not get socialism without nationalisation'.⁹⁰

V

Given the electorate's reaction to the party programme demonstrated by the election defeat in 1955, the maintenance of such an essentially 'conservative' ideological position could be considered a risky political strategy. A further election defeat in 1959 made some sort of confrontation between revisionists and the rest of the party all but inevitable. As Jones has argued, the need to maintain party unity during the election meant that the 1959 election manifesto – *Britain Belongs to You* – appeared to be far more inspired by the 'shopping list' nationalisation of *Let us Face the Future* than by the revisionism of *Industry and Society*.⁹¹ There was little to indicate to the casual reader that any re-thinking of policy in the area of industrial policy had taken place at all.⁹² Iron and steel and long-distance road haulage were singled out for public ownership, and these were to be simple renationalisations: no

⁸⁹*Ibid.*, p. 131.

⁹⁰*Ibid.*, p. 143. It was clear that the traditionally 'loyal' unions – upon whose support the party leadership depended to pass resolutions at party conferences – would only tolerate limited policy reform in the area of public ownership, and remained firmly committed of the merits of 'old-style' nationalisation: Lewis Minkin, *The contentious alliance: Trade unions and the Labour party* (Edinburgh, 1991), p. 91.

⁹¹Jones, "Taking Genesis out of the Bible", p. 4.

⁹²While insisting, for example, that 'where an industry is shown, after thorough enquiry, to be failing the nation we reserve the right to take all or any part of it into public ownership if this is necessary', the manifesto gave no indication of the wide variety of possible forms of such ownership that *Industry and Society* had contained. It may likewise have been the case that the manifesto promised that 'we shall also ensure that the community enjoys some of the profits and capital gains now going to private industry by arranging for the purchase of shares by public investment agencies', but it was a lone sentence tacked on to the end of five paragraphs concerning 'public ownership'. There was little indication that such share purchasing was considered a vital method to achieve the revisionist aim of reducing the inequitable distribution of private wealth: Labour party, 'Britain Belongs to You: The Labour Party's Policy for Consideration by the British People', in Craig, *Election manifestos*, p. 227.

consideration was offered to other forms of take over.⁹³ The 'shopping list' may have been shorter, but it was difficult to see much change beyond this.

More than anything else, this enforced compromising of the revisionists' beliefs – despite Gaitskell's position as party leader – by the remainder of the party was the catalyst for the head-on confrontation which Gaitskell embarked upon after the 1959 defeat.⁹⁴ Although no doubt fuelled by the frustration of the defeat *itself*, there is little doubt that especially for Gaitskell the true source of frustration lay in the public perception that the party was largely unchanged from the 1940s, and therefore out of touch with the changed circumstances of the late 1950s.⁹⁵ This angered a leader who was himself a contributor to the new thinking. To the revisionists, meeting in private at Gaitskell's Froggnal Gardens house the weekend after the election to consider the lessons of the 'disaster', the continued retention of clause IV explained why the party had failed to project such new thinking into the public consciousness.⁹⁶

Their interpretation of the election defeat was reinforced by Labour's official analysis of the election results, prepared by the party's General Secretary, Morgan Phillips.⁹⁷ It would be further reinforced in 1960 by the evidence of a comprehensive public-opinion survey commissioned by the revisionist *Socialist Commentary* and conducted by Mark Abrams.⁹⁸ The evidence produced on nationalisation was

⁹³*Ibid.*, p. 227. Moreover, the record of the nationalised sector since its creation was strongly defended, its failings largely attributed to the wrecking attitude of 'big business and the Tory party' who had both tried hard to 'discredit the idea of public ownership'. By contrast, 'under a Labour government, the nationalised industries will be given an opportunity once again to forge ahead'.

⁹⁴Jones, "Taking Genesis out of the Bible", pp. 1, 5-7; Williams, *Gaitskell*, p. 546.

⁹⁵And not simply in terms of nationalisation policy; the party was also perceived as out of touch with the affluence of society, which appeared to be blurring class divisions: Fielding, 'The evolution of 'Wilsonism'', pp. 31-3. See also Haseler, *The Gaitskellites*, pp. 111, 143, 147-8; Jones, "Taking Genesis out of the Bible", pp. 5-6.

⁹⁶Brian Brivati, *Hugh Gaitskell* (1996), pp. 331-2.

⁹⁷Jones, "Taking Genesis out of the Bible", p. 5.

⁹⁸See *ibid.*, p. 13.

unequivocal: 'it is no longer popular with the electorate'.⁹⁹ When asked how they viewed the performance of the existing nationalised sector, those deeming it to be a success – 33% of those interviewed – only just outweighed the 28% who felt that the industries had failed to perform as they could and should have done.¹⁰⁰ Even this narrow 'victory' must be qualified, since the main reason for it lay in a sense of success in just two sectors, electricity and atomic energy – of which the latter had never been a private industry at all.¹⁰¹ The more significant data relate to the coal and rail industries where even among those claiming to be Labour party supporters, more felt that the industries had failed than succeeded.¹⁰²

Given this evidence that the electorate considered the 1945-51 nationalisations to have been – at best – a marginal success and, in some cases, an outright failure, the lack of enthusiasm revealed by the survey for further nationalisation came as little surprise. When asked if they desired an extension of public ownership, only 11% answered 'yes', while 75% replied 'no'. Of even greater relevance must be the finding that even amongst Labour supporters, only 21% were in favour of greater public ownership, while 58% were opposed.¹⁰³ Furthermore, when asked what would have *least* pleased people about a Labour victory, no less than 33% stated nationalisation, including 16% of those who claimed to be Labour supporters. As

⁹⁹R. Hinden, 'The lessons for Labour', in M. Abrams & R. Rose (with a commentary by R. Hinden), *Must Labour lose?* (1960), p. 109.

¹⁰⁰M. Abrams, 'The Socialist Commentary Survey', in *ibid.*, p. 33, Table 16.

¹⁰¹The electricity industry was rated a success by 50% of the respondents, a failure by 16%, the figures for the atomic industry being 39% and 5% respectively: *ibid.*, p. 33, Table 16.

¹⁰²The excess of those rating the industry a failure rather than a success being 2% for coal and 24% for rail. The comparable figures for the entirety of those surveyed were an excess of 27% for coal and no less than 46% for rail: *ibid.*, p. 33, Table 16.

¹⁰³*Ibid.*, p. 35, Table 18.

Abrams concluded, 'as a stereotype, "nationalisation" nowadays not only offends non-Labour electors, but it also apparently bores loyal Labour supporters'.¹⁰⁴

Crucially, however, while the unpopularity of nationalisation appeared self-evident, the survey nonetheless discovered that the idea of public control over industry *per se* was not. When asked 'how much Government regulation of industry [was] necessary?', 13% answered 'a good deal', a further 21% 'a fair amount' and 21% 'a little'. Only 19% answered 'practically none' and even among Conservative supporters, only 25% did so.¹⁰⁵ The evidence indicated that whatever opposition there was to further nationalisation, there was little ideological opposition to the principle of public ownership and control *itself*. As Rita Hinden – the editor of *Socialist Commentary* – concluded, the electorate 'will judge each case on its merits, and in so far as Labour appears to be doctrinaire on this subject of ownership, it saddles itself with a liability'.¹⁰⁶ This implied, she continued, that 'the "shopping list" approach ... is certain to be the wrong one'.¹⁰⁷ As she stated, "How much nationalisation?" is an irrelevant, indeed a harmful, question until an answer has been found to the crucial preliminary question 'nationalisation for what?'.¹⁰⁸

Gaitskell's speech to the party conference in November 1959 made his determination to address this problem painfully clear. He was in no doubt that nationalisation '[had] – on balance – lost us votes'.¹⁰⁹ He argued that to some extent this was simply due to the unpopularity of the existing nationalised sector, but it was also due to a 'confusion in the public mind about our future policy ... [that] induced [voters] to think that we intended to nationalise any and every private firm ... simply

¹⁰⁴ *Ibid.*, p. 36.

¹⁰⁵ *Ibid.*, p. 36.

¹⁰⁶ R. Hinden, 'Lessons for Labour', in *ibid.*, p. 100.

¹⁰⁷ *Ibid.*, p. 111.

¹⁰⁸ *Ibid.*, p. 111.

out of a doctrinaire belief in public ownership'.¹¹⁰ He did not advocate, as had Jay in the revisionists' private discussions, the extreme view that public ownership should just be abandoned as a policy: for that 'implic[d] that everything works so perfectly in the private sector that we shall never want to intervene'. He did, however, forcefully reject the 'traditionalist' view that public ownership was an end as well as a means: such a conclusion came, he argued, from a 'complete confusion about the fundamental meaning of socialism'.¹¹¹ It was this 'complete confusion' that needed to be eradicated, and it was a confusion which to Gaitskell's mind sprang from clause IV.¹¹² The clause, 'standing as it does on its own ... cannot possibly be regarded as adequate ... it implies that common ownership is an end, whereas in fact it is a means ... [and] it implies that we propose to nationalise everything, but do we?'.¹¹³ Gaitskell's answer to the concluding question was an unequivocal 'of course not'. Consequently what was needed was a re-statement of 'the fundamental principles of British democratic socialism ... in 1959 not 1918'.¹¹⁴

Other revisionists, and such party 'elder statesmen' as Dalton, may have felt that it was foolish to focus directly on clause IV – given its emotional associations – but as Jenkins conceded, to imagine that a confrontation of some sort could have been avoided seems fanciful.¹¹⁵ The clause IV conflict has been judged by historians as an

¹⁰⁹*LPACR 1959*, p. 110.

¹¹⁰*Ibid.*, p. 110. See also Williams, *Gaitskell*, p. 564; Anthony Crosland, *Can Labour win?* (1960), pp. 14-15.

¹¹¹*LPACR 1959*, p. 111.

¹¹²See Williams, *Gaitskell*, pp. 546-8.

¹¹³*LPACR 1959*, p. 112.

¹¹⁴*Ibid.*, p. 113.

¹¹⁵Jenkins admitted that he was 'convinced that some battle had to be fought': Roy Jenkins, *A life at the centre* (1991), pp. 131, 111. See also *Dalton Diary*, p. 698, 699 (4 May, 13 July 1960); Brivati, *Gaitskell*, pp. 328-9; Williams, *Gaitskell*, p. 550; Jones, "Taking Genesis out of the Bible", p. 17; Haseler, *The Gaitskellites*, pp. 156-7, 166.

error of political judgement on Gaitskell's part,¹¹⁶ and the effective end of revisionism.¹¹⁷ While, however, the former judgement can be readily accepted, the latter is by no means as evident. Certainly Gaitskell failed to achieve any revision of clause IV, or even to have any additional explanatory clause inserted in the constitution. In March 1960 he produced a 'statement of aims' to be added to clause IV to make clearer the direction of the party in the 1960s. It was in many ways a compromise document, stating among its twelve aims that the party remained 'convinced that [its] ... social and economic objectives can be achieved only through an expansion of common ownership substantial enough to give the community power over the commanding heights of the economy'. Such a commitment might have been thought sufficient to win over the traditionalists, even given the revisionist additions that 'common ownership takes varying forms' and that 'both public and private enterprise have a place in the economy'. Nonetheless, the unions refused to accept the statement even as an *addition* – rather than a replacement – to clause IV, and Gaitskell was finally forced, with the prospect of certain conference defeat, to back down. The most he achieved was persuading the NEC to declare that the statement was 'a valuable expression of the aims of the Labour Party in the second half of the twentieth century'.¹¹⁸ Yet no matter how often the party rejected the revisionists' case, it not could ignore the fact that three consecutive elections had been fought with a traditional commitment to nationalisation, and all had been lost. To that extent the

¹¹⁶Brivati, *Gaitskell*, p. 344; Jones, "Taking Genesis out of the Bible", p. 16-17. In his 1963 edition of his *British political parties*, for example, R.T. McKenzie considered it 'one of the most maladroit operations in the modern history of party politics': quoted in *ibid.*, p. 16. Defeat was inevitable given the position of the leading unions. That was made clear by Frank Cousins who stated that 'if, as I gather, Rule Four is likely to be revised to make a different reference to our attitude towards public ownership, I would suggest, with the greatest respect to our leader ... 'no way': *LPACR 1959*, p. 131. See also, Riddell, 'The end of clause IV', pp. 25-6.

¹¹⁷Jones, "Taking Genesis out of the Bible", p. 4.

revisionist case was almost certain to triumph, for unless the party was prepared to accept losing elections in perpetuity, a 'revision' of its programme was essential.

VI

At first glance the 'triumph' of revisionism might not appear obvious. The 1959 party conference saw not just the rejection of Gaitskell's revision of clause IV, but also a forceful exposition of the traditionalist case, primarily by Barbara Castle and Aneurin Bevan.¹¹⁹ Castle recognised that it was an illusion to imagine that the party wanted to 'nationalise everything'.¹²⁰ Nevertheless, she dismissed revisionism – both in its critique of capitalism and in its proposed new roles for public ownership – as based upon the fallacious belief 'that you can separate moral issues from economic ones'.¹²¹ Merely accepting the changed nature of the post-war economy, as the revisionists appeared to do, rather than fighting it, risked reducing the party into 'an impotent appendage of the windfall state' – and attempting to share in the fruits of that state by public share-ownership was akin to 'legalising the Burglars' Union [*sic.*] on condition that we share the swag'.¹²²

Castle was adamant that the nation had to be presented with the 'real case' for public ownership – making industry 'responsible to us all'.¹²³ Directly rejecting the revisionist argument that ownership and control were no longer directly linked, she argued that 'public accountability' was only possible when 'private interests' were

¹¹⁸Williams, *Gaitskell*, pp. 566, 570; Jones, "Taking Genesis out of the Bible", pp. 11-15, 17; *The Backbench Diaries of Richard Crossman*, ed. J. Morgan (1981), pp. 829-30 (22 Mar. 1960); Haseler, *The Gaitskellites*, pp. 267-8. For a full text of the Statement of Aims, see *ibid.*, Appendix II.

¹¹⁹Bevan and Castle were both leading figures of the Labour 'Left' having fought hard in the early 1950s to push the party in a 'Bevanite' direction (part of which included an explicit commitment to nationalisation).

¹²⁰*LPACR 1959*, p. 86.

¹²¹*Ibid.*, p. 84.

¹²²*Ibid.*, p. 85.

¹²³*Ibid.*, p. 85; Steven Fielding, "White Heat" and white collars: The evolution of 'Wilsonism', in Coopey, Fielding and Tiratsoo, *The Wilson governments*, pp. 32-3.

replaced with public ownership.¹²⁴ Moreover, it was public – rather than private – enterprise that was showing the path to progress in this ‘modern age’, an age whose symbols were Soviet Russia’s Sputnik or Britain’s hovercraft (the latter developed by the public National Research Development Corporation (NRDC)).¹²⁵ Given such evidence of the progressive nature of public enterprise, Castle argued that ‘it simply won’t wash to say that nationalisation is fusty and out-of-date’.¹²⁶ If the people were to be offered ‘a call to public service; a call to idealism; a call to comradeship’, they would surely rally to it. The future of the party, she therefore contended, depended on it being ‘big enough to give them [i.e. the electorate] that call’, and above all, in ‘go[ing] out and mak[ing] socialists [of this electorate]’.¹²⁷

While more conciliatory than Castle,¹²⁸ Bevan echoed many of her views: to him ‘the problem is one of education, not of surrender!’. The people, he argued, had to be shown that ‘this so-called affluent society is an ugly society still’.¹²⁹ If they could be so persuaded, then surely they would agree with Bevan that the nation must have ‘the commanding heights of the economy in our power’. Like Gaitskell, he did ‘not believe that public ownership should ever reach down into every piece of economic activity’. Nonetheless, he insisted that the party ‘will never be able to get the economic resources of this nation fully exploited unless we have a planned economy in which the nation itself can determine its own priorities’.¹³⁰ Furthermore –

¹²⁴ *LPACR 1959*, p. 85.

¹²⁵ *Ibid.*, p. 86. See also Richard Crossman, *Labour and the affluent society* (1960), p. 9.

¹²⁶ *LPACR 1959*, p. 86.

¹²⁷ *Ibid.*, p. 86.

¹²⁸ As Jones has noted, his speech went some way towards ‘lowering the tensions raised by Gaitskell’s initiative’: ‘Taking Genesis out of the Bible’, p. 11.

¹²⁹ *LPACR 1959*, p. 153.

¹³⁰ *Ibid.*, pp. 153 & 154.

and in contrast to the revisionists – he felt that the power needed to plan could only be achieved by nationalisation.¹³¹

The response of left-wing conference delegates was emphatic.¹³² Michael Foot argued that Castle's speech represented 'one of the finest statements for socialism I have ever heard ... she showed quite clearly how public ownership is bang up to date'.¹³³ Like Bevan and Castle, he saw the election defeat as evidence that 'we are never going to ... win an election if we ourselves do not believe in our own principle of public ownership'.¹³⁴ However, it is vital to note that, even though Bevan and Castle believed firmly in public ownership, there is still evidence that they were prepared to accept the need for 'revision' of the party's commitment. Castle's argument that nationalisation had 'alienated' voters in the 1959 election not because it was out of date, but because the party had failed to demonstrate how and why it was still relevant to the modern world, was an implicit acceptance of this.¹³⁵ Indeed, in sentiment it was not that dissimilar from Gaitskell's position.

The problem facing the party was how to turn the common interest in reform of the party programme into a statement of aims which would be acceptable both to revisionists and their ideological critics. After 1960, Gaitskell tried hard to reach such a compromise and made significant progress.¹³⁶ However, his success was tempered by personality traits which had been revealed during the clause IV controversy: while an unquestioned intellect, he had a confrontational style and was impatient with those

¹³¹ *Ibid.*, pp. 153-4.

¹³² According to Jones, 'At Blackpool ... the widespread response to Gaitskell's speech was a vehement defence of traditional socialist attitudes': "Taking Genesis out of the Bible", p. 10.

¹³³ *LPACR 1959*, p. 122.

¹³⁴ *Ibid.*, p. 123.

¹³⁵ *Ibid.*, p. 85.

¹³⁶ Jefferys, 'The road to 1964', pp. 126, 137; Jones, "Taking Genesis out of the Bible", p. 19.

unwilling to see the logic of his point of view.¹³⁷ The election of Wilson to succeed him might be considered as simply swapping a leader on the right of the policy divide with one on the left.¹³⁸ Yet despite Wilson's reputation as a Bevanite, and his history of opposition to Gaitskell, he was essentially a centrist.¹³⁹ As such, he was in a much stronger position to introduce reform without alienating party traditionalists. It is no small irony that it was he, rather than Gaitskell, who persuaded the party to follow an essentially revisionist path, and to fight the 1964 election with a new, modernised, industrial policy.

VII

Wilson's role in the 'revision' of the party's ideological framework during the 1950s and early 1960s is difficult to determine with any exactness. His success between 1963 and 1964 in 'squaring the circle' – producing a programme that was a logical development of the revisionism of the 1950s, yet remained acceptable to the mass of the party¹⁴⁰ – was remarkable, all the more so since until that point he had given little public evidence of willingness to contribute to the policy debates. Yet there are indications that he agreed with much that Gaitskell and the revisionists proposed. For example, he had been convinced that the connection in the minds of the electorate between the party and nationalisation had cost votes in the 1955

¹³⁷Jones describes him as 'insensitive', with a 'rationalistic view' that 'tended to overlook' the 'mythic significance for Labour of the idea of public ownership': "Taking Genesis out of the Bible", pp. 18-9. His confrontation with the party conference and the unions concerning unilateral disarmament in 1960 confirms this: his pledge to 'fight and fight and fight' won him few friends among the delegates: see Brivati, *Gaitskell*, pp. 374-5.

¹³⁸Having resigned from the Attlee government in 1951 along with Bevan over NHS charges, he was considered by some to be a 'Bevanite'. Pimlott's chapter on this period of Wilson's career is entitled 'Nye's little dog'. Significantly, however, the succeeding chapter is entitled 'The dog bites', indicating how limited Wilson's ties with Bevan were: see Ben Pimlott, *Harold Wilson* (1992), chapters 9 and 10, pp. 154-192 and pp. 173-191.

¹³⁹Philip Ziegler, *Wilson: The authorised life of Lord Wilson of Rievaulx* (1993), p. 96; Haseler, *The Gaitskellites*, p. 9.

¹⁴⁰Ziegler, *Wilson*, p. 118.

election.¹⁴¹ Above all, it was his fear of disunity more than real opposition to the proposals which led him to oppose the confrontational approach Gaitskell adopted over both clause IV and nuclear disarmament: it was, he argued, ‘an unnecessary baring of the soul’.¹⁴²

More importantly, he believed that confrontation was unnecessary because the revisionist case for public ownership and control could be fused with the traditional belief in nationalisation in a way that would satisfy a broad spectrum of party opinion.¹⁴³ That fusion could be brought about, Wilson argued, through an increased emphasis on a ‘scientific’ element (and, as Francis has argued, a strong commitment to economic growth).¹⁴⁴ At what time Wilson came to place ‘science’ at the centre of his personal conception of socialism is difficult to determine, since unlike Gaitskell, Crosland, Crossman and most other party ‘intellectuals’, he did not engage in the publication of his views during the 1950s.¹⁴⁵ Its centrality, however, cannot be doubted on the basis of the work which he did produce in the 1960s.

Labour had never, of course, been an ‘anti-science’ party:¹⁴⁶ it insisted in 1945 that ‘the genius of British scientists and technicians ... must be given full rein’.¹⁴⁷ As Francis argues, leading members of the Attlee government such as Morrison and Cripps emphasised the need to transform the country ‘into a truly scientifically-

¹⁴¹*Crossman Diaries*, p. 423 (6 June 1955); Fielding, ‘The evolution of ‘Wilsonism’’, p. 34; Williams, *Gaitskell*, pp. 354, 447; Pimlott, *Wilson*, pp. 254, 272.

¹⁴²*Ibid.*, p. 227; Ziegler, *Wilson*, p. 117.

¹⁴³Jones, ‘‘Taking Genesis out of the Bible’’, p. 19.

¹⁴⁴Francis, ‘Re-assessing Crosland’s *The future of socialism*’, p. 61.

¹⁴⁵Only in the 1960s did he begin to publish, with such works as *The relevance of British socialism* (1964). In that publication, the centrality of science to his socialist commitment is explicitly stated: ‘if there was one word I would use to identify modern socialism it was ‘science’’ (p. 41).

¹⁴⁶For an overview of the relationship between the Labour party and science, see David Horner, ‘The road to Scarborough: Wilson, Labour and the scientific revolution’, in Coopey, Fielding and Tiratsoo, *The Wilson governments*.

¹⁴⁷Labour party, *Let us Face the Future*, p. 6.

mind modern nation'.¹⁴⁸ After the 1955 election defeat Gaitskell raised the profile of science further, and the 'Gaitskell Group' of scientists provided a significant new impetus for the role of science in the party's programme, 'alerting the Labour party to the increasing political importance of the state's involvement in scientific and technological development'.¹⁴⁹ However, as Kirby argues, the need for political compromise between the left and right of the party which had limited the input of revisionist thought in the 1959 manifesto similarly restricted the emphasis given to science.¹⁵⁰ After the election defeat, the perceived need to present Labour as a modernising party turned attention back to its 'scientific image'.¹⁵¹ Significantly, Gaitskell turned to Wilson to provide the impetus,¹⁵² setting the party on the road to Wilson's 1963 claim that 'we are re-defining and re-stating our socialism in terms of the scientific revolution'.¹⁵³

The first clear evidence of Wilson's attempt to link the party with a 'scientific revolution' came at the 1960 Conference when, in the concluding debate on the interim party statement *Labour in the 1960s*, he consciously moved away from the continuing arguments concerning clause IV.¹⁵⁴ 'The world', he assured delegates, 'is a world characterised by a scientific revolution beyond the dreams of only a

¹⁴⁸Martin Francis, 'The Labour party: Modernisation and the politics of restraint', in Becky Conekin, Frank Mort and Chris Waters (eds.), *Moments of modernity: Reconstructing Britain 1945-1964* (1999), pp. 156-7. Indeed, Horner emphasises the 'long running discourse on the social relations of science which had been developed by radical socialist and communist scientific intellectuals in the 1930s and 1940s': Horner, 'Wilson, Labour and the scientific revolution', p. 48.

¹⁴⁹*Ibid.*, p. 50.

¹⁵⁰Kirby, 'Blackett in the 'white heat'', pp. 986-7; Horner, 'Wilson, Labour and the scientific revolution', p. 56.

¹⁵¹*Ibid.*, p. 987; Fielding, 'The evolution of 'Wilsonism'', p. 37.

¹⁵²Whose greater natural enthusiasm for science (compared to Gaitskell) is emphasised in Horner, 'Wilson, Labour and the scientific revolution', pp. 58-9, 61.

¹⁵³*LPACR 1963*, p. 140. As Fielding has argued, the perception of Wilson's 'radicalism' is at least in part 'due to the fact that he simply emphasised parts of Labour's programme previously left unmentioned': Fielding, 'The evolution of 'Wilsonism'', p. 39.

¹⁵⁴*Ibid.*, pp. 37-8; Horner, 'Wilson, Labour and the scientific revolution', p. 57.

generation ago'.¹⁵⁵ Unfortunately, Britain was 'lagging behind' in this revolution and – significantly – Wilson claimed it was doing so because it lacked any 'central planning and direction of our economic life'.¹⁵⁶ Indeed, the scientific revolution might well pass Britain by unless socialism could be 'harnessed to science and science to socialism', for only then could there be a 'socialist-inspired scientific and technological revolution releasing energy on an enormous scale'.¹⁵⁷ What Wilson was offering to a party still bitter after the fight over clause IV was an inspiring new vision of a future socialist Britain. Moreover, it was a vision which found a central role for public ownership. Wilson was clear that no matter how many more scientists Britain produced, in many industries there would not be the 'right approach ... without public ownership'. He offered the machine-tools industry as an example of just such an industry 'failing to provide the right scientific and technological approach'.¹⁵⁸

Wilson's vision in 1960 might have been dismissed as little more than an upbeat antidote to the bitterness generated by clause IV and the controversy surrounding unilateral nuclear disarmament.¹⁵⁹ By 1963, however, there could be little doubt that he was serious in placing the 'scientific revolution' at the heart of his message. His famous promise that a new Britain was 'going to be forged in the white heat of this revolution' – issued when proposing the aptly-titled policy statement *Labour and the Scientific Revolution* – was indicative of the extent to which science, and scientific metaphors, had become the focal point of Wilson's rhetoric.¹⁶⁰ What remains to be

¹⁵⁵ *LPACR 1960*, p. 151.

¹⁵⁶ *Ibid.*, p. 150.

¹⁵⁷ *Ibid.*, p. 151.

¹⁵⁸ *Ibid.*, p. 151.

¹⁵⁹ Although this is not to dismiss the political importance of healing the divisions in the party: Edgerton, 'The 'White Heat' revisited', p. 57.

¹⁶⁰ *LPACR 1963*, p. 140. The impact of his speech should not be under-estimated. Fielding argues that 'members of Wilson's audience considered that he had given them an entirely new vision of Labour's future. Indeed, both the right and left of the party saw the speech in the same apocalyptic terms':

determined is whether his claims that Labour was going to release 'all the latent energy and skills of our people', and his threats that 'if we try to abstract from the automative age ... Britain will become a stagnant backwater, pitied and condemned by the rest of the world',¹⁶¹ actually revealed any new development on revisionist thinking, or were simply bombast and rhetoric.

Although Wilson's rhetoric undoubtedly had a tendency to become overblown, there are indications – especially in Wilson's 1963 party conference speech – which suggest that a broad policy framework did exist for realising the dreams of technological revolution. Moreover, within that framework Wilson took a remarkably 'revisionist' approach to industrial policy and the role of public ownership and control. In his 1963 conference speech he outlined, unsurprisingly, a commitment to increase not just educational standards, but also the number of scientists and, in general, the application of science to industry.¹⁶² Significantly, however, this alone was not seen as sufficient – because applying science to industry free from public direction would lead only to 'high profits for a few, and ... mass redundancy for the many'.¹⁶³ What was needed, therefore, was 'national planning' and – Wilson asserted – this would have to entail much more than mere 'monetary planning'.¹⁶⁴ Radical 'structural change' in British industry would be required, and such change would imply both public control and – importantly – public ownership.¹⁶⁵ This ownership would not only be necessary in cases of old industries needing restructuring, but also in the creation of new industries. A Labour government would build upon the success

Fielding, 'The evolution of 'Wilsonism'', pp. 29-30; Thompson, *Political economy and the Labour party*, p. 185.

¹⁶¹ *LPACR 1963*, pp. 135, 140.

¹⁶² *Ibid.*, pp. 135-6.

¹⁶³ *Ibid.*, p. 135.

¹⁶⁴ *Ibid.*, pp. 135, 138.

¹⁶⁵ *Ibid.*, p. 136.

of public research and development contracting in defence industries by extending such contracting to the civil sector as well. This state-sponsored research and development would lead to the creation of new public enterprises as well as 'productive partnerships' between public and private sectors, in the latter instance it being a 'basic principle' that profits 'should accrue in good measure to the community'.¹⁶⁶

The policies that Wilson outlined echoed, to a substantial extent, two themes emerging in contemporary thought during the early 1960s. First, the growing use of computers and other techniques of automation in industry was creating the impression that a 'scientific revolution' was indeed dawning, and that Britain risked 'missing out'.¹⁶⁷ Secondly, there was an increasing feeling that Britain was beginning to lag behind its rivals in terms of economic growth, leading, as Jefferys has described it, to 'a national mood of introspection'.¹⁶⁸ This later concern was reflected in *Signposts for the 60s*, the party's 1961 publication which represented the first detailed 'official' exposition of Wilson's ideas. *Signposts for the 60s* was clear that 'our living standards and our future as an independent nation are in jeopardy', which, if a little overstated, certainly captured the mood of concern.¹⁶⁹ The causes of the slow growth were 'the [Conservative] government's doctrinaire refusal to accept responsibility for

¹⁶⁶*Ibid.*, p. 138; Harold Wilson, *The New Britain: Labour's plan, selected speeches* (1964), pp. 32-3.

¹⁶⁷Edgerton, 'The 'White Heat' revisited', pp. 53-4, 56-7; Porter, 'Downhill all the way', p. 24.

¹⁶⁸Jefferys, 'The road to 1964', p. 125; Maurice Kirby, 'Blackett in the 'white heat' of the scientific revolution: industrial modernisation under the Labour governments, 1964-1970', *Journal of the Operational Research Society*, 50 (1999), p. 985; Porter, 'Downhill all the way', pp. 11, 18-19; Woodward, 'Labour's economic performance, 1964-70', in Coopey, Fielding and Tiratsoo, *The Wilson governments*, pp. 78-9; G.D.N. Worswick (Director of the National Institute of Economic and Social Research, 1965-82), in 'Witness seminar: The National Economic Development Council 1962-67', (ed.) Astrid Ringe, *Contemporary British History*, 12 (1998), p. 105. The Federation of British Industry, for example, was so concerned with the slow rate of growth in the early 1960s that it established the Beaver Committee to examine methods whereby economic growth could be accelerated (resulting the Committee's report *Policy for Growth*): Astrid Ringe, 'Background to Neddy: Economic planning in the 1960s', *ibid.*, p. 82.

¹⁶⁹Labour party, *Signposts for the '60s* (1961), p. 5; Wilson, *The New Britain*, p. 47.

planning', coupled with industry's failure to 'exploit the opportunities of the scientific revolution'.¹⁷⁰ The solution lay with a National Plan, 'targets for individual industries' being overseen by a National Industrial Planning Board.¹⁷¹ Once targets for growth and investment were drawn up, measures such as tax relief would 'encourage the enterprising and ... penalise the slothful and inefficient'.¹⁷² If, however, industry still failed to respond, then new public enterprise would be needed.¹⁷³

The 'application of science to industry' would be brought about by a 'reconstruct[ed] and greatly enlarge[d]' NRDC.¹⁷⁴ The Corporation, which had already been responsible for funding research into such technologies as the hovercraft, would now be 'authorised to engage in production', this production being either entirely publicly-owned, or by newly-created joint enterprises with private firms. The Corporation would also help the process of encouraging backward private industries to revitalise their structures, by direct intervention if necessary.¹⁷⁵ However, the bulk of the NRDC's work would be with new, technologically-advanced, industries, for it was here – *Signposts for the 60s* envisaged – that the greater part of the 'advance' in the public sector would occur at 'the growing points of the British economy and in the new industries based on science'.¹⁷⁶

The substance of Wilson's programme, as represented by *Signposts for the 60s*,¹⁷⁷ appears clear, and there can be no question that Wilson passionately believed –

¹⁷⁰Labour party, *Signposts for the '60s*, p. 12; Wilson, *The New Britain*, p. 11; Labour party, *Labour and the Scientific Revolution* (1963), p. 1.

¹⁷¹Labour party, *Signposts for the 60s*, p. 13.

¹⁷²Wilson, *The New Britain*, pp. 16 & 31.

¹⁷³Labour party, *Signposts for the 60s*, p. 13.

¹⁷⁴*Ibid.*, p. 14 [emphasis in original].

¹⁷⁵*Ibid.*, pp. 14-5 [emphasis in original].

¹⁷⁶*Ibid.*, p. 16; Labour party, *Labour and the Scientific Revolution*, p. 3.

¹⁷⁷Wilson had been its main author.

with a ‘messianic zeal’ – that a new Britain could be forged in the ‘white heat’ of science combined with socialism.¹⁷⁸ Nonetheless, when the rhetoric is stripped away it is equally clear that his ideas were firmly based on the revisionism of *Industry and Society*. The increased emphasis on the need to revitalise industry and apply the fruits of science and technology can be seen as Wilson’s evolution of revisionism to the conditions of the 1960s, rather than as a new critique of capitalism.

When the emphasis on the use of science is removed from Wilson’s pronouncements, the similarities between his work and that of the revisionists are striking. The idea of using the NRDC to promote industrial growth does not differ greatly in substance from Gaitskell’s proposal in *Socialism and Nationalisation* to establish state enterprises to carry out projects ‘where private firms would not undertake the risk’ or ‘mixed enterprise[s]’ where the risk could be shared.¹⁷⁹ What Wilson added was simply the association of this ‘risk’ primarily with the application of scientific developments. A careful analysis of *Industry and Society* shows that it was frequently only in such subtle ways that Wilson was building upon, and advancing, revisionist thinking. In *Industry and Society*, for instance, it had been proposed – as an example of when public ownership would be necessary – that industries which were incapable of meeting the ‘challenge of modern technology’ should be taken over. Moreover, it had continued – in anticipation of Wilson’s ideas concerning the Research Development Corporation – by recommending that ‘new industries, like atomic energy, can be pioneered from the start under public ownership’.¹⁸⁰

¹⁷⁸Ziegler, *Wilson*, p. 143.

¹⁷⁹Gaitskell, *Socialism and nationalisation*, p. 35.

¹⁸⁰Labour party, *Industry and Society*, pp. 45 & 47.

If, then, Wilson's ideas in the early 1960s relied so heavily on the work of the revisionists, what must be explained is why his policy proposals were warmly received by the party, rather than vociferously attacked as the revisionists' work had been. To some extent the difference might be explained as a consequence of Wilson's opposition to clause IV revision, and to his 'left-wing' credentials that he retained from the early 1950s.¹⁸¹ More significantly, however, while basing his ideas on a revisionist analysis he did not adopt all of their proposals. Primarily, he avoided promoting their controversial proposals of public share ownership so heavily criticised in 1959 by Castle.

Despite these differences, however, it is difficult to avoid the conclusion that the main reason that Wilson succeeded where Gaitskell and the revisionists had failed was due to his rhetorical style. He appeared able to wrap up what was essentially a rejection of 'old-style' nationalisation in the rhetoric of 'socialist advance' and thus convince the traditionalists that the barriers of public ownership were to be pushed significantly forward.¹⁸² The 1964 election manifesto – *Let's Go with Labour for the New Britain* – was full of inspiring visions that 'Labour is ready. Poised to swing its plans into instant operation. Impatient to apply the New Thinking ...'.¹⁸³ Doubts must remain, however, about this 'new thinking'. Thompson and Tomlinson argue that it was little more than rhetoric which, once in power, would be unable to cover over the 'prescriptive fragility of the basis on which the vision rested'.¹⁸⁴ Pimlott takes the complete opposite position, accepting much of Wilson's scientific rhetoric at face

¹⁸¹Credentials he had enhanced by symbolically standing against Gaitskell for the Party leadership in 1960.

¹⁸²Haseler, *The Gaitskellites*, p. 244; Thompson, *Political economy and the Labour party*, p. 185.

¹⁸³Labour party, 'Let's Go with Labour for the New Britain', in Craig, *Election manifestos*, p. 255.

¹⁸⁴Thompson, *Political economy and the Labour party*, p. 185. Similarly, Tomlinson has dismissed the manifesto commitments to economic planning as 'seem[ing] to have been largely a rhetoric which had little impact on actual policies': Tomlinson, 'Planning: Debate and policy in the 1940s', p. 154.

value.¹⁸⁵ As Jefferys rightly argues, neither analysis appears sustainable.¹⁸⁶ Nevertheless, Wilson's rhetorical bluster placed great pressure on the incoming Labour government to succeed in bringing about a breakthrough to a new scientific age.¹⁸⁷ The suitability of revisionist thinking to the practicalities of government was to be exposed to a rigorous examination in conditions – very much of Wilson's own making – when much was expected from it.

¹⁸⁵See Pimlott, *Wilson*, pp. 273-4. Although Pimlott conceded, in debate with Catterall, that 'Wilsonism is more a style than a political philosophy': Catterall, 'Anatomising Wilson: Ben Pimlott', p. 333.

¹⁸⁶Jefferys, 'British politics and the road to 1964', especially p. 121-2. See also Kirby, 'Blackett in the 'white heat'', p. 987.

¹⁸⁷As Pimlott argues, the government 'was a disappointment against the high hopes that had been raised for it. However, in a way I think it needed those high hopes to get elected and the fact that it did not fulfil them was the price that had to be paid': Catterall, 'Anatomising Wilson: Ben Pimlott', p. 329.

Chapter Four

Constraints on the Wilson government's economic policies: Unavoidable or self-imposed?

The industrial policies of the Labour party at the 1964 general election had clearly undergone fundamental revision from those of 1945. As the previous chapter has shown, the 'shopping-list' approach to nationalisation favoured in the immediate post-war years had been substantially changed during the 1950s and early 60s. It had not, however, been revised out of existence. It may no longer have been the case that industry after industry was felt to be 'ripe or over-ripe for public ownership and management'; nonetheless the 1964 election manifesto *Let's Go with Labour for the New Britain* maintained a commitment to extending such ownership and control where circumstances were felt to warrant it. Moreover, this was not some generalised statement offered merely as a sop to party 'traditionalists': the iron and steel industry was specifically named as a candidate for nationalisation.¹

Thus despite having changed both in nature and in prominence, the party's commitment to public ownership and control was still extant in 1964. However, the record of the government during its six years of office raises serious questions about the true nature of Labour's commitment to nationalisation by this time. For example, the faltering process by which iron and steel was re-nationalised, indicates that the Wilson governments approached nationalisation without either enthusiasm or determination. Moreover, it was not only in terms of such 'unfinished business' as iron and steel that the Wilson governments appeared hesitant. The 1964 manifesto

had highlighted the 'rapid application of new scientific discoveries' – Wilson's 'white heat' of technological revolution – as a particular area in which 'public enterprise' would find a new role.² However, despite the lack of any obvious breakthrough in the use of science by private industry between 1964 and 1970, there was little evidence of the government fulfilling the manifesto pledge to overcome such reticence through the 'establish[ment of] new industries, either by public enterprise or in partnership with private industry'.³

There is, however, a paradox. Despite the tentativeness with which iron and steel nationalisation was addressed, and despite the lack of new public enterprises in 'white heat' industries such as computing, the government did in fact extend both public control and ownership over certain industries and companies not foreshadowed by the election manifesto. Shipbuilding and aircraft manufacture, for example, were exposed to new forms of direct government intervention. In both cases, the government pursued the 'partnership with private industry' which the manifesto had indicated would be followed in the field of new technology. It cannot, therefore, be argued that the Wilson government was not committed to using public ownership and control to achieve economic goals.

Despite this, historians of the Wilson government have as yet given little consideration to discovering which particular economic goals were felt to be best served by such intervention. Why, for example, was the government prepared to intervene directly in some circumstances, such as to save the Fairfields shipyard or the Beagle Aircraft Company, but not in other instances which seem equally deserving of intervention, such as the computer manufacturing industry? Most historians have

¹Labour party, 'Let's Go with Labour for the New Britain', in Craig, *Election manifestos*, p. 259.

²*Ibid.*, p. 260.

focused on aspects of the Wilson government's 'new' economic and technology policies – especially concerning the impact of the Department for Economic Affairs (DEA) and the National Plan, and the Ministry of Technology (MinTech).⁴ Yet 'old fashioned' industrial intervention was argued in the manifesto to be an integral part of the government's overall economic strategy: an examination of its use is clearly essential both to a study of the Labour party's public ownership policies, and to any broader analysis of the government's economic performance. Before the details of specific interventions can be examined, however, it is necessary to undertake a more general analysis of the government's economic policies. Woodward and Bale have already addressed aspects of the implementation of economic policy, but neither sought to determine the impact of general economic policy on the government's ability to undertake nationalisation or other forms of industrial intervention.⁵

The evidence of the Attlee government might be thought to demonstrate that the impact was minimal. The nationalisation programme implemented between 1945 and 1951 was not obviously held back by the many economic difficulties which were faced. However, two factors made the situation different in 1964. Firstly, the incoming Wilson government did not have the clear programme which had existed in 1945. Industrial intervention was to be dynamic – reacting to the economic and industrial developments which emerged over the course of the government. This type of policy would be substantially affected by the government's economic management. Secondly, in contrast to those of the Attlee government the Wilson government's

³*Ibid.*

⁴See, for example, Christopher Clifford, 'The rise and fall of the Department of Economic Affairs 1964-69: British government and indicative planning', *Contemporary British History*, 11 (1997), and, on the Ministry of Technology, Coopey, 'Industrial policy in the white heat' and Edgerton, 'The 'White Heat' revisited'.

⁵Woodward, 'Labour's economic performance'; Tim Bale, 'Dynamics of a non-decision: The 'failure' to devalue the pound, 1964-7', *Twentieth Century British History*, 10 (1999).

economic policies are generally considered to have failed in their objectives. This makes an examination of the reasons for this failure of great relevance of any study of industrial policy.

I

In particular, it is impossible to explain why industrial policy evolved as it did without identifying the severe constraints placed by the economic environment upon ministries and ministers responsible for nationalisation. Both the ability to introduce nationalisation measures in the first place, as well as the specific nature of any such measures, were profoundly influenced by the deflationary economic policies that the government repeatedly adopted. An assessment of industrial ownership policy cannot be divorced from an understanding of the government's inability to master the economic circumstances they faced, and the reasons why such crucial manifesto proposals as the creation of a Department for Economic Affairs and the establishment of a National Plan for economic growth failed to achieve the aims set out for them. Consideration must also be given to the constraints facing domestic policy generally due to the intractable nature of serious foreign policy problems, notably Vietnam and Rhodesia. Any judgement on the nature of the Wilson government's commitment to public ownership and control must be tempered by knowledge that the priority given by the Cabinet to these policies was affected by the difficulties faced in the execution of other policies. A similar order of difficulties had confronted the Attlee government throughout its period of office,⁶ but the Wilson government appeared less able to master the problems it faced than the most pessimistic of its supporters might have assumed in 1964.

This is not to claim that the Labour party entered the 1964 election unaware that the country faced economic difficulties. On the contrary, it openly acknowledged that Britain was experiencing relative economic decline in comparison with continental countries. It argued that the Conservatives had allowed Britain's economic performance to drift during their thirteen years in office while other nations, particularly France, had planned for, and achieved, superior economic growth.⁷ In order to end this malaise, and to accelerate Britain's rate of growth, Labour offered 'effective economic planning ... and the application of science'.⁸ Dismissing any evidence of a Conservative 'conversion' to planning – even the 1963 establishment of the National Economic Development Council (NEDC) – as little more than a 'death-bed repentance', Labour claimed that true commitment to scientific planning could only come through socialism.⁹ The confidence of the Labour message in 1964 is perhaps its most striking aspect. The party proclaimed itself 'impatient' to get to grips with the problems of the country; 'poised to swing its plans into instant operation ... [and] to apply the New Thinking that will end the chaos and sterility'.¹⁰

Having promised so much, however, the Wilson government conspicuously failed to deliver on almost every aspect of its economic policies. There was little evidence of any substantial application of new 'white heat' technology in industry. More significantly, the economic planning that the party had claimed in its manifesto to be ready to 'swing ... into instant operation' failed to achieve any noticeable

⁶For an overview of the challenges facing the Attlee government's economic policies, see Tomlinson, *Democratic socialism and economic policy*. See also Francis, *Ideas and policies under Labour*, p. 7.

⁷Labour party, 'Let's Go with Labour for the New Britain', in Craig, *Election manifestos*, pp. 256-8. Cairncross has questioned whether France's rate of growth was in fact that exceptional: 'Witness seminar: The Department for Economic Affairs', (eds.) Christopher Clifford and Alastair McMillan, *Contemporary British History*, 11 (1997), p. 119.

⁸Wilson, *The New Britain*, p. 36; Pimlott, *Wilson*, pp. 272, 307.

⁹Labour party, 'Let's Go with Labour for the New Britain', in Craig, *Election manifestos*, p. 258.

¹⁰*Ibid.*, p. 255.

'breakthrough in growth'. That which was introduced largely disintegrated into little more than meaningless gestures and rhetoric in the face of the simultaneous pursuit by the government of directly conflicting policies. The overwhelming impression, both among popular opinion at the time, and in the majority of the historiography ever since, is of a government which was never really in charge of the economic situation.¹¹ Rather, Wilson and his Cabinet have been portrayed as like the crew of a rudderless ship, driven by forces they neither controlled nor understood into deflation, stagnation, and ultimately devaluation.¹² For the Wilson government, an atmosphere of crisis appeared prevalent from its very inception. There are very few instances between 1964 and 1970 when it could be convincingly argued that the government was in a situation where it could successfully oversee the implementation of its manifesto economic goals and prescriptions.

Yet while there is little reason to doubt the basic premise that the Wilson government's economic policies were a failure, the reasons for this failure and the conclusions that may be drawn from it remain far from clear cut. Some authors have concluded that the failure indicates that the commitment to planning was mere rhetoric.¹³ Yet as more detailed studies of the activities of the DEA and the Ministry of Technology have demonstrated, such a conclusion is unjustified.¹⁴ The efforts put into the production of the National Plan are evidence that at least some ministers gave credence to the notion of planned economic growth. Moreover, despite indications to the contrary, it is clear that at times Wilson was strongly committed to the idea of the

¹¹See 'Introduction: The Wilson years', in Coopey, Fielding and Tiratsoo, *The Wilson governments*, pp. 3-4.

¹²*Ibid.*, pp. 5-6.

¹³See, for example, Thompson, *Political economy and the Labour party*, p. 185; Tomlinson, 'Planning: Debate and policy in the 1940s', p. 154.

¹⁴See Clifford, 'The rise and fall of the DEA'; Coopey, 'Industrial policy in the white heat'; Edgerton, 'The 'White Heat' revisited'.

DEA acting as a counterpoint to the perceived hindrance to growth from the Treasury's fiscal conservatism.¹⁵

Accurate assessment of the failure to achieve the economic goals set out in 1964 must instead focus on the question why the prescriptive tools of planning were not consistently applied by the government. What should be established is first, whether the government simply decided that DEA-style planning was an inappropriate economic tool and adopted an alternative economic strategy. Second, if this was not the case, then can it be concluded that the Wilson government failed to establish any coherent economic strategy at all? Third, can the failure to achieve planned economic growth be ascribed to simple naiveté on the part of Wilson himself? Was it ever realistic to expect a new economic department to be able to overcome the influence of the Treasury within Whitehall?

The answers to these questions are of fundamental importance to an understanding not simply of the economic policies of the government, but of its public ownership policies too. For if it was the case that economic policy failed because the opinions of the 'new' economic ministries – the DEA and the Ministry of Technology – were silenced by the influence of the Treasury, then the implications for public ownership policy seem inescapable. Nationalisation represented an increase in the burden of state expenditure, and a Cabinet which was overly concerned with 'Treasury

¹⁵As Clifford notes, the idea of setting up a DEA was well advanced by Wilson before the 1964 election, and he 'gave Balogh the job of designing such a ministry': Clifford, 'The rise and fall of the DEA', pp. 95-7. Balogh raised this topic with Wilson in January 1968, when the future of the DEA was hanging in the balance. Referring to the 'circumstances which led you to the decision to create the DEA', he reminded Wilson that 'the most important of these was the decision we reached that a centralised overlordship by the Treasury ... cannot yield satisfactory results ... for those of us who believe in purposive planning and action in the modern world': CAB 147/8, memorandum on 'The future of the DEA' by Balogh (8 Jan. 1968). See also CAB 147/7, Balogh to Wilson (5 Feb. 1965) and CAB 147/9, memorandum on 'The experiences with the government machine' by Balogh (25 Feb. 1965). Surprisingly, Callaghan has, admittedly with the benefit of hindsight, expressed the view that the reasoning behind the DEA, including dealing with 'a musty of Treasury', were justified: Callaghan in 'Witness seminar: The DEA', pp. 124-5.

issues' such as the balance of payments and the strength of sterling might have been expected to be loathe to support such measures.¹⁶

II

From the first Cabinet meeting of the 1964-70 Wilson government to the last, Wilson and his ministers appear to have been reacting to circumstances, usually of a negative nature, rather than rationally implementing any form of coherent economic policy. It is not at all clear, however, if the atmosphere of *ad hoc* crisis management was not in fact self-induced, a result of the way in which the government worked and the policies it adopted. Undoubtedly the economic conditions faced by Britain between 1964 and 1970 were far from favourable and would have troubled any government.¹⁷ Yet the Labour party had declared itself capable of tackling such economic difficulties and to have policies for overcoming them. Moreover, it acknowledged in its 1964 manifesto that there would be hard times to be endured before its prescriptive remedies could 'cure' the economic failings of the Conservative years.¹⁸ Nonetheless, it had expressed 'impatience' to get to grips with the task of modernising the economy. It seems remarkable that having come to power expressing such impatience, the Wilson government failed to pursue with any rigour the prescriptive policies they had offered as the solution to Britain's economic problems.

The government did not have to wait long before making serious economic choices. No sooner had Wilson arrived at Number 10 than officials bombarded him

¹⁶Castle notes that Callaghan warned her in February 1966 against proposing any new public authorities for transport (She was Minister of Transport at the time) on the grounds that this risked increasing public expenditure: Castle, *Diaries*, p. 109 (25 Feb. 1966).

¹⁷Although some authors have questioned whether the economic situation was, in reality, as critical as it appeared: see, for example, Keith Middlemas, *Power, Competition and the State. Vol. II: Threats to the Postwar Settlement: Britain 1961-74* (1990), p. 112-116.

¹⁸Labour party, 'Let's Go with Labour for the New Britain', in Craig, *Election manifestos*, p. 258.

with talk of impending economic crisis.¹⁹ The previous Conservative administration had allowed a serious over-heating of the economy to occur in the run-up to the election which had caused an £800 million deficit to build up in the balance of payments.²⁰ Consequently the officials presented the incoming government with a stark choice: either deflationary measures would have to be immediately introduced, or the pound might have to be devalued.²¹

In facing this difficult choice, Wilson sought the advice not only of his Chancellor of the Exchequer, Callaghan, but also George Brown, head of the DEA and holder of the newly-established title of First Minister of State for Economic Affairs. Although it would have been difficult to have avoided consulting Brown, his key role is an indication that the DEA was at this stage perceived by Wilson as playing as important a role as the Treasury in economic affairs.²² The decision of the three men, taken without consulting Cabinet, was that the parity of sterling should be defended, despite the fact that this would require a severely restrictive package of deflationary measures. This decision has proved the most controversial of the entire government, and Pimlott has argued that ‘with hindsight ... [it] was also its worst’, sealing the fate of the government even as it was being formed.²³ It was subsequently considered by many members of the government, eventually including Brown himself, as a missed opportunity.²⁴ Committing the government to defence of the value of sterling came to be perceived as limiting the government’s room for manoeuvre in

¹⁹George Brown, *In my way: The political memoirs of Lord George Brown* (1971), p. 99; Pimlott, *Wilson*, p. 349

²⁰CAB 128/39, CC (64) 1, 2 (19 Oct. 1964); Woodward, ‘Labour’s economic performance’, pp. 75, 79-80.

²¹Castle, *Diaries*, pp. xii-xiii (preface); Brown, *In my way*, p. 99

²²This impression is reinforced by the subject that was being discussed – sterling parity. The Treasury would certainly up until this time have considered such an area of policy to be exclusively within its remit.

²³Pimlott, *Wilson*, p. 351.

economic and industrial policy before it even attempted to introduce its 'new' economic planning. It was an evaluation that even Wilson conceded during a frank assessment of the economic position in June 1965.²⁵

As several scholars have argued, however, it is not evident that it is realistic to have expected Wilson, Brown and Callaghan to have made any other decision.²⁶ Bale has identified four main reasons why devaluation 'was not an option that could seriously be considered' at this time. First, the three were 'concerned to play by the rules of the international financial game'.²⁷ Second, to have devalued within days of coming to power would have been a devastating blow to the reputation of the government. It would have given powerful ammunition to claims that Labour was the 'party of devaluation'. It was a charge that Wilson, having been involved in the devaluation of 1949, was especially keen to avoid. Third, the three men, and particularly Callaghan, were well aware that any devaluation would have to be backed by a strong package of deflationary measures which, Bale argues, 'they did not believe it [the government] could sell to its own supporters (and indeed its own members) so soon after supposedly putting an end to 'thirteen wasted years' of Conservative government'.²⁸

Finally, and most importantly, they did not believe that devaluation was an appropriate solution to the problems facing the economy at this time: 'the overvaluation of sterling was a symptom not a cause', and the cure 'required a long-

²⁴Brown, *In my way*, pp. 114-5; Crossman, *Diaries*, ii, p. 571 (17 June 66); Castle, *Diaries*, p. xiii.

²⁵CAB 128/39, CC (65) 32, 2 (3 June 1965).

²⁶Bale, 'Dynamics of a non-decision', especially pp. 197-8; Catterall, 'Atomising Wilson: Ben Pimlott', p. 328; Woodward, 'Labour's economic performance', pp. 79, 82. Woodward has, however, emphasised that their ability to judge the correct course to take was not helped by Labour's failure to develop an adequate financial policy while in opposition, and in particular 'it had no long-run conception of the role of sterling'.

term structural strategy designed to increase productivity and investment'.²⁹ This had been the judgement underpinning the programme of economic planning and regeneration on which the government had just been elected,³⁰ and it was far from illogical for them to assume that once this programme was developed and the economy resumed higher growth, the balance of payments position would improve, the pressure on the pound would recede, and any need for devaluation would disappear. Wilson, Brown and Callaghan were backed in their conclusions by the Bank of England and the Treasury, although some government officials (notably Donald McDougall, the new Director-General of the DEA) did favour a change of parity.³¹ Essentially, however, the judgement that the decision against devaluation in October 1964 was a lost opportunity comes not because it went against overwhelming advice at the time, but rather because of the evidence of the repeated economic crises that followed it over the next three years.

The dilemma that government ministers came to realise was that the decision to defend the parity of sterling was one of the most significant factors preventing economic growth. However, such a dilemma was not obvious in October 1964. Despite the difficult circumstances in which it was established, the government attempted to implement the party manifesto's economic policies. The package of deflationary restrictions implemented to defend sterling was blamed on the economic recklessness of the previous Conservative administration. In Cabinet Callaghan

²⁷As Bale notes, the reaction of the EFTA countries to the imposition of import surcharges (see below, Chapter VII, pp. 224-5) demonstrates that there were real dangers in ignoring overseas opinion: Bale, 'Dynamics of a non-decision', p. 197.

²⁸*Ibid.*, pp. 198, 199, 203.

²⁹*Ibid.*, pp. 201-2.

³⁰Bale stresses that, to a great extent, 'the decision to reject devaluation was taken before Labour came to office and merely confirmed ... as soon as Wilson, Brown, and Callaghan had the chance to convene officially': *ibid.*, p. 198.

³¹*Ibid.*, p. 198.

insisted that it was not a continuation of the 'stop-go' policies of Treasury-inspired restrictions the Conservatives had relied upon, and the government 'did not intend to rely either on borrowing or on deflationary policies'. It was a temporary measure which would bring the economy and the trade balance back under control in order that the new planning policies could get to work.³² Indeed, even Callaghan openly expressed how 'unfortunate' it was that 'action which we had to take in an attempt to repel an external threat to sterling in the short-term would exert a disinflationary influence on the domestic economy and to that extent would appear to be inconsistent' with the government's broader economic policies.³³

III

Although Coopey has harshly dismissed it as a 'marginal organisation',³⁴ the most compelling evidence of the government's genuine commitment to fulfilling the manifesto's economic policies surely lies in the creation of the Department for Economic Affairs. Although it has been alleged that the department was thought up by Wilson in the back of a taxi as a means of giving Brown something important to

³²CAB 128/39, CC (64) 2, 5 (22 Oct. 1966). This is confirmed by the preliminary discussions held by senior ministers regarding the National Plan. Brown argued at the Ad-hoc Ministerial Committee on Economic Affairs (whose membership included Wilson and Callaghan) that if the Plan 'were to be implemented successfully it would be essential to create the right economic environment'. To this end, he argued that 'restrictions in home demand should not be applied too widely in view of the undesirable consequences they might have for business confidence'. He recognised that 'this objective might conflict, in the short-term, with measures that were necessary for maintaining confidence in sterling', but argued that without a commitment to the longer-term aims of the Plan the defence of sterling would be frustrated. Significantly, at this time there was 'general agreement with the view that the government should adopt the positive attitude of increasing supply rather than the negative one of restricting demand': CAB 130/202, Ad-hoc Ministerial Committee on Economic Affairs, paras. 1-3 (19 Feb. 1965). It should be noted, however, that Woodward has convincingly argued that the government should in fact have introduced a much harsher package at this time if it seriously wished to give itself 'breathing space' to introduce its growth strategies: see Woodward, 'Labour's economic performance', pp. 82-3.

³³CAB 128/39, CC (64) 10, 2 (24 Nov. 1964).

³⁴Coopey, 'Industrial policy in the white heat', p. 120; Edgerton, 'The 'White Heat' revisited', p. 66. Even if it may be correct to assert that it became *marginalised* by Wilson and Callaghan, this does not necessarily mean that it was an unimportant organisation, and certainly does not imply that study of the reasons for its marginalisation can be ignored.

do, such an analysis cannot be sustained.³⁵ In October 1964, and even earlier, Wilson, and especially his Cabinet Office economic advisor Balogh, were clear that the creation of the DEA was an essential strand of economic policy.³⁶ To this end the DEA was charged with the dual planning tasks of drawing up a National Plan for economic growth – described by Clifford as ‘Labour’s *raison d’être*’³⁷ – and formulating a prices and incomes policy which would allow the Plan to be implemented without inflationary pressures over-heating the economy. Superficially both policies were taken forward with much energy and determination. The National Plan was produced with incredible rapidity given its complexity, being presented to parliament in the autumn of 1965.³⁸ Likewise, the prices and incomes policy was forced forward with great enthusiasm and energy by Brown. Building substantially on the work of the previous Conservative government and the NEDC,³⁹ Brown succeeded almost by force of personality alone in getting unions and employers to agree to a Joint Statement of purpose in December 1964,⁴⁰ and this breakthrough was followed up with almost continual pressure on both sides of industry to agree to the

³⁵Clifford, ‘The rise and fall of the DEA’, pp. 95-6.

³⁶*Ibid.*, pp. 95-7. Benn records that discussions were organised by Balogh and Wilson in May 1963 on the idea of ‘dividing the Treasury into two halves and giving half of it over to a Ministry of Expansion or Production’: Benn, *Diaries 1963-67*, p. 25 (25 May 1963). See also CAB 147/8, memorandum on ‘The future of the DEA’ by Balogh (8 Jan. 1968); CAB 147/7, Balogh to Wilson (5 Feb. 1965) and CAB 147/9, memorandum on ‘The experiences with the government machine’ by Balogh (25 Feb. 1965). Brown himself recalled in August 1966 that Wilson had, when appointing him as First Secretary, ‘made clear that he would rank in precedence before the Chancellor’: EW 27/60, meeting of Brown with his officials (12 Aug. 1966). This is to some extent confirmed by his appointment to chair the Ministerial Committee on Economic Development. The influence of Balogh on the formation of economic policy is addressed in more detail in Chapter VII.

³⁷Clifford, ‘The rise and fall of the DEA’, p. 103.

³⁸Treasury economists such as Cairncross have repeatedly criticised the entire exercise as a sham, arguing that the Plan offered ‘no understanding of how growth could be accelerated’. It is a criticism partially accepted by Lord Croham (formerly Douglas Allen, Deputy Under Secretary of State, DEA, 1964-66, Permanent Secretary of State, DEA, 1966-68): Cairncross and Croham in ‘Witness seminars: The DEA’, pp. 126, 129. Woodward, however, is substantially more positive, arguing that ‘with its emphasis on supply-side policies’, the Plan ‘still reads quite well’: Woodward, ‘Labour’s economic performance’, p. 86.

³⁹Ringe, ‘Background to Neddy’, p. 89.

⁴⁰CAB 128/39, CC (64) 15, 5 (15 Dec. 1964).

establishment of permanent regulation and control over prices and incomes.⁴¹ Indeed, Clifford has questioned whether Brown's personal devotion to the policy was perhaps even excessive, given the range of other tasks he had to undertake.⁴²

Given that the DEA under Brown's leadership appeared so dynamic and was clearly advancing the mechanisms of economic planning, it might be wondered why the government has been considered so directionless in economic policy, and so half-hearted in its commitment to planning. However, for all the energy of Brown and his department, the grave economic problems that the government faced were not overcome.⁴³ The reasons for this failure lie not in the activities of DEA and its planners, but in the refusal of Wilson and Callaghan to allow the policies pursued by the DEA to get in the way of their defence of sterling.

IV

The reality was that the conditions of restriction imposed in October 1964 as a once-only short-term measure to restore confidence and balance to the economy, increasingly became the main tool of economic policy. The government discovered that by deciding to maintain the value of the pound, it had imposed on itself a straight-jacket from which it was not able to escape. For it was not simply that the decision taken in October 1964 meant a rejection of devaluation at that particular time; it came to imply a commitment to ensuring that devaluation would not, and could not, occur under the Labour government at any time.

⁴¹By February 1965, for example, he had secured agreement for the establishment of the National Prices and Incomes Board: CAB 128/39, CC (65) 7, 4 (5 Feb. 1965).

⁴²Clifford, 'The rise and fall of the DEA', p. 110.

⁴³And, as Brown argued in April 1965, until the balance of payments and sterling problems were dealt with, it was 'unsatisfactory' to publish details of the Plan, since they were so clearly dependent on the policies adopted to deal with these problems: CAB 129/39, CC (65) 20, 3 (1 Apr. 1965).

This interpretation was not one universally subscribed to at Cabinet; indeed it was one which Brown himself came to reject. It was, however, the interpretation that Callaghan, and, more importantly, Wilson, adopted. To devalue later, having publicly made the decision not to devalue in 1964, would, in both of their minds, have been a devaluation of their own words.⁴⁴ It was a logic from which there was less and less escape, for every proclamation they made in support of sterling made the potential embarrassment of any later devaluation that much greater.⁴⁵ Thus it was not the decision against devaluation in 1964 which was so important *per se*, but the effect of that decision in pushing Wilson and Callaghan into a psychological corner from which they could see no escape.

The two men became convinced that even to consider devaluation was to admit total defeat on their economic policies.⁴⁶ Even in Cabinet discussion could not be allowed on the possibility of devaluation, for to do so was to admit the possibility that the government might not succeed in its sterling policy.⁴⁷ However, closing off the option of devaluation did nothing to prevent either balance-of-payments problems, or consequent crises in confidence in sterling. With every change in the trade balance or sterling balance scrutinised minutely in 10 and 11 Downing Street, the possibility of establishing a coherent long-term economic policy declined rapidly. Instead, Wilson and Callaghan became increasingly convinced that negative movements in the balances required implementation of deflationary packages lest they should lead to a

⁴⁴Bale, 'Dynamics of a non-decision', p. 208. See *HC Deb.* (751), cols. 99-102 (24 July 1967), when Callaghan explicitly stated that 'I just do not want to devalue our own word'.

⁴⁵Pimlott, *Wilson*, p. 353.

⁴⁶In June 1965 Callaghan argued that 'a considerable part of our difficulties [regarding sterling] were psychological in origin', and Wilson agreed, urging that 'in public the Chancellor of the Exchequer should maintain an attitude of quiet confidence', refusing even to countenance devaluation: CAB 130/202, Ad-hoc Ministerial Committee on Economic Affairs, paras. 1-4 (24 June 1965).

⁴⁷Balogh argued that 'the extreme secretiveness with which this is now handled is an obstacle to rational discussion': CAB 147/12, Balogh to Wilson (6 Jan. 1966).

fall in confidence in the parity. Yet devaluation hampered the very process of economic planning for growth that might have reduced or removed the causes of difficulties with sterling and the trade balances. Moreover, they reduced the likelihood of expensive nationalisation measures finding support with Wilson or Callaghan.

The contradictions inherent in this policy were first brought into the open in summer 1965. By this time, Brown and his fledgling DEA had succeeded in producing the National Plan. The heart of the Plan was a firm commitment to achieving an increase in national output of 25 percent by 1970.⁴⁸ The methods whereby this target was to be achieved were elaborated at great length, both in relation to what was expected by individual industries, and also, crucially, in terms of the economic policies that industries could expect the government to pursue.⁴⁹ As Brown described it, 'the Plan sets out a common framework to which the government itself is firmly committed and on which ... industries can base their investment decisions'.⁵⁰ At exactly the time that Brown was hailing the Plan as the first step to planned economic expansion, however, a balance-of-payments problem was looming.⁵¹ The conduct of economic policy at this particular juncture shows that far from developing into the equal of the Treasury, as Wilson and Balogh had argued was essential for the

⁴⁸See DEA, *The National Plan* ((Cmnd. 2764) 1965), Chapter 1, 'The Plan in outline'. In terms of the justifiability or otherwise of the rate chosen, Ringe emphasises that the rate of growth adopted had in fact been considered 'the base line of economic planning' since the establishment of NEDC: Ringe, 'Background to Neddy', p. 92. In 1963 the NEDC's publication, *Growth of the United Kingdom economy to 1966*, took the same 4% per annum figure as the Plan as the basis of its examination of the restrictions on expansion: Fred Catherwood, 'The National Economic Development Council: A view from industry', *Contemporary British History*, 12 (1998), pp. 77-8.

⁴⁹See DEA, *The National Plan*, especially Chapters 18 and 19, 'Public expenditure' and 'Defence', as well as Part II, 'Industrial Annexes'.

⁵⁰PREM 13/827, briefing memorandum from Brown to Wilson (13 Sept. 1965); DEA, *The National Plan*, 'foreword'.

⁵¹Indeed, officials in other departments, especially the Treasury, urged the DEA to reconsider the adoption of a 25% growth target, arguing that given 'the extent of our balance of payments difficulties

success of economic policy, the DEA was in reality unable to establish its aims of planned growth in the face of the dominance of Treasury thinking over the Cabinet.⁵²

Brown argued that 'the essential purpose of the plan is to provide a way out of the vicious circle of balance of payments leading to restrictions in demand which themselves have prevented the growth of supply'.⁵³ Yet Callaghan was demanding that the Cabinet approved just such a package of deflationary measures to slow the economy down and restrict the rate of growth in order to maintain balance on the trading account.⁵⁴ These two policy prescriptions were clearly inconsistent: Callaghan's proposals virtually guaranteed that the Plan's estimate of 25 percent growth by 1970 would be rendered meaningless.⁵⁵ The Cabinet's decision to approve Callaghan's deflationary package cannot be considered, as the October 1964 package was, as a one-off temporary measure with no impact on long-term economic policy. This decision was a fundamental one, as Brown, Castle, Crossman and Crosland recognised.⁵⁶ The Cabinet rejected planned economic growth as a luxury that could

and the amount of economic mess which has to be cleared up, it is most unwise for the government to commit itself' in this way: EW 24/7, note by G.D. MacDougal (DEA) (18 Nov. 1964).

⁵²Bale notes the extent to which many non-economic ministers bowed to the perceived 'expert' knowledge of the Treasury: Bale, 'Dynamics of a Non-Decision', p. 206. Balogh argued in May 1965 that unless the contradictions between the positions of the Treasury and the DEA were sorted out, 'the whole planning exercise will remain fairly academic': CAB 147/11, Balogh to Michael Stewart (18 May 1965). He had already informed Wilson in February that he 'totally disagreed' with the Treasury's analysis of the economic situation and their assumption, as he saw it, that economic growth on the scale envisaged in the Plan would lead to devaluation: CAB147/11, Balogh to Wilson (17 Feb. 1965).

⁵³CAB 130/203, Ad-hoc Ministerial Committee on Economic Affairs, memorandum on 'The Plan' by Brown, para. 2 (18 Feb. 1965).

⁵⁴CAB 128/39, CC (65) 41, 1 (27 July 1965).

⁵⁵Brown admitted that 'it was perhaps debatable whether, in the light of the current economic situation, it would be wise to seek to adhere to this timetable [that is, 25% growth by 1970]': CAB 128/39, CC (65) 44, 2 (3 Aug. 1965). DEA Officials argued that to 'continue to assert its validity in the face of the facts will ... bring the whole concept of planning into disrepute': EW 24/93, memorandum by officials for First Secretary (10 May 1966).

⁵⁶According to Castle, Crosland told the Cabinet that deflation was 'leading us straight into stagnation'. Crossman and Castle strongly backed him: Castle, *Diaries*, p. 52 (27 July 65). Indeed, Clifford has gone so far as to argue that Brown should have made this explicit by seeking to include in the National Plan a recommendation of devaluation: Clifford, 'The rise and fall of the DEA', p. 109.

not be afforded.⁵⁷ It was a rejection, in effect, of the purpose of the DEA. The decision lays bare the hollowness of Wilson's stated aim of creating the department as a counter-balance to the influence of the Treasury.

Wilson had always recognised that there might be conflict between the two ministries, but he had argued that this would be a 'creative tension'.⁵⁸ It is clear, however, that the psychological hold which the balance of payments and sterling parity had over Wilson ensured he would not stay neutral in any such conflicts. Where a perceived threat to sterling was concerned, Wilson would almost inevitably back his Chancellor regardless of the consequences to wider economic policy.⁵⁹ This was demonstrated by the government's response to the repetition in the following summer of the balance-of-payments difficulties.⁶⁰ In July 1966, Callaghan admitted to the Cabinet that 'despite the various doses of disinflation ... the economy remains in an inflationary condition'. 'At the same time', he continued, 'we have not yet succeeded in eliminating the enormous deficit in the balance of payments that we

⁵⁷CAB 128/39, CC (65) 41, 1 (27 July 1965); Castle, *Diaries*, p. 54 (3 Aug. 1965).

⁵⁸Both between the ministries and personally between Callaghan and Brown (and from Wilson's perspective thereby preventing the two men conspiring against his leadership): Clifford, 'The rise and fall of the DEA', p. 107.

⁵⁹Wilson's steadfast support for Callaghan's package is evidence in the records of the July 1965 Cabinet discussions, during which he did not even acknowledge the negative effect it would have on the government's planning: CAB 128/39, CC (65) 41, 1 (27 July 1965). He was rapidly disabused of this notion. In January 1966 the government's chief economic advisors (Cairncross, Neild, Kaldor, Jukes and Balogh) concluded that Wilson and Callaghan's approach was failing; all the evidence indicated 'our inability to reconcile faster growth and external balance within the limits of present of policies': CAB 130/259, note to the Ad-hoc Ministerial Committee on Economic Affairs on 'The Economic Outlook' by the Economic Advisors, para. 5 (4 Jan. 1966). Cairncross has confirmed that these economic advisors 'kept urging the government to devalue', and that Neild left the Treasury in 1967 'in despair of persuading the government to devalue': Alec Cairncross, 'Economic advisors in the United Kingdom', *Contemporary British History*, 13 (1999), p. 237.

⁶⁰In fact, Callaghan had already raised the prospect of further deflationary measures being taken as early as November 1965: CAB 147/12, Callaghan to Wilson (11 Nov. 1965); EW 24/65, Callaghan to Wilson (22 Nov. 1965). He urged Wilson to 'recognise that we have not succeeded in getting onto the course which we set ourselves in July'. Presumably it was only Callaghan's acceptance that 'the forecasts on which the present assessment was based were not exact' which allowed Brown to dissuade him and Wilson from taking further deflationary measures at this time (and, possibly, that Wilson had already decided to call a general election the following spring): EW 24/65, meeting between Brown, Callaghan and Wilson (3 Dec. 1965).

found on taking office'.⁶¹ Further deflationary measures were needed to protect the trade balance and sterling. Several Cabinet ministers were aware that a repeat package of restrictive measures would destroy any last vestiges of hope for controlled economic growth.⁶² However, the Cabinet was offered little or no consultation by Callaghan and Wilson.⁶³ By this time a group of ministers, primarily Brown, Castle, Benn, Crosland and Crossman, were convinced that devaluation was the only way to resurrect economic policy.⁶⁴ To Callaghan and Wilson mere discussion of the possibility remained unacceptable,⁶⁵ so Cabinet consultation and discussion was severely restricted. Yet the deflationary *fait accompli* offered to Cabinet by Wilson and his Chancellor dealt an effective final *coup de grace* to the DEA and its aims,⁶⁶

⁶¹CAB 129/126, C (66) 103, memorandum on 'The economic situation' by Callaghan, para. 16 (8 July 1966); CAB 128/41, CC (66) 35, 1 (12 July 1966).

⁶²CAB 128/41, CC (66) 35, 1 (12 July 1966). As Catherwood (Chief Industrial Advisor, DEA, 1964-66) argues, 'what we faced in July 1966 was the fact that the government had chickened out, it wasn't going to do anything at all. It wasn't going to devalue, it wasn't going to change any policies, it was simply coming back to the idea that you put the squeeze on and that solved the balance of trade problem by reducing the imports So the DEA, I think, then became a busted flush': Catherwood in 'Witness seminar: the NEDC', p. 123. However, it should be noted that opposition to Wilson and Callaghan was not total: Jay had been calling for a further package of restrictive measures since April: see EW 24/66, Jay to Wilson (20 Apr. 1966).

⁶³The 'need' for a package of deflationary measures was presented to the Cabinet unannounced on 12 July, and the Cabinet was expected by Wilson and Callaghan to be able to approve its details just two days later: see CAB 128/41, CC (66) 35, 1 (12 July 1966) and CC (66) 36, 3 (14 July 1966).

⁶⁴Castle records (as does Benn) that Brown, Crossman, Benn and herself had determined beforehand that they had to argue this openly in the Cabinet: Castle, *Diaries*, p. 147 (18 July 1966); Benn, *Diaries 1963-67*, p. 454 (16 July 1966). Other ministers in favour of devaluation (according to Castle) were Jenkins and Crosland.

⁶⁵Only on very rare, private occasions, was discussion of devaluation permitted: see, for example, Castle, *Diaries*, p. 282-3 (22 July 1966); Benn, *Diaries 1963-67*, p. 510 (29 Aug. 1967).

⁶⁶Clifford is blunt but accurate: 'With the advent of the so-called 'July' measures of 1966, the DEA's role as a planning ministry ended. Economic planning in the form originally envisaged by the Wilson government disappeared': Clifford, 'The rise and fall of the DEA', pp. 103, 109. As Brown's successor, Stewart, told Wilson –due to the July 1966 deflationary package 'to put it crudely, there is no progress to report in terms of the original National Plan targets'. He argued that even to publish revised targets for growth would be 'giving too much a hostage to fortune' and would 'not be credible and would lead to ridicule', since the contradictions in the government's economic policies were so great: PREM 13/827, Stewart to Wilson (17 Oct. 1966). While conceding that these judgements are generally valid, Woodward has questioned whether governments at this time possessed sufficient powers to have been able to achieve the ambitions of the National Plan (emphasising that, in comparison to the French government, the DEA 'never had much financial leverage over the private sector'): Woodward, 'Labour's economic performance', pp. 85-6.

and so infuriated the 'devaluationist' ministers that the minutes of the meeting of 19 July were considered too confidential to be openly distributed.⁶⁷

At that meeting, this group of ministers 'urged that a change in the government's fundamental economic policies was needed'. They argued that Wilson's and Callaghan's proposals 'contained no new features'. In contrast, 'devaluation would add a new dimension to economic policy, which would give the government a wider range of choices and objectives'. It was conceded that devaluation 'carried an inherent risk of further devaluations, [but] the same was true of the alternative policy of deflation'. These ministerial criticisms went to the heart of the government's economic policies. Crosland in particular 'urged that the parity of \$2.80 ... had proved to be incompatible with th[e] major objective of improving the rate of the growth', and maintained that 'a fundamental weakness in the government's present policy was the fact that we were seeking to maintain a position in the world which our economy could not support'. He argued, backed by Crossman, that the time to devalue had been October 1964, but 'that occasion having been missed, the opportunity of the present crisis should be taken'.⁶⁸

Wilson and Callaghan were dismissive of such opinions, arguing that 'it was important to distinguish clearly between problems of reality and problems of confidence'.⁶⁹ However, their rejection of other ministers' arguments, which so infuriated Brown that he refused to accept Wilson's summing up and 'reserve[d] his position',⁷⁰ could not overcome the inherent flaws in their own economic strategy. Although Bale has argued that those ministers calling for devaluation were guilty of

⁶⁷CAB 128/41, CC (66) 37, i (19 July 1966).

⁶⁸CAB 128/146, CC (66) 37, 1 (19 July 1966).

⁶⁹*Ibid.*

⁷⁰*Ibid.*; Castle, *Diaries*, p. 150 (19 July 1966).

'economic naiveté', it is difficult to see how the deflationary packages offered a long-term solution to problems of trade balance and lack of confidence in sterling.⁷¹ As the Labour party leadership itself had argued when in opposition, such 'stop-go' policies were a poor alternative to planned measures which actually produced a stronger economy.⁷² Without the growth that the National Plan had been created to achieve, the repetition of balance-of-payments crises was unavoidable. As the government's economic advisors concluded in January 1966, 'sooner or later' the two men would have to face this dilemma.⁷³

It was the unavoidability of continuing financial crises that eventually rendered the unthinkable act of devaluation inevitable. By autumn 1967 it was clear even to Wilson and Callaghan that the two deflationary packages introduced in the summers of 1965 and 1966 had achieved little for the long-term economic position. The looming prospect of yet another balance-of-payments crisis presented Callaghan and Wilson with a dilemma. Despite the lack of opportunity offered for Cabinet debate, it was increasingly obvious to both men that many, possibly even most, ministers were opposed to more deflation, and that if given the chance of an open debate, would probably press for devaluation.⁷⁴ The decision was consequently taken, with much reluctance, to abandon sterling parity. Even then, devaluation was decided upon

⁷¹Bale, 'Dynamics of a non-decision', p. 204. The substance of the argument put forward by Bale had been considered and rejected by Wilson's own economic advisor in December 1965: CAB 147/12, memorandum from Balogh to Wilson (23 Dec. 1965). Similarly, Stewart described Callaghan's thinking in private discussions with his officials in the DEA as 'a counsel of despair ... since expansion ... was the one way to put the balance of payments right': EW 24/93, meeting between Stewart and advisors (9 Sept. 1966).

⁷²Bale, 'Dynamics of a non-decision', pp. 197-8.

⁷³CAB 130/259, note to the Ad-hoc Ministerial Committee on Economic Affairs on 'The Economic Outlook' by the Economic Advisors, para. 7 (4 Jan. 1966). It is dilemma which Bale appears remarkably unwilling to recognise: 'Dynamics of a non-decision', especially, p. 204.

⁷⁴Benn, one of the few ministers taken into Wilson's confidence, indicates that by November 1967 there were few ministers prepared to back further deflation: Benn, *Diaries 1963-67*, p. 512 (8 Nov. 1967). At the same time, groups of MPs on both the left and right of the parliamentary party were allying

without formal consultation with other ministers. After the Cabinet had been presented with the July 1966 measures, Wilson had been obliged by Cabinet criticism to form a Ministerial Steering Committee on Economic Policy to ensure that 'they were not confronted again, at equally short notice, by an emergency requiring critical decisions to be taken without adequate preparation'.⁷⁵ Yet during November 1967 the Committee never even considered the economic situation until *after* devaluation, nor was it ever given any indication by Callaghan that sterling was in crisis.⁷⁶ Similarly, the Cabinet was informed by Callaghan on 14 November that 'it would be useful for the Cabinet to have a general discussion in the near future about the economic situation', only to be presented with devaluation two days later.⁷⁷

V

Devaluation was presented to the public as a planned decision taken to free the economy of the constraint of an over-valuation of sterling,⁷⁸ but it was not so in reality. It was a decision forced on Wilson and Callaghan in the face of the inescapable reality that sterling parity could not be preserved.⁷⁹ They admitted to the

(like minister in the Cabinet were) to press for devaluation: Bale, 'Dynamics of a non-decision', pp. 216, 209.

⁷⁵CAB 128/46, CC (66) 42, 1 (4 Aug. 1966).

⁷⁶The last occasion before devaluation on which the Committee discussed the state of the economy was 15 September. On that occasion, Callaghan reported only that 'the development of our balance of payments situation has been disappointing', in part due to the closure of the Suez canal due to the Arab-Israeli conflict. He gave no indication, however, that serious problems would arise before the summer of 1968. Nor did he mention the growing crisis at the meeting of 8 November, when the sterling crisis was already under way: CAB 134/3196, Ministerial Steering Committee on Economic Policy, SEP (67) 12, 1 (15 Sept. 1967) and SEP (67) 17, 1 (8 Nov. 1967). The opportunities for ministerial debate on economic policy were in any case diminished by the dissolution (without explanation) of one of the main forums for economic policy debate, the Ministerial Committee on Economic Policy, in September 1967.

⁷⁷CAB 128/42, CC (67) 65, 1 (14 Nov. 1967). Perhaps even more incredibly, Cairncross alleges that the government's economic advisors, Balogh and Kaldor, were not informed of devaluation until after the event: Cairncross, 'Economic advisers in the United Kingdom', p. 237.

⁷⁸It should be emphasised to the public, Wilson told the Cabinet, 'that devaluation would mean that we should be more in control of our own destiny and less at the mercy of foreign opinion': CAB 128/42, CC (67) 66, 1 (16 Nov. 1967).

⁷⁹Bale, 'Dynamics of a non-decision', pp. 211-12.

Cabinet that devaluation represented a defeat, not a fresh beginning: it marked, according to Callaghan, 'the end of the economic strategy which the government had been pursuing hitherto; and he was prepared to draw the necessary conclusion as regards his personal position'.⁸⁰ Incredibly, however, neither man concluded from the defeat that their obsession with maintaining a specific value of sterling had been the primary cause of the economic policy failure. This is demonstrated by the decision not to allow sterling to float but merely to move to a new fixed level, which could then become the new holy grail to defend at all costs.⁸¹ Only at the insistence of some ministers was the Cabinet grudgingly allowed to discuss the possibility of a floating exchange rate.⁸² By choosing, under intense pressure from Wilson and Callaghan, to ignore that option, the government was freed from the problems of sterling and the balance of payments for only a brief time.⁸³

As Callaghan, and then his successor Jenkins, made clear to the Cabinet, the new value of sterling was to be defended with just as much vigour, and if necessary with the same packages of deflationary measures, as the old level had been. In the immediate aftermath of devaluation, the Cabinet was forced to approve just such a package which still further undermined the basis for sustained economic growth, and ensured that the aims outlined in the National Plan would be still further pushed into the background.⁸⁴ The fundamental flaws in a policy of restriction rather than one of

⁸⁰CAB 128/42, CC (67) 66, 1 (16 Nov. 1967).

⁸¹Callaghan argued that to move to a floating rate 'would run counter to the basic philosophy of international exchange rates and would therefore incur the active hostility of the IMF and the international monetary community': *ibid.* It should be noted, however, that *any* unilateral devaluation could be considered as 'counter to the basic philosophy of international exchange rates', and the hostility of the international monetary community had already been shown through their speculation against sterling.

⁸²Castle, *Diaries*, p. 325 (16 Nov. 1967).

⁸³CAB 128/42, CC (67) 66, 1 (16 Nov. 1967).

⁸⁴See especially CAB 128/42, CC (67) 67, 4 (21 Nov. 1967); CAB 128/43, CC (68) 1, 3 (4 Jan. 1968). Jenkins reported to the Cabinet that 'in order to make a success of devaluation by establishing the balance of payments beyond doubt, we should take further action to reduce demand by an annual rate

planned growth remained just as valid as they had been before devaluation. Consequently, despite the deflationary package, within months sterling was once again under severe pressure. This time, exacerbated by a chronic shortage of international liquidity, it was so great that, in a move which smacked of desperate crisis management, an emergency Bank Holiday was hastily proclaimed for 15 March 1968 to stave off an imminent collapse of sterling.⁸⁵

The psychological impact of this crisis the government can hardly be overstated. The 'fresh start' that devaluation was supposed to achieve was shown to be at best wishful thinking, and in reality little more than empty rhetoric.⁸⁶ The government's reputation, already weakened by the shattering blow of devaluation, suffered yet another blow. More significant for this study was the extent to which the events of March 1968 threw unforgiving light on the structures through which government economic policy was formulated.⁸⁷

The particular night of 14-15 March on which the emergency Bank Holiday was proclaimed has the characteristics of high political farce, yet behind the controversy and intrigue two facts seem indisputable. The first is that by 1968 crisis

of something of the order of £850 million; this is needed to prevent a cumulative expansion which would soon become insupportable'. Of course, a 'cumulative expansion' had been the primary aim of the National Plan, but Jenkins was adamant that the government should 'err on the side of toughness', and introduce a deflationary package of at least £1,000 million in public expenditure to prevent substantial economic growth. His attitude towards 'Government Research and Technological Support' (which the 1964 manifesto had indicated would be instrumental to a 'white heat' breakthrough) is of particular interest. Expenditure in this area was, Jenkins recognised, 'intended ultimately to improve our economic performance'. Nevertheless, 'in our present situation there must be [he argued] a limit to what we can afford to devote to investment of this kind'. He therefore proposed to cut expenditure by almost 20%: CAB 129/135, C (68) 5, memorandum on 'Public expenditure: Post-devaluation measures' by Jenkins, paras. 1-3, 40 (3 Jan. 1968).

⁸⁵CAB 128/46, CC (68) 21, 1 (15 Mar. 1968).

⁸⁶Although it should be recognised that determined efforts were made to use the opportunity offered by devaluation. The DEA, for example, pressed hard for consultation to take place 'over the whole range of industry' to ascertain how it could assist in the planned switch of resources from domestic consumption to exports: EW 24/159, draft memorandum by officials (unnamed) (28 May 1968).

⁸⁷As Crosland (President, Board of Trade) put it, 'the episode raised certain issues of the machinery of government': 'Note of a Meeting at Number 10 Downing Street, SW1, on Friday, 15 March 1968, at 1:15 a.m.', recorded in CAB 128/46, CC (68) 21, (15 Mar. 1968).

management had replaced any notion of planned economic management. The sense of 'crisis' within the government is indisputable: Jenkins judged that the country was at one point only hours from effective bankruptcy.⁸⁸ Secondly, Wilson was evidently not prepared to use the Cabinet as a forum for significant economic debate. Brown's resignation from the Cabinet over what he considered to be Wilson's high-handedness, and more fundamentally his deliberate failure to consult colleagues – undermining the principle of collective responsibility – was dismissed by Wilson's supporters at the time as typical Brown histrionics.⁸⁹ Yet the records of the emergency 'Cabinet' meeting held at Brown's insistence at Number 10 in the middle of the night show that other ministers considered his arguments to have considerable force. He was backed, if not in his language, then certainly in his argument. Crosland told Wilson that 'he, too, resented being excluded from the discussion of such grave contingencies', while Stewart supported Brown's contention that Wilson and Callaghan could quite easily have consulted more widely if they had wished.⁹⁰ Even Shore, who was one of only two other ministers (Crossman was the other) who had been consulted, stated that 'there was force in the views which had been expressed in so far as the real object of criticism was the curtain of secrecy behind which the Treasury concealed their conduct of economic policy'.⁹¹ Indeed, Crossman noted in his diary that, far from being an unimportant issue upon which to resign, Brown's act was one founded on an issue of fundamental significance.⁹² The incident was no one-off; it was, as many ministers asserted at the Cabinet meeting the following morning,

⁸⁸Crossman, *Diaries*, ii, pp. 712-13 (17 Mar. 1968).

⁸⁹CAB 128/43, CC (68) 21, 1 (15 Mar. 1968); Benn, *Diaries 1968-72*, pp. 44-6 (14 Mar. 1968).

⁹⁰And by implication, presumably supported Brown's contention that Wilson was lying when he claimed that he had tried to contact ministers at the House of Commons.

⁹¹'Note of a Meeting at Number 10 Downing Street, SW1, on Friday, 15 March 1968, at 1:15 a.m.', recorded in CAB 128/46, CC (68) 21, (15 Mar. 1968).

‘merely the latest of several occasions on which issues of monetary policy had been judged to be of such secrecy and complexity that decisions had been reserved virtually to the Prime Minister and Chancellor of the Exchequer of the day’.⁹³

By 1968, overall economic policy appeared to be determined primarily by Jenkins and Wilson. The notion that the DEA had equal standing with the Treasury had been long forgotten and the policies of economic planning it had been set up to pursue had been down-graded.⁹⁴ The National Plan had been sacrificed to defend sterling, and after November 1967, it was a case of defeat on both fronts: there was no National Plan except in name, and sterling had not after all been saved. Planning had been reduced to little more than wish-lists which few thought would be realised.

The extent to which policy after policy was sacrificed must be emphasised.⁹⁵ Like the National Plan, prices and incomes policy, once heralded as a key component of the long-term improvement of British industrial productivity was submerged in the

⁹²There was, Crossman argued, ‘a great deal in it’, and that ‘if I was ever to resign, it would be precisely because I can’t stand the way Cabinet is run’: Crossman, *Diaries*, ii, pp. 713-14 (17 Mar. 1968).

⁹³CAB 128/43, CC (68) 21, 1 (15 Mar. 1968); Benn, *Diaries 1968-72*, p. 2 (3 Jan. 1968). It was not to be the last either, for another international monetary crisis in November 1968 threatened sterling once more, and again Wilson and Jenkins gave the Cabinet very little prior warning of what they wished to do (mostly place higher excise duties on products such as petrol, alcoholic beverages as well as an ‘import deposit scheme’): CAB 128/46, CC (68) 47, 1 (22 Nov. 1968).

⁹⁴In Ringe’s judgement, they had been ‘made a farce’ by the deflationary packages: ‘Background to Neddy’, p. 93.

⁹⁵Bale’s conclusion that sterling was defended primarily ‘to avoid the kind of stop on economic growth and attack on public (and particularly welfare) spending that devaluation ... must entail’ ignores the fact that resisting devaluation entailed repeated stops on the policies which could bring economic growth without any discernible long-term gain: Bale, ‘Dynamics of a non-decision’, p. 217. Callaghan wrote to Wilson in May 1965, for example, outlining ways in which that the nationalised industries could be used to help defend sterling. He noted that their ‘huge borrowing ha[s] a big economic effect’, and was judged as having such an effect by overseas financial experts. Consequently, they would have to make improvements in their management and performance, not because this was *per se* desirable, but because it would convince these experts that the Treasury’s investments were justified. In any case, he was ‘reluctant to find more money for them’ unless he was allowed to implement further deflationary taxation measures: EW 25/74, Callaghan to Wilson (28 May 1965). His arguments were firmly rejected by Lee and Brown; the latter writing that ‘I cannot fully accept the Chancellor’s approach ... or the need to avoid at all costs any extra calls on the Exchequer for the finance of industries’: EW 25/74, Lee to Wilson (14 June 1965) and Brown to Wilson (22 June 1965).

attempt to save sterling.⁹⁶ Indeed, it was perverted from being a long-term policy to acting as a short-term expedient.⁹⁷ Instead of serving as a conduit whereby a fundamental improvement could be brought about in the relationship between prices, wages and productivity, it was used instead as a method of clamping down on inflationary pressures on the economy.⁹⁸ The attempts to implement prices and incomes standstills after both the July 1965 and July 1966 measures is a clear illustration of this. In 1965, Wilson and Callaghan sought to give statutory foundation to the policy, since it was, Wilson argued, 'essential that the improvement in our balance of payments should not be endangered by any excessive rise in our costs of production'. Brown was highly critical, arguing that the voluntary policy he had negotiated 'was probably more effective than was commonly supposed', and such progress was threatened by any rush to legislate.⁹⁹ The imposition of a standstill in July 1966 brought an even more fundamental clash between Brown and Callaghan. Brown was adamant that 'the government should not seek to introduce a standstill. This would seriously prejudice the changes of the longer-term policy and of retaining support for that policy'. Callaghan, however, argued that 'the balance of payments

⁹⁶Castle reports that she and Brown agreed in private in February 1966 that the policy was being driven by 'the pledges Jim [Callaghan] had given to the bankers', and Brown, she alleges, further claimed that Callaghan had promised to Johnson (US President) to use the policy in this fashion: Castle, *Diaries*, p. 103. (11 Feb. 1966).

⁹⁷As Shore openly recognised in 1968: although, he argued, 'prices and incomes policy was not evolved as an instrument of short term management of the economy, during 1966-7 ... we were forced to put the greatest stress on prices and incomes policy over the short term': CAB 129/136, C (68) 45, memorandum on 'Future productivity, prices and incomes policy' by Shore, para. 2 (27 Feb. 1968).

⁹⁸In July 1966, Callaghan explicitly referred to the failure of prices and incomes policy to control inflation as one reason why further deflation was necessary to defend sterling: CAB 129/126, C (66) 103, memorandum on 'The economic situation' by Callaghan, para. 16 (8 July 1966).

⁹⁹CAB 128/39, CC (65) 46, 1 (7 Sept. 1965). Wilson over-ruled Brown, and his conclusion that 'it was essential that it should be presented not as a further measure of restriction required in order to reinforce international confidence in sterling in the short term but as a positive development of the government's policies for the planned ... economy' only confirms the extent to which the reverse was true. See also CAB 128/39, CC (65) 57, 5 (4 Nov. 1965), in which 'strongly expressed' opposition to the proposed legislation was again over-ruled by Wilson. Castle reports that Brown 'exploded' in anger when Wilson and Callaghan first insisted on strengthening the policy: Castle, *Diaries*, p. 59 (1 Sept. 1965).

situation was such that it was not possible simply to rely on leaving the policy to achieve its results in the fullness of time'.¹⁰⁰ The eventual breakdown of the policy was, as Brown argued at the time, almost inevitable if it was used in such a short-term manner.¹⁰¹

VI

Great difficulties remain, however, in understanding why it was that Wilson, in particular, allowed economic policy to become so dominated by short-term monetary considerations. He was a trained economist, whose commitment to planning in 1964 was apparently genuinely held, yet he allowed himself to become almost obsessed with the idea that devaluation meant total economic, as well as political, disaster, when it had not done so in 1949, and it was not to do so in 1967. Indeed, there is evidence that he was aware that economic policy was being distorted by obsession with sterling parity. In June 1965 he proposed a reduction in interest rates which he admitted was a reckless gamble (and was ultimately to prove a futile one). He argued, however, that the gamble was justified if it allowed the economy to break free of the straight-jacket of sterling defence.¹⁰²

A similar determination appears to have lain behind his decision in October 1967 to take personal charge of the running of the DEA. It appears an attempt to

¹⁰⁰CAB 128/41, CC (66) 30, 3 (21 June 1966).

¹⁰¹Catherwood, 'A view from industry', p. 79. However, Woodward has argued that the policy was, in any case, flawed in inception: 'such policies, [he argues] ... have their own self-destruct mechanisms. Initially the policy commands widespread support, but as time progresses resentments against the policy accumulate, until a critical mass is reached, unleashing a wage explosion': Woodward, 'Labour's economic performance', p. 97. Regardless of the validity of Woodward's criticism, it is surely the case that the possibility of success was undermined by the use of prices and incomes policy to achieve short-term aims.

¹⁰²Wilson proposed the cut in Bank Rate, even while admitting that it 'entail[ed] a considerable degree of risk', because it would 'provide the Government with greater room for manoeuvre ... [and] it would demonstrate that they retained, not only economically but politically, the power of initiative': CAB 129/39, CC (65) 32, 2 (3 June 1965). It was a tacit acknowledgement that they *had* lost the power of initiative that was not lost by ministers: Crossman, *Diaries*, i, p. 242 (23 June 1965).

indicate that he had been serious when he had established the DEA as the Treasury's equal. He told the new Secretary of State for Economic Affairs, Shore, that 'the previous three years had been spent getting the balance-of-payments right, and with industry streamlined, the government could now go ahead with a big production and efficiency drive as a basis for expansion'.¹⁰³ Such renewed optimism in the planning potential of the DEA was, however, hopelessly misplaced. In any case, events were to rapidly overtake Wilson, for devaluation was at this time only weeks away.

Wilson's own attempts to escape from the economic strictures imposed by sterling make its domination of policy all the more inexplicable. How did he allow policy to become so directed towards a single fiscal indicator? Explanation for this seeming paradox can be found in two linked directions. The first has already been established: Wilson and Callaghan became obsessed with sterling. The second also focuses on this idea of policy obsession, but at a more general level. Insufficient time and energy were devoted to general economic policy by Wilson – that is, to policy other than the defence of sterling. He gave little attention to broader questions of economic policy except in conditions of crisis. Instead, he allowed other problems, especially in the field of foreign policy, to occupy his and his government's time.

The domination of the Cabinet's time with issues of foreign policy, is not itself a feature unique to the Wilson government. It was true of the Attlee government and it is in general true of all governments – few Cabinet meetings in the twentieth century had the 'luxury' of being able to concentrate on domestic affairs alone. It is not, however, the amount of attention given by the Wilson government to foreign policy issues *per se* that is problematic. Rather, it is the way it and Wilson in particular

¹⁰³PREM 13/1538, record of a telephone conversation between Wilson and Shore (30 Aug. 1967).

became involved in particular foreign policy issues – Vietnam, Rhodesia, membership of the European Economic Community – that is of significance.¹⁰⁴

Neither Vietnam nor Rhodesia were problems of the Wilson government's making: Rhodesia was an inherited problem while Vietnam was not even a conflict in which they had any direct involvement. Both, however, were political minefields into which the Cabinet, and especially Wilson, waded time and time again.¹⁰⁵ Numerous Cabinet meetings were devoted entirely to these problems, and barely a meeting might go by over periods of months without discussion on developments in talks with the Smith regime, or on the prospects for peace in the far East. In particular, Wilson expended huge amounts of time and effort in attempting to broker an agreement with Smith, never accepting no for an answer and always being prepared to try and try again.¹⁰⁶

It is difficult to avoid the feeling that too much time was spent on attempting to solve insoluble problems.¹⁰⁷ As with sterling, the impression is of a Cabinet and more especially a prime minister that once committed to a policy was unable to withdraw from it without losing face.¹⁰⁸ Wilson felt he personally had to find a solution both to Rhodesia and Vietnam, or he would be perceived to have failed.¹⁰⁹

¹⁰⁴For a general consideration of the moral, economic and political perspectives which governed the Wilson government's foreign policy, see John Young, 'The Wilson government and the debate over arms to South Africa in 1964', *Contemporary British History*, 12, (1998), especially pp. 63-7.

¹⁰⁵Pimlott is highly critical, bluntly stating that 'I think he [Wilson] was completely wrong over Vietnam. Vietnam was a tragedy and Rhodesia was a comedy of errors': Catterall, 'Anatomising Wilson: Ben Pimlott', p. 336.

¹⁰⁶Crossman recorded that Callaghan had admitted to him in December 1965 that Rhodesia was occupying more than a third of his time, and he (Crossman) estimated that for Wilson, the figure would be above a half: Crossman, *Diaries*, i, p. 407 (9 Dec. 1965).

¹⁰⁷As Pimlott has argued, the government 'made a mess of much of its foreign policy and Wilson was partly responsible for that', since he was repeatedly guilty of having 'bitten off more than he could chew': Catterall, 'Anatomising Wilson: Ben Pimlott', pp. 329-30.

¹⁰⁸Chris Wrigley, 'Now you see it, now you don't: Harold Wilson and Labour's foreign policy 1964-70', in Coopey, Fielding and Tiratsoo, *The Wilson governments*, p. 130.

¹⁰⁹In the case of Vietnam, Young has emphasised Wilson's desire to be seen as 'an honest broker in the world's most serious conflict', leading him to become involved in peace initiatives – such as the Davies peace mission examined in detail by Young – which were 'foredoomed' and 'hare-brained':

The practicality of finding such a solution was given scant consideration. Other cases reinforce the impression that this facet of Wilson's personality frequently guided the conduct of government policy, for example the often obsessive attention given to the possibility of entry into the European Economic Community is another obvious example. Having been convinced by Brown and others that this was essential to the economic and political prospects of Britain, Wilson was prepared to give huge amounts of time to the project. Yet numerous Cabinet meetings continued to be devoted completely to consideration of entry even when it should have been perfectly clear that the chances of entry were at best slim and, given the obvious antipathy towards Britain displayed by de Gaulle, destined to failure.¹¹⁰ At a time when the British economy was moving at a stagnant pace from one crisis to another, allowing such a doomed project to dominate government business was surely foolhardy.¹¹¹

VII

The evidence of these foreign policy 'adventures' all indicate one explanation for the failure of the Wilson government to fulfil its commitment to economic planning for growth. It is apparent that, for all his training as an economist and for all his stated commitment to planning, Wilson was unable to bring any such sense of planning to the machinery of Cabinet government. The main driving forces behind policy making at the highest levels were on the one hand, *ad hoc* reactions to crises, and on the other,

see John Young, 'The Wilson government and the Davies peace mission to North Vietnam, July 1965', *Review of International Studies*, 24, (1998), especially pp. 546, 559-562.

¹¹⁰Pimlott is particularly critical of the attempt to gain entry, dismissing it as 'Wilson and Brown's farcical tour of European capitals': Catterall, 'Anatomising Wilson: Ben Pimlott', p. 337.

¹¹¹In general, the government often gave insufficient consideration to the economic impact of foreign policy 'adventures'. Certainly, Blackett (Industrial Advisor in the Ministry of Technology) became increasingly frustrated in this regard: Kirby, 'Blackett in the 'white heat'', pp. 990, 992.

Wilson's policy fixations.¹¹² Defending the parity of sterling, or finding a solution to the Rhodesia question, became virtual obsessions for Wilson. A decision once made, or a policy direction once decided upon, could not be questioned, for that was tantamount to defeat.¹¹³ Wilson had tasted defeat over sterling in 1949 and was determined not to do so again.¹¹⁴ To that end he was prepared to sacrifice the very economic planning and growth that had been at the centre of the 1964 programme, because the consequences of defeat on sterling, which was a policy fixation, were felt by Wilson to be far greater than those surrounding the failure to supply economic growth, which was not.

Wilson was assisted in making such decisions by the character of those who were also responsible for economic policy. In both Callaghan and Jenkins, he had Chancellors whose actions, if not their words, demonstrated a determination to follow the strictures of Treasury dogma regardless of the consequences. The pleasure Callaghan appears to have gained from using devaluation to bring home the 'truth' to the British population about the 'fools' paradise' they had been living in represents a clear, if extraordinary, example of such thinking.¹¹⁵ On the other hand, there was Brown at the DEA. Although frequently brilliant, he lacked the staying-power and/or reliability to ensure that the progress he made with policies such as prices and incomes could be sustained in the face of Treasury orthodoxy. Whether anyone else

¹¹²Benn, who despite their close friendship became disillusioned with Wilson, argued in July 1966 that Wilson did not have 'a long-term vision of the sort of society we want to create', relying instead on 'the short-term tactical dodging at which he is adept [and which] may have been perfect for the 1964-6 Parliament but has no place in the developing strategy for the next four years': Benn, *Diaries 1963-67*, p. 456 (18 July 1966).

¹¹³As Callaghan has admitted since, the government 'g[ot] itself] on tramlines ... and once they are on those tramlines it is very difficult to get a car off them, and so you go on running, hoping the thing is going to come right': Callaghan in 'Witness seminar: The DEA', p. 133.

¹¹⁴Peter Catterall, 'Anatomising Wilson: Ben Pimlott', p. 327.

¹¹⁵Crossman, *Diaries, ii*, p. 569. (13 Nov. 1967). See also Bale, 'Dynamics of a non-decision', p. 215.

could have done any better must be open for question, for it was quite often only by his sheer force of personality that he achieved what he did.¹¹⁶

These personal characteristics of key members of the Wilson government had a direct and largely negative effect on overall economic policy. Yet while macroeconomic and fiscal policy were mostly determined by these Cabinet leaders, the more mundane level of industrial policy was generally overseen by others ministers. The question which must be addressed is how the morass of indecision and crisis management that became general economic policy affected the implementation of clear manifesto commitments such as nationalisation of iron and steel, and use of public ownership when private industry was judged to have 'failed'. The atmosphere of economic stagnation and fiscal restriction put additional pressure upon those ministers responsible for nationalisation measures to justify the desirability or necessity of them, but the extent to which it directly undermined their implementation, or affected their nature, is not so clear.

Analysis of the industrial ownership policy of the Wilson governments naturally resolves into three distinct strands. Nationalisation of iron and steel appears to be a distinct case of 'unfinished business' from the 1940s. In contrast to this were industries such as shipbuilding and aircraft manufacture where government intervention led to the creation of public or part public enterprises only in the case of individual companies. Finally, there was the establishment of new political structures which offered the potential to place the extension of industrial ownership on a more established, but also dynamic, platform. The Industrial Expansion Act was obvious

¹¹⁶As Catherwood has argued, 'The trouble with George [Brown] was that he could get people to do these things by sheer weight of personality, and maybe they were the wrong things to be done': Catherwood in 'Witness seminar: The DEA', p. 131.

evidence of this, although the extent to which the original purpose of the act was to establish such structures is open to question.

In all three strands of industrial ownership policy, the failings identified in more general economic policy had a critical impact. The consequences for industrial ownership policy if it had become one of the Prime Minister's, or to a lesser extent, one of the Chancellor's, fixations would clearly have been significant, yet Wilson's, Callaghan's and later Jenkins's, attachment to public ownership and control varied considerably between 1964 and 1970. More significant than establishing whether public ownership and control ever became a policy fixation, however, is the question of the impact upon such policies of the more general sense of 're-active' policy making in the field of economic affairs. This question appears particularly pertinent with regard to the more dynamic, 'revisionist', commitments to public ownership and control elaborated in the 1964 manifesto. The establishment of new public enterprises effectively to overcome failings in the operation of the private sector of the economy seemed to imply the existence of an active government constantly seeking to overcome obstacles to economic growth – very much the sort of government the Department for Economic Affairs was supposed to represent. With the dominance of the Treasury over the DEA, and a lack of clear direction in economic policy from the Prime Minister in particular, the scope for successful implementation of such a policy was limited.¹¹⁷

Given, therefore, that dynamism is not an epithet one could easily use to describe the Wilson government's economic policy-making processes, the few examples of apparently dynamic public intervention undertaken by the government

¹¹⁷As Coopey has identified with regard to the interventionist policies of the Ministry of Technology: Coopey, 'Industrial policy in the white heat', p. 119.

assume an increased significance. For the fact that public intervention did occur, and that industries and companies were effectively nationalised, surely indicates one of two possible conclusions. Either the government as a whole was capable of more dynamic decision making than the broader macroeconomic picture would appear to demonstrate; or else the interventions arose largely as a result of individual action by ministers or ministries despite of, rather than because of, the nature of the government.

Chapter Five

The renationalisation of the iron and steel industry: Unfinished business from the ‘commanding heights’?

The 1964 Labour party manifesto declared that ‘private monopoly’ in the iron and steel industry was to be ‘replaced by public ownership and control’.¹ This brief but unequivocal statement² gave no hint of the controversy over ownership of the industry since 1945, nor did it suggest the difficulties which would be faced during the protracted passage of the measure through parliament. Yet ownership of the iron and steel industry had been one of the most contentious issues in post-war industrial policy. Indeed, many contemporaries felt that the question of the industry’s ownership represented the defining demarcation point between the public and private sectors of the economy.

In 1945, Labour had argued that the maintenance of a ‘private monopoly’ in one of Britain’s ‘basic’ industries had ‘maintained high prices and kept inefficient high-cost plants in existence’. In order to restore the industry’s efficiency, reorganisation was necessary and could be achieved only by public ownership and control.³ Yet although the argument for nationalisation was based on this principle of economic efficiency, iron and steel generated much more ideological controversy than the other industries nationalised. This occurred because many industrialists and the Conservative party judged its nationalisation to be a step too far. They rejected the

¹Labour party, ‘Let’s Go with Labour for the New Britain’, in Craig, *Election manifestos*, p. 259

²Contained in a more general paragraph concerning the role to be played by the public sector in the achievement of the aims of the National Plan.

³Labour party, *Let us Face the Future*, p. 7.

Labour party's proposition that it was a 'basic' industry, instead arguing that it was an integral part of the manufacturing sector. It is not necessary at this point to consider the detailed arguments that raged over these points in the late 1940s. Of much more significance are the consequences for the industry of this opposition to nationalisation. For, of all the main industries taken over, only iron and steel was targeted for denationalisation by the Conservatives in their 1951 manifesto.⁴

The denationalisation of the industry between 1953 and 1964⁵ ensured that, while the remainder of the public sector established between 1945 and 1951 was largely accepted as a new *status quo* where the issue of ownership could generate little political controversy, iron and steel remained an industry in the political spotlight. For the Labour party denationalisation represented an act of ideological spite by the Conservatives, and both the 1955 and 1959 election manifestos gave prominence to a commitment to renationalise the industry.⁶ As the one point at which the industrial ownership policies of the Conservatives and Labour were fundamentally opposed, the industry remained an issue of significance throughout the 1950s and into the 1960s. Even the revision of the Labour party's 'shopping list' approach to nationalisation did little to alter its importance.

Given this history, the industry's renationalisation in 1967 may be seen just as 'unfinished business': putting right the 'wrong' that the Conservatives had committed by denationalisation. However, the renationalisation of iron and steel cannot be

⁴It is true that the Conservative party was also committed to denationalising parts of the road haulage industry, but the bulk of the transport sector, especially the railways, were left untouched: iron and steel was the only industry as a whole that the Conservatives sought to denationalise.

⁵Only Richard Thomas and Baldwins remained in public hands in 1964, and its retention was primarily due to the unique capital demands of its reconstruction and expansion plans. For a detailed history of the technical aspects of the denationalisation, see Kathleen Burk, *The first privatisation: The politicians, the City, and the denationalisation of steel* (1988).

⁶See Labour party, 'Forward with Labour' and 'Britain Belongs to You', in Craig, *Election manifestos*, pp. 206, 227.

treated merely as an undoing of the 1953 denationalisation and a re-imposition of the Attlee government's original measure. In the two decades between 1945 and 1964, both the industry itself and, more significantly, the Labour position on nationalisation, had changed dramatically. The renationalisation represents a unique opportunity to explore the realities of revisionism: it was an 'old style' nationalisation being conducted by a Labour party which claimed to have adopted 'new' styles of industrial intervention. Yet little attention has been given to iron and steel renationalisation by historians. The difficulties the government experienced with the process have been emphasised, but few attempts have been made to place the nationalisation within the context of revisionism or the Labour party's public ownership commitment. By examining the renationalisation process, and comparing it with the original nationalisation, this chapter will determine the extent to which the intellectual revisionism before 1964 was translated into applied revisionism in the Wilson government's industrial policies.

I

At first glance, the strength of the Wilson Cabinet's commitment to rapid iron and steel renationalisation appears unquestionable. Its intention to act was agreed on 22 October 1964, at only its second meeting. There was 'considerable support' for introducing a bill in the first parliamentary session – indeed, Wilson concluded that 'priority should be given to [its] early introduction'.⁷ This was despite the fact that the responsible minister, Lee, argued that the 'highly complex problems of drafting [a satisfactory bill]' were so great that it would be more realistic merely to issue 'a firm

⁷CAB 128/39, CC (64) 2, 3 (22 Oct. 1964). After this meeting, officials in the Ministry of Power were referring to the 'extreme urgency which Ministers now attach to the steel nationalisation measure': BT 255/307, memorandum by Stevenson (19 Nov. 1964).

statement of the Government's intentions', while postponing the measure to the second parliamentary session.⁸

The Cabinet's enthusiasm for rapid renationalisation is significant, since it contradicts the image of a hesitant and unenthusiastic government created by viewing the entire nationalisation process from 1964 to 1967. However, a detailed examination of the language used at the Cabinet meeting indicates that ministerial motives for wanting the rapid introduction of a nationalisation bill were complex. It was argued that the bill 'should not be allowed to jeopardise the introduction of other measures particularly in the field of social services to which the government attached high priority'. Early introduction would mean either that if the bill proved uncontroversial it might be passed as rapidly as possible, or else if it proved controversial 'public opinion [w]ould be able to appreciate the extent to which social policies might also be at risk'.⁹

Crossman, at the time Minister of Housing, privately observed that it was the belief that the bill would prove to be a controversial measure which caused the Cabinet to view delay in introducing the nationalisation measure as 'absolutely fatal'. There was, he argued, little enthusiasm for the nationalisation measure *per se*, but it could not be allowed to 'jeopardise the introduction of other measures'.¹⁰ However, while Crossman's observations demonstrate his own disinterest in renationalisation, his interpretation of the Cabinet's motives cannot be accepted unchallenged. For the

⁸CAB 128/39, CC (64) 2, 3 (22 Oct. 1964). In his memorandum on the nationalisation, Lee argued that 'we shall make a much better job of it' if a longer time-frame were adopted: CAB 129/119, C (64) 5, memorandum on 'Iron and steel nationalisation' by Lee, para. 6 (21 Oct. 1964).

⁹CAB 128/39, CC (64) 2, 3 (22 Oct. 1964). The point being, presumably, that it was hoped that the public would blame the opponents of nationalisation for any collapse of the government, and the consequent failure of its social reforms, rather than the government for introducing the measure in the first place.

¹⁰Crossman, *Diaries*, i, p. 27 (22 Oct. 1964).

Cabinet's approach does not obviously reveal general disinterest.¹¹ If it had been so inclined, an easier method of avoiding 'jeopardising' more important measures would surely have been to support the postponement proposed by Lee.

Instead, the Cabinet debated parliamentary tactics which might allow them to secure its prompt passage. It was proposed that the second readings of some of the 'other measures' to which 'high priority' was attached should be pushed forward in order that they might coincide with any parliamentary controversy the iron and steel bill faced. This would enable these other measures to act as a safeguard for the nationalisation bill, ensuring that parliamentary opposition would be diluted by the association of opposition to nationalisation with opposition to essential social reforms.¹²

Such an approach required rapid preparation of the nationalisation measure, so that its presentation to parliament could be carefully timed. However, despite every effort the process of preparation proved neither straightforward nor speedy.¹³ Three main factors contributed to the derailing of the nationalisation process from the programme assumed in October 1964. The first was that the industry's complexity presented the Minister of Power and his officials with an extremely difficult and time-consuming task of framing a suitable nationalisation bill. The second, related, factor, was that the Labour party had given little real consideration to how renationalisation would be accomplished. Charges of lack of preparation had been made against the

¹¹Although it should be noted that Wyatt alleges that Brown considered the nationalisation an 'unpleasant thing' even at this stage: Woodrow Wyatt, *Confessions of an optimist* (1985), p. 297.

¹²CAB 128/39, CC (64) 2, 3 (22 Oct. 1964).

¹³It was rapidly realised that the time required could be shorted by 're-using' sections from the 1949 Bill. It was also argued that such problems as the BISF could be 'left over to be dealt with in a separate Bill in a later Session'. Wilson urged ministers to actively consider the practicality of such an approach, since 'it was essential that a Bill should be introduced this [first] Session ... [and] in view of the tight parliamentary timetable, officials should be asked to give urgent consideration to the possibility of reducing the size of the Bill': CAB 130/215, Ad-hoc Ministerial Committee on the Iron

party in 1945. Despite this, and despite the difficulties the Attlee government had experienced, similar accusations can convincingly be made against the party in 1964. Thirdly, even when the problems of drafting were overcome, the parliamentary and political situation severely compromised the bill's passage.

II

The complexity of the industry should have come as no surprise. Lee had indicated the likely problems when urging the Cabinet to delay introduction of the nationalisation bill.¹⁴ Yet even he did not anticipate the extent of the difficulties. As in 1945, the main reason for the complications lay with the role played in the industry by the British Iron and Steel Federation (BISF). The BISF continued to be extraordinarily influential in almost all aspects of the industry; through its subsidiaries, for example, it controlled the vast majority of ore production and importation.¹⁵ Indeed, as Lee rapidly acknowledged, the complex BISF structure proved to have been 'deliberately designed to make unravelling difficult'.¹⁶ Given that the industry had already been faced with nationalisation once before, Lee's judgement is most likely correct.¹⁷

None of this, however, either explains or excuses the Labour leadership's lack of preparation. It cannot be argued that it had been unaware of the problems posed by the BISF: the Attlee government had experienced grave difficulties with the manufacturers' association, and the existence of the BISF and its various subsidiary

and Steel Nationalisation Bill, paras 1-3 (30 Nov. 1964) and paras 1-2 (4 Dec. 1964); CAB 134/2264, Ministerial Committee on Iron and Steel Nationalisation, NIS (64) 3, 2 (4 Dec. 1964).

¹⁴CAB 129/39, CC (64) 2, 3 (22 Oct. 1964).

¹⁵CAB 129/119, C (64) 5, memorandum on 'Iron and steel nationalisation' by Lee, para. 3 (21 Oct. 1964).

¹⁶CAB 129/120, C (65) 42, memorandum on 'Steel nationalisation' by Callaghan and Lee, para. 4 (15 Mar. 1965).

organisations could hardly have been overlooked by the party while in opposition prior to 1964. The only conclusion must be that in 1964, as in 1945, the confidence of manifesto rhetoric on nationalisation often had little or no foundation in hard planning for the realities of establishing new public industries. For a party so keen to assert its commitment to planning, its apparent propensity for 'coming into office with half-baked plans' is all the more inexplicable.¹⁸

Handicapped, therefore, by lack of forward planning, and faced with so resolute an opponent as the BISF,¹⁹ it was unsurprising that Lee and his officials found preparation of the nationalisation bill problematic. Ironically, the extent to which the BISF's position lay at the heart of the problems is demonstrated by the ease and rapidity with which the main details of the measure were dealt with. Within weeks of taking up the task, Lee was able to outline the key characteristics of the bill.²⁰ The most significant of these was that, compared to the original 1940s nationalisation measure, the number of companies to be taken over was substantially reduced. Only thirteen companies were to be directly nationalised, and of these

¹⁷Lee described the BISF as a 'veritable spider's web; either by accident or design': BT 255/289, meeting between Lee and Wyatt (22 Apr. 1965). He admitted that study of the BISF 'has shown that [its] set-up is even more complicated than we thought': PREM 13/449, Lee to Wilson (25 Feb. 1965).

¹⁸Crossman, *Diaries*, i, pp. 28, 118 (22 Oct. 1964), (3 Jan. 1965); Brown, *In my way*, p. 96.

¹⁹See, for example, BT 255/297, BISF to Lee (1 Feb. 1965), in which the BISF systematically criticised every single aspect of the nationalisation scheme. In the same PRO file, see also meeting between BISF and Lee (19 Feb. 1965) and Judge (BISF) to Lee (27 Feb. 1965). In the latter, Judge argued that 'the economic advantages which the government looks for from nationalisation are neither very considerable, nor very speedy and certainly not generally accepted'. He promised to co-operate with the government in consideration of any alternative but, by implication, not with the nationalisation measure itself. Also of note is the support the BISF received for its stance from the Federation of British Industry, which was 'wholly opposed' to nationalisation: BT 255/454, Runge (FBI) to Lee (4 Dec. 1964); BT 255/456, 'Iron and steel nationalisation: A paper by the FBI' (21 Jan. 1965). In the light of this evidence, McEachern's assertion that the BISF's behaviour 'provides a pitiful contrast with their vigorous counter-attack in 1949' appears overly harsh: McEachern, *A class against itself*, pp. 166-7.

²⁰Indeed, the main outlines of the Bill had been outlined in a draft Working Paper produced by Lee's officials in October 1964: BT 255/278, D. Le Baron Jones, *Draft working paper on steel nationalisation* (Oct. 1964 (no specific day is given)).

thirteen, in three cases only the steel interests of the particular combines were to be taken over.²¹

The contrast with the 1949 Act, which had nationalised more than one hundred companies, could not be more stark. In part this reflected only the changing structure of the industry. Since 1951 the trend in the iron and steel industry, as in others industries, had been towards the creation of larger and larger companies through amalgamations and take-overs.²² However, it was not merely that there were fewer steel companies available to nationalise in 1964. The criteria the government chose to adopt in deciding which companies to nationalise was much narrower in 1964 than it had been in 1949. Whereas in the earlier instance, nationalisation of all companies producing more than 20,000 tons of steel per annum had been considered essential,²³ Lee, his officials, and the Ministerial Committee on Iron and Steel Nationalisation, now concluded that the reimposition of such a criterion would draw too many small companies into the measure.²⁴

The Attlee government's experiences with iron and steel had demonstrated that management by public corporation of a large number of small enterprises was not

²¹These being the English Steel Corporation (a subsidiary of Vickers), GKN Steel (part of the GKN Group) and the iron and steel division of Tube Investments: CAB 129/119, C (64) 5, memorandum on 'Iron and steel nationalisation' by Lee, para. 1 (21 Oct. 1964). The three parent companies complained to the government against nationalisation of their subsidiaries, but this was rejected on the grounds that this would 'prejudice rationalisation and orderly development of the main part of the industry and would weaken substantially the position of the nationalised sector': CAB 129/120, C (65) 42, memorandum on 'Steel nationalisation' by Callaghan and Lee, para. 3 (b) (15 Mar. 1965).

²²CAB 129/121, C (65) 59, memorandum on 'Iron and steel nationalisation' by Lee, para. 13 (6 Apr. 1965).

²³The 1949 Act outlined four distinct per annum output criteria which would make a company liable to nationalisation: the production of 20,000 tons of steel; the working of 50,000 tons of iron ore; the smelting of 20,000 tons of iron; or the rolling of 20,000 tons of steel: *Iron and Steel Act* (1949), Schedule II.

²⁴CAB 134/2264, Ministerial Committee on Iron and Steel Nationalisation, NIS (64) 2, 1 (20 Nov. 1964). Callaghan reported to Wilson that the Committee had concluded that the nationalisation measure should avoid taking responsibility for 'a lot of useless assets', as he succinctly described the smaller steel companies: PREM 13/449, Callaghan to Wilson (23 Nov. 1964).

conducive to the nationalised industry's efficient operation.²⁵ Lee therefore proposed limiting nationalisation to those companies whose output exceeded 475,000 tons per annum. This decision, which may seem a matter of only technical significance, is of considerable importance for two very different reasons. On the one hand, it demonstrated that the Labour party was still wedded to the primary method of industrial organisation used in the 1945-51 nationalisation programme – the Morrisonian public corporation – while on the other hand it confirmed that a fundamental shift *had* occurred in Labour party thinking since 1951 regarding the *purpose* of nationalisation.

The plethora of small companies taken over in the 1950 nationalisation had rendered the operation economically inefficient, primarily because their diversified nature conflicted with the highly centralised organisational structure of the Morrisonian model. This being so it might be supposed that the Wilson government would have circumvented the problem by adopting an alternative method of organisation for the renationalised industry. Yet it is clear that, with an industry-wide nationalisation measure the Wilson government was virtually as dependent on Morrisonian ideas as the Attlee government had been.²⁶

The potential difficulties faced by the Wilson government were reduced not through the use of any 'revised' thinking on organisation, but through a revision of the *reasons* for nationalisation, which made it possible to justify the exclusion of the

²⁵It was judged to have 'saddled [the state] with a number of companies of doubtful efficiency and in a poor financial shape'. In consequence, Ministry of Power officials concluded, 'a disproportionate amount of the time ... was taken up with the affairs of the smaller and weaker companies at the expense of major problems of policy': BT 255/278, Le Baron Jones, *Draft working paper on steel nationalisation*, para. 18.

²⁶The extent of this dependence was clearly not anticipated by Lee's officials, who considered it 'politically important that the Bill should show evidence of new thinking ... about the general problem of nationalisation': *Ibid.*, para. 10. This point had already been made by the Labour party's research department, which had called in November 1963 for any Bill to 'demonstrate that a new look is being

smaller iron and steel companies. The decision taken on the size criterion for nationalisation demonstrates that its key purpose was now the establishment of public *control*, more than ownership.²⁷ This is clear from the justification offered for the decision: Lee argued that taking over just the thirteen concerns would constitute effective nationalisation of the entire industry. Since these thirteen companies produced more than ninety percent of pig iron and crude steel, they had the power to affect the development of the entire industry, including the remainder which would remain in private hands.²⁸ This approach was quite distinct from most of the nationalisations of the 1940s, including the industry's original nationalisation.

Distinct as this renationalisation must be considered, the working out of the bill's details faced problems which were only too similar to those faced in the preparation of the 1950 Act. The problems with the BISF effectively resolved themselves into two distinct areas. Firstly, it was exceedingly difficult to obtain sufficiently detailed information on the exact structures of the BISF as to make the drafting of a bill possible.²⁹ Secondly, and partly as a result of this lack of knowledge, it proved increasingly difficult to avoid producing a hybrid bill.³⁰

taken at the traditional formulae of nationalisation': BT 255/288, Labour party, 'proposed Bill to re-nationalise the steel industry' (RD. 549) (November 1963).

²⁷This was explicitly acknowledged by Ministry of Power officials: they assumed that first objective of the nationalisation would be to 'secure effective government control over the dominant sectors of the industry': BT 255/278, Le Baron Jones, *Draft working paper on steel nationalisation*, para. 2 (a).

²⁸CAB 129/119, C (64) 5, memorandum on 'Iron and steel nationalisation' by Lee, para. 5 (21 Oct. 1964); CAB 129/120, C (65) 42, memorandum on 'Steel nationalisation' by Callaghan and Lee, para. 3 (a) and (b) (15 Mar. 1965). The nationalisation of iron ore reserves was considered unnecessary given the influence of the 13 companies in this area, although it is clear that if sufficient preparation time had been available, ministers would have preferred to have public control over all the reserves: CAB 134/2264, Ministerial Committee on Iron and Steel Nationalisation, NIS (64) 2, 1 (20 Nov. 1964).

²⁹The BISF was, unsurprisingly, 'dilatatory about providing information' about its own structures and those of its companies: BT 255/281, memorandum by D. Le Baron Jones (9 Dec. 1964). Lee conceded to Wilson that the government 'cannot dictate the pace at which information will be provided': PREM 13/449, Lee to Wilson (2 Dec. 1964); CAB 134/2264, Ministerial Committee on Iron and Steel Nationalisation, NIS (64) 3, 2 (n) (4 Dec. 1964).

³⁰For details of the concept of hybridity, see above, Chapter II, n. 81.

Lee was clear that to leave the BISF, and especially its trading subsidiaries, outside the provisions of the nationalisation bill was to court disaster.³¹ The 1950 Act had left the manufacturers' association in private hands and the BISF had consequently been able to 'obstruct' the effective workings of the nationalised industry.³² Time and time again at Cabinet there was strong support for Lee's point of view: the BISF's opposition to nationalisation was perfectly clear and the extent to which it would co-operate with the nationalised enterprise was, at best, questionable.³³

However, strong Cabinet support could not overcome the fundamental problem: rapid preparation of the nationalisation bill was not compatible with a thorough enough investigation of the BISF's structures to allow for its inclusion in any bill.³⁴ Moreover, there seemed little doubt among ministers and officials that to include parts of the BISF in the bill would render the measure hybrid.³⁵ However, attempting to pass a hybrid measure through parliament was considered by the Cabinet to be even less desirable than excluding the BISF altogether from the terms of the bill.³⁶ The Cabinet records show that the government's various goals – rapid

³¹See PREM 13/449, Lee to Wilson (2 Dec. 1964).

³²*Ibid.*

³³See CAB 129/120, C(65) 39, memorandum on 'The British Iron and Steel Federation' by Sir E. Jones (Attorney General), paras. 2-3 (15 Mar. 1965). See also Dudley and Richardson, *Politics and steel in Britain*, p. 30.

³⁴Lee reluctantly concluded that the choice which the government had to face was 'between omitting provisions about the BISF ... or delay the Bill substantially with no certainty that we should in the end be able devise provisions which would achieve our objects': PREM 13/449, Lee to Wilson (25 Feb. 1965). The Attorney General argued that the government's incomplete knowledge of the BISF's structures meant that 'substantial objections' had to be raised to any attempt to nationalise it: CAB 129/120, C(65) 39, memorandum on 'The British Iron and Steel Federation' by Sir E. Jones (Attorney General), paras. 8-9 (15 Mar. 1965).

³⁵By March 1965, memoranda produced by Ministry of Power officials clearly reveal that they considered the inclusion of the BISF as implying hybridity: see POWE 43/497, draft Cabinet memorandum prepared by D. Le Baron Jones for Lee (12 Mar. 1965). This conclusion was confirmed by the Attorney General: CAB 129/120, C(65) 39, memorandum on 'The British Iron and Steel Federation' by Sir E. Jones, paras. 5-6 (15 Mar. 1965).

³⁶CAB 128/39, CC (65) 17, 3 (18 Mar. 1965).

introduction of the bill, incorporation of the BISF, and avoidance of hybridity – were simply incompatible.³⁷

The difficulties might not have been so intractable were it not for the particular political environment they faced. The government's tiny House of Commons majority magnified the problems encountered while preparing the bill. For it made avoidance of hybridity critically important. The government feared that its opponents would turn every vote into a test of its resolve and commitment, and that this would tire its supporters to breaking point. Only with a larger majority could the introduction of a hybrid measure have been risked, for in such circumstances, no matter how long the parliamentary proceedings dragged on, the government's ultimate victory would not have been in doubt.

It was not, however, the handicap of the government's narrow majority *per se* that made its position so difficult. The government was not in general paralysed by its lack of parliamentary strength. The danger came not so much from the size of its majority as from the controversial nature of the measure. Renationalisation of iron and steel was perhaps the most controversial proposal that the government intended to introduce. Outright Conservative and Liberal opposition was certain, making a parliamentary battle inevitable. More significant than united resistance from the opposition benches, however, was the lack of unity among the government's supporters.

³⁷*Ibid.* Lee 'reluctantly' conceded that dealing with the BISF in the nationalisation measure was simply impossible: CAB 129/120, C (65) 42, memorandum on 'Steel Nationalisation' by Callaghan and Lee, para. 4 (15 Mar. 1965); CAB 134/2264, Ministerial Committee on Iron and Steel Nationalisation, NIS (65) 2, 2 (3 Mar. 1965).

III

With a wafer-thin majority, the complete support of Labour backbenchers was essential, but it could not be taken for granted. Indeed, it seemed more than likely that at least two Labour MPs would oppose the measure, a large enough defection to prevent the passage of the bill. The chief Labour opponents were Woodrow Wyatt and Desmond Donnelly.³⁸ Both were on the 'right wing' of the party; both had been strong supporters of Gaitskell. Wilson and his closest confidants feared that both men retained fond memories for their 'lost leader' and despised the 'disloyal' Wilson who had challenged Gaitskell for the leadership in 1960, and usurped the victory in 1964 that would have been Gaitskell's had he lived.³⁹ Wilson's fears, fomented within the 'Kitchen Cabinet' atmosphere of Number 10 by such confidants as George Wigg and Marcia Williams,⁴⁰ were exaggerated, but they nonetheless contained a fair degree of truth.⁴¹ Both Donnelly and Wyatt were ideologically wedded to Gaitskell and Crosland's revisionist critique of nationalisation.⁴² It was this, more than any personal dislike of Wilson, which lay at the heart of Donnelly and Wyatt's opposition.⁴³

³⁸There is also evidence of opposition to the government's proposals among Labour peers in the House of Lords. Lord Addison wrote a note entitled 'Steel nationalisation without tears' in October 1964, in which he argued, like Wyatt, that 'it might be to the advantage of the authorities to leave a proportion of the equity of the steel companies with the public'. He argued that this 'would be thought ... in the City to be a kind of 'olive-branch' mechanism, and would, I feel sure, remove most of the obstinate opposition which obtains at the present time': BT 255/279, Lord Addison to Lord Shepherd (Government Chief Whip) (29 Oct. 1964). There is no evidence to suggest that Lord Addison pressed the matter further.

³⁹Pimlott, *Wilson*, p. 358.

⁴⁰Benn, who while close to Wilson was not part of the 'Kitchen Cabinet', was scathing of the impact on the Prime Minister of these advisors, arguing that 'Number 10 lives in an atmosphere of intrigue, encouraged by George Wigg who is a completely crazy advisor, Marcia who gets a bit hysterical and Gerald Kaufman who just sits wisely and nods': Benn, *Diaries 1963-67*, p. 466 (6 Aug. 1966).

⁴¹In Wyatt's view, Wilson displayed 'contemptible disloyalty' towards Gaitskell: Wyatt, *Confessions of an optimist*, p. 274.

⁴²*Ibid.*, p. 295.

⁴³Although this is not to deny that they did dislike Wilson. Wyatt argued that the Prime Minister 'had weak principles, scarcely any that took precedence over his single-minded self-interest', while Donnelly was expelled from the party in 1968 after calling for the Cabinet to remove Wilson: *ibid.*, 293; Benn, *Diaries 1968-72*, p. 37 (17 Feb. 1968).

There were two main strands in their rejection of nationalisation, one practical, the other 'ideological' in inspiration. Firstly, they questioned whether the case for taking-over the industry was justifiable on economic grounds. They differed from the government not in the use of economic criteria, but in their judgement of the impact of nationalisation on the industry's future efficiency.⁴⁴ Secondly, they questioned whether, even if the measure could be justified on such grounds, the method chosen, harking back to the 1940s, was appropriate for an industry in the 1960s.⁴⁵ Wyatt in particular argued from a revisionist perspective that the government should give consideration to alternative methods of securing the effective development of the industry.

Of these two strands, the first was the more easy for the government to refute. The case that the industry's performance since 1953 had been inadequate could be convincingly (if not overwhelmingly) made.⁴⁶ The performance of rival European steel concerns was markedly superior, and it was argued by independent commentators as well as the Wilson government that the industry was failing to maintain the pace of modernisation required by international competition.⁴⁷ Although the evidence was not compelling in either direction, it was difficult for Donnelly, Wyatt, or other opponents of nationalisation, to undermine the government's case significantly. Yet with the argument far from clear cut, it was also far from easy to convince the Labour rebels to support the government line.

⁴⁴*Ibid.*, p. 294.

⁴⁵*Ibid.* As Wyatt records, he had been stressing the desirability of alternative methods of public control since the 1950s.

⁴⁶However, as Lee conceded, the government had to be careful not to exaggerate the extent of criticism which could legitimately be made: CAB 129/121, C (65) 59, memorandum on 'Iron and steel nationalisation' by Lee, para. 2 (6 Apr. 1965).

⁴⁷CAB 128/39, CC (65) 24, 4 (8 Apr. 1965). Dudley and Richardson argue that, by 1964, 'the industry was by common consent in thoroughly bad shape in terms of profitability, levels of investment, size of plant and technological advance': Dudley and Richardson, *Politics and steel in Britain*, p. 28.

Wyatt's and Donnelly's second strand of criticism was substantially more difficult to undermine. To such revisionists the essentially 'Morrisonian' form of nationalisation proposed seemed a step back to the 1940s. Wyatt forcefully rejected the government's argument that its proposals represented the only way of achieving sufficient public control. He questioned this notion in correspondence and meetings with key government ministers, including the Prime Minister. The strength of his position was that rather than simply criticising the government's position, he produced alternative proposals, centring around the 'revisionist' idea of partial government ownership of the companies, rather than outright take-over.⁴⁸ The ministers' primary difficulty was that the 1964 manifesto had declared this to be an appropriate form of new public enterprise, so they were placed in the position of having to justify why their own policies were inappropriate in the particular case of iron and steel. Moreover, since the government was only proposing a partial nationalisation in terms of the number of companies, it was not easy to refute arguments in favour of a partial nationalisation in terms of ownership of those companies.⁴⁹

The impact of Donnelly and especially Wyatt upon the government's pursuit of iron and steel nationalisation cannot be dismissed lightly, even if in the end their views were ignored and their opposition eventually overcome after the 1966 election increased the government's parliamentary majority. In 1965 their opposition not only forced postponement of nationalisation until after the next general election but also,

⁴⁸BT 255/289, meeting between Lee and Wyatt (22 Apr. 1965). Wyatt argued that such an approach would be 'a good deal less complicated than the government's present proposals'. It would 'get away from the dogma of nationalisation which had dogged the industry for a good many years', and, significantly, 'the industry would be prepared to accept such a scheme'.

⁴⁹Although Lee argued in meetings with Wyatt that a fundamental difference existed between their proposals: the government's 'partial' measure secured total control, whereas Wyatt's scheme would result in partial ownership and control: *Ibid.*

and more significantly, raised serious doubts in the minds of key government ministers, especially the Prime Minister, on the method the government was adopting.

Given the parliamentary situation in 1965, the ability of two Labour rebels to wreck the government's legislative intentions was largely unavoidable. The Cabinet, despite having been so keen on pressing ahead with the nationalisation, recognised that without united backbench support defeat was almost certain. Accordingly they decided to 'test the parliamentary waters' with a vote on the white paper before any bill were introduced. They reasoned that although serious, a defeat on this was unlikely to precipitate a vote of no confidence that could force an election – a situation which would have been difficult to avoid if it had been defeated on the measure itself.⁵⁰

The government made strenuous efforts to demonstrate that it was not adopting this tactic from lack of enthusiasm for the measure, and significant pressure was put upon Labour MPs to vote for the white paper. Wilson, in particular, was determined to avoid defeat, and faced the challenge head on at the Parliamentary Labour Party meeting on 5 May 1965. He told potential opponents that they risked the wrath of a party leadership that would not tolerate being 'dictated to by minorities'. Before that would happen, he would 'tell them to go to blazes'.⁵¹ Clearly Wilson was attempting to frighten his opponents into supporting the measure, but both he and they knew that the parliamentary situation rendered such threatening language largely meaningless.

⁵⁰Indeed, the Cabinet agreed, unconvincingly it might be considered, that it was 'essential that, if the government failed to carry the Motion, this should not be construed as an implied defeat for the government's legislative proposals themselves. From this point of view, it would be advisable to delete the statement [in the White Paper] that legislation embodying the government's proposals would be presented to parliament this session': CAB 128/39, CC (65) 24, 4 (8 Apr. 1965).

The weakness of the government's position was demonstrated the following day in the debate on the white paper. Wyatt elaborated at length on why he could not support the measure, and he was strongly backed by Donnelly, and, more hesitantly, by Strauss.⁵² With the government so exposed, defeat was inevitable. Acknowledging this, Brown threw the House of Commons into turmoil by effectively announcing that the Cabinet was abandoning any attempt to nationalise the industry immediately, ostensibly in order to allow consultation with interested parties.⁵³ Although Brown acted without prior approval of the Cabinet, 'flabbergasting' some of his colleagues,⁵⁴ it was clear at the Cabinet meeting the next day that few thought he had been left with any choice but to retreat as he did.⁵⁵ Better, it was argued, to postpone the measure until after another election when it was hoped the opposition of Wyatt and Donnelly could be circumvented.⁵⁶

⁵¹Crossman, *Diaries*, i, p. 210 (5 May 1965). Castle reports that Wilson told the Cabinet that 'if we once start giving to pressure groups, our authority as a government was finished': Castle, *Diaries*, p. 21 (18 Mar. 1965).

⁵²Strauss had written repeated to Wilson and Lee during 1964 and 1965, arguing that ownership was irrelevant to the industry's problems, and that a strengthened Iron and Steel Board (the body created by the 1953 Act to oversee the private industry) would have 'all the control over the industry we could possibly require to effect its reorganisation': BT 255/290, Strauss to Wilson (5 Nov. 1964) and Strauss to Lee (9 Dec. 1964). Wilson was noticeably less convinced by his arguments than those of Wyatt, indicating that Wilson believed that ownership *was* still linked, in some way, to control: see Wilson to Strauss (16 Nov. 1964) and BT 255/289, Wilson to Strauss (6 July 1965). By July 1965, Strauss was also concerned about the impact of nationalisation on popular opinion. He argued to Wilson that the government would 'gain in public esteem and not lose it if we declared that after reviewing all the economic and political features, we were going to "end private monopoly in steel" as promised, by alternative methods which ensured effective public control': BT 255/289, Strauss to Wilson (9 July 1965). Only his timidity (according to Wyatt) prevented him continuing with his opposition to the government's proposals: Wyatt, *Confessions of an optimist*, p. 296.

⁵³The compromise was actually struck at the House of Commons between Brown and Wyatt: *ibid.*, pp. 303-5.

⁵⁴Crossman claimed to be 'flabbergasted' by Brown's announcement whilst Barbara Castle was left with a 'heavy heart': Crossman, *Diaries*, i, p. 212 (7 May 1965); Castle, *Diaries*, p. 30 (6 May 1965).

⁵⁵Crossman, *Diaries*, i, p. 215 (11 May 1965). Only Castle remained unconvinced: Castle, *Diaries*, p. 32 (11 May 1965). Wilson reported to the PLP that 'there were no apologies called for and none made': PREM 13/449, record of PLP meeting (22 May 1965). However, it should be noted that Benn reports that the party as a whole was unwilling to accept Brown's compromise: Benn, *Diaries 1963-67*, p. 257 (11 May 1965).

⁵⁶Although Lee was concerned about the effect that the period of delay and uncertainty would have on development in the industry (and also worried that the companies and the BISF would use the time to further complicate their structures, making nationalisation still more difficult): CAB 130/246,

The view taken by the Cabinet as a whole – that Brown's forced parliamentary retreat was simply the result of the government's limited majority, and had no long term consequences for the implementation of the nationalisation measure after 1966 – has not been challenged by historians. However, while Wyatt and Donnelly's opposition effectively forced Brown's hand, it was also true that the alternative views expressed by Wyatt in particular were privately given serious credence by senior ministers. Indeed, the evidence indicates that Wyatt's ideas caused much doubt to develop on the method of nationalisation.

The strength of Wyatt's argument was that it did not directly question the government's chief proposition – that the iron and steel industry was failing the nation. Moreover, he agreed with them that the best cure was to extend public control over key parts of the industry.⁵⁷ Where he diverged was on how this control should be achieved. He argued that outright nationalisation was neither desirable nor necessary. It was undesirable because it led to problems of responsibility, motivation, and efficiency. More significantly, it was unnecessary because effective control could be achieved by far more subtle means.⁵⁸ Wyatt argued that if the government were to acquire, by compulsory purchase, around 51 percent of the shares in the relevant iron and steel companies, it would have effective control over the companies without having to encounter the controversies, and drawbacks, of nationalisation. This was the classic revisionist case for limited nationalisation by more dynamic means than the heavy-handed approach of outright nationalisation.

memorandum to the Ad-hoc Ministerial Committee on Steel Nationalisation by Lee, paras. 1-2, 4, 6 (22 Sept. 1965).

⁵⁷See PREM 13/449, memorandum on 'Steel nationalisation' by Wyatt (12 Mar. 1965); Wyatt, *Confessions of an optimist*, p. 299.

⁵⁸'Effective control', he argued, not only 'could in practice be secured' by his scheme, but, 'to the extent that the Federation [i.e. the BISF] was strongly opposed to nationalisation, but would be

Lee and his Ministry of Power officials were dismissive of the basis of Wyatt's arguments, considering them a 'complete non-starter'.⁵⁹ They saw grave difficulties in preparing any legislative procedure to achieve this ownership structure without the creation of a hybrid bill. Moreover, they felt that such an ownership structure would cause fundamental difficulties for the managements of the companies. The managements would be torn between the need to represent the interests of the private shareholder who 'was entitled to expect a reasonable return on the money he had invested in the company', and those of the state, whose interest was far broader.⁶⁰ In the Ministry of Power's opinion this conflict of interest was unavoidable and rendered Wyatt's proposals unworkable.⁶¹

This dismissal of Wyatt's proposals might be expected to have marked the end of their consideration by the government.⁶² Wyatt's persistence should have been little more than a minor irritation to Lee and his ministry. However, unlike Lee Wilson was clearly intrigued by Wyatt's proposals. Wilson's interest, of which he had given no indication when speaking to the PLP on 5 May, is manifest in the repeated memoranda from his office requesting opinions on the alternatives to outright

prepared to co-operate with his proposals', would be *greater*: BT 255/289, meeting between Lee and Wyatt (22 Apr. 1965).

⁵⁹They had in fact considered the practicality of similar schemes to Wyatt's as early as October 1964. They concluded that anything less than a 51% holding would 'not give control', while even a majority holding would 'make it more difficult to bring about changes in the structure of the industry. And it would give the directors of the companies an awkward double responsibility': BT 255/278, Le Baron Jones, *Draft working paper on steel nationalisation*, para. 16; BT 255/279, memorandum by M. Stevenson (11 Dec. 1964). They rigidly stuck to these conclusions throughout 1965 and 1966: see, for example, BT 255/280, memorandum by M. Stevenson to the Plowden Committee (2 July 1965), in which the Ministry's consideration of partial nationalisation schemes is reviewed; BT 255/280, Cabinet brief by D. Le Baron Jones (8 Sept. 1965), in which it is argued that it would be better to 'defer action [i.e. nationalisation], rather than adopt one of the alternative solutions'; and BT 255/529, memorandum by D. Le Baron Jones (11 May 1966).

⁶⁰BT 255/389, meeting between Lee and Wyatt (22 Apr. 1965). Lee argued that the rationalisation which needed to be undertaken after nationalisation would make this conflict still greater. See also BT 255/289, meeting between Lee and Wyatt (27 Apr. 1965); POWE, 43/498, brief on 'the possibility of non-total nationalisation' by M. Stevenson (10 May 1965).

⁶¹See POWE 43/497, memorandum from Lee to Wilson (12 Mar. 1965).

nationalisation.⁶³ With the existing nationalisation measure obstructed in parliament, the possibility of achieving the same aims by an alternative method plainly appealed to Wilson. Moreover, Wyatt's repeated refutations of Lee's criticisms and objections kept Wilson's interest alive, at a time when Lee considered the matter closed.⁶⁴

The serious consideration Wilson gave to Wyatt's proposals has not previously been noted, yet it suggests that Wilson's thinking remained open to revisionist ideas even after the Cabinet had decided upon outright nationalisation in this instance.⁶⁵ Wilson's eventual rejection of Wyatt's revisionist proposals might seem to reinforce traditional interpretations that he gave little serious consideration to them. However, such a conclusion again ignores the precariousness of the government's parliamentary position. For just as Wyatt and Donnelly were opposed to nationalisation from their 'right-wing' perspective, so others in the party were bitterly opposed to anything other than nationalisation. Those on the 'left' of the party, such as Michael Foot, who held fond memories not of Gaitskell but of Bevan, were unshakeable in their belief that

⁶²Even if Wyatt himself was determined not to allow his ideas to be so easily dismissed and continued to press his case with Ministry of Power officials and Lee.

⁶³In a letter to Wyatt on the day *before* the PLP meeting, Wilson assured Wyatt that he had given 'very full consideration' to his case: BT 255/289, Wilson to Wyatt (4 May 1965). The record of his correspondence demonstrates that this was not mere platitude: see, for example, BT 255/289, Hutton (Ministry of Power) to Wilson (26 Apr. 1965), on the potential hybridity of Wyatt's proposals; PREM 13/449, Trevelyan (Privy Council Office) to Wilson (4 Mar. 1965), on the drafting practicalities of legislation to secure 51% ownership; PREM 13/449, Wilson to Trevelyan (10 Mar. 1965), requesting more information on such legislation. Wilson's interest is also confirmed by Wyatt: *Confessions of an optimist*, p. 300.

⁶⁴On the question of hybridity, for example, Wyatt wrote to Wilson on 25 March 1965 directly contradicting Lee's contention that his measure would be hybrid. He reported that the Public Bills Office had confirmed that 'taking over 51% of all firms ... would invoke a general category which would not raise problems of hybridity': PREM 13/449, Wyatt to Wilson (25 Mar. 1965). This provoked an immediate response from Wilson, who demanded an explanation from the Ministry of Power (they in turn conceded that Wyatt's proposals might not necessarily be hybrid, but argued that regardless they would neither give proper control, nor be popular with the industry): Wilson to Lee (29 Mar. 1965) and Eagers (Power) to Wilson (2 Apr. 1965).

⁶⁵After the correspondence on the subject of hybridity considered in the previous footnote, for example, Wilson wrote to Wyatt that 'I find that a 51% scheme is not easy to devise and might not be effective'. Nevertheless, he offered to meet Wyatt on any future occasion and discuss the issues again: PREM 13/449, Wilson to Wyatt (7 Apr. 1965).

industrial nationalisation was essential.⁶⁶ For Wilson to have accepted Wyatt's proposals would almost certainly have lost the support of sufficient 'left-wing' Labour MPs to prevent the measure being pursued through parliament in any case.⁶⁷

However, this particular argument against Wyatt's proposals only applied until the government's victory at the 1966 general election. The size of its parliamentary majority now ensured that almost any measure could be passed into law. It is at this juncture, therefore, that the preparedness of Wilson and his Cabinet colleagues to consider alternative forms of intervention rather than simple nationalisation, can accurately be judged. Yet the evidence of the Cabinet discussions after the election reveal that it was not consideration of alternative methods of nationalisation that most concerned them, but consideration of whether the project was desirable at all.⁶⁸

IV

The contrast between the debate on renationalisation in April and May 1966 with that of October 1964 when the Cabinet had concluded that iron and steel nationalisation was a 'high priority', could not be greater. Wilson himself argued that other measures proposed for the Queen's Speech were more important to the government's overall strategy, and steel might be postponed from the first to the second session of the new parliament.⁶⁹ This demonstrates that regardless of the method adopted, the Prime Minister no longer considered iron and steel to be the

⁶⁶See Castle, *Diaries*, p. 66 (9 Nov. 1965).

⁶⁷It would also have antagonised the TUC. Its representatives were already critical of the government 'failure' to deal decisively with the BISF, arguing that this increased the 'difficulty and complexity of the task'. Their reaction if the government had adopted Wyatt's proposals would have been explosive: BT 255/457, meeting between TUC representatives and Lee (8 Apr. 1965).

⁶⁸Even before the election, the Cabinet's waning enthusiasm is apparent. In October 1965, when it was decided to defer the measure from the next Session, many ministers had argued that 'the nationalisation of the industry was not as urgent [as it had been] ... and it could reasonably be maintained that a proper allocation of legislative priorities in relation to the government's economic policies would not accord a very high place to the Bill to nationalise iron and steel': CAB 128/39, CC (65) 53, 2 (21 Oct. 1965).

'high priority' it had once been. His lack of enthusiasm was shared and expressed first by Callaghan, then by Brown. Both pronounced themselves in favour of postponement, in order to enable re-negotiation of the entire proposal with the steel owners.⁷⁰ This reinforces the impression that Brown's statement in parliament the previous year had not been mere political expediency.

The contrast between the 1966 Cabinet debate and that of 1964 was emphasised still more by the position adopted by the new Minister of Power, Richard Marsh. Whereas in 1964 his predecessor Lee had called for delay while other ministers pressed for haste, now Marsh stated ('bluntly' according to Crossman) that he was going to 'push his Steel Bill through', regardless of the opposition he faced in parliament – or for that matter in the Cabinet.⁷¹ Crossman recorded privately that Marsh thereafter repeatedly accused Callaghan and Brown of 'deliberately slowing up work on steel nationalisation because they didn't really want to push it through'.⁷² Crossman's personal views at this time are also of some interest to consider. In 1964

⁶⁹CAB 128/41, CC (66) 18, 4 (1 Apr. 1966).

⁷⁰CAB 128/41, CC (66) 25, 4 (19 May 1966). Brown argued in the Ministerial Committee on Iron and Steel Nationalisation that the desire to 'secure a permanent solution to the status of the steel industry' meant it would be 'better' if that solution could be agreed to by all parties, including the BISF. As chairman, however, he was forced to conclude that 'although his personal view was in favour of delay, the great majority of the committee considered that it would be better to proceed': CAB 134/3013, Ministerial Committee on Iron and Steel Nationalisation, NIS (66) 1, 1 (3 May 1966). Other opponents were Jenkins and Crosland: Castle, *Diaries*, p. 128 (19 May 1966).

⁷¹Crossman, *Diaries*, i, p. 498 (7 Apr. 1966); CAB 128/41, CC (66) 18, 4 (1 Apr. 1966) and CC (66) 25, 4 (19 May 1966); CAB 134/3013, Ministerial Committee on Iron and Steel Nationalisation, NIS (66) 1, memorandum on 'The BISF and the timing of the Bill' by Marsh, paras. 7-10 (20 Apr. 1966).

⁷²An allegation Crossman admitted he felt was probably true: Crossman, *Diaries*, i, p. 511 (4 May 1966). Castle also states that Roy Jenkins and Tony Crosland supported Callaghan and Brown, and that the latter two might even have accepted minority government holdings in place of outright nationalisation: Castle, *Diaries*, p. 128 (19 May 1966). The Minister of Power stated on 19 May 1966 that it was 'urgent to proceed with the Bill as quickly as possible', but others at Cabinet were more interested in exploring new proposals coming from the BISF, arguing that 'a refusal to do so would indicate unnecessary rigidity' and that, moreover, 'a 100% ownership of the 13 main firms [as was proposed] ... was not necessarily the right organisation ... [and would] forgo the possible advantages of a wider, though partial, public ownership': CAB 128/41, CC (66) 25, 4 (19 May 1966). An example of the 'delaying tactics' allegedly used by Brown is the lengthy debate he entered into with Marsh – at the prompting Thomas Balogh – regarding a possible IRC investigation of the industry's structures: see BT 255/349, especially Balogh to Brown (24 May 1966) and Marsh to Brown (7 June 1966).

he had expressed little more than disinterest; two years later he considered nationalisation to be 'irrelevant'.⁷³

Given the earlier struggles in attempting to nationalise the industry, this lack of enthusiasm is striking. The overwhelming impression is that key ministers increasingly felt the measure to be tiresome, and tolerated only because Marsh was prepared to do all the work on it and because it avoided a potentially explosive clash with the 'left wing' in parliament. The truth of this is shown by the Prime Minister's disinterest after the 1966 election in further exploring Wyatt's alternative proposals for public control.⁷⁴ It was not that Wilson had come to favour 'old-style' nationalisation instead, rather that he simply lost interest in consideration of the project altogether.⁷⁵ His declining willingness to enter into debate on the subject was matched by that of many of his colleagues. They appear to have felt initially that the general election represented an ideal opportunity to give fresh consideration to alternative methods, and that to exclude them from consideration would have been in 'opposition to the dictates of common sense'.⁷⁶ However, in the face of Marsh's opposition to any reconsideration of the question of method such enthusiasm rapidly faded away.⁷⁷

V

How was it possible that a Cabinet which enthusiastically sought iron and steel nationalisation in 1964 and struggled hard to find a method of pushing it through a

⁷³Crossman, *Diaries*, i, pp. 249, 533 (13 June 1965, 12 June 1966).

⁷⁴Wyatt recognised that Wilson was 'losing interest': Wyatt, *Confessions of an optimist*, p. 307.

⁷⁵In September 1966, for example, the CBI attempted to persuade him to re-open the debate, but after being advised by Ministry of Power officials that 'it would be pointless to continue', given their department's determination to nationalise, he ended the matter: BT 255/456, especially meeting between Wilson and CBI (19/9/66) and memorandum by D. Le Baron Jones (11 Oct. 1966).

⁷⁶Crossman, *Diaries*, i, p. 524 (19 May 1966).

hostile parliament in 1965, so rapidly lost – with the notable exception of Marsh and one or two other ministers – its enthusiasm at the very time when it could at last pursue the measure? To some extent it seems that the battles of 1965 had convinced some that nationalisation was simply trouble the government could do without.⁷⁸ However, given its increased parliamentary majority, such problems would be, and were, minimised second time around. Much more significant was an increasing conviction among ministers that the government should not give priority to nationalisation during its second period in office.

A key cause of this conviction was the growing atmosphere of despair at the failure of general economic policy. As the previous chapter showed, the Cabinet's decision to defend the existing sterling parity considerably reduced the freedom of movement in its economic policy. The Chancellor of the Exchequer's attitude towards iron and steel nationalisation from 1966 onwards shows that this was true also of industrial ownership policy. Callaghan took an increasingly hostile position on iron and steel not primarily from any ideological objection to the proposal, but from concern about its cost.⁷⁹ Supported by the Bank of England, he raised technical objections on the impact of nationalisation on the markets, arguing that it would require the issue of too great a volume of government stock for the markets to

⁷⁷Marsh was equally unwilling to allow the BISF to re-open old debates. He told them in May 1966 that 'the issue of ownership could ... hardly be reopened now': BT 255/298, meeting between Marsh and officials from the BISF (10 May 1966). See also CAB 128/41, CC (66) 28, 2 (14 June 1966).

⁷⁸Despite, for example, the vastly increased government majority, Brown still argued that the government should not cause itself trouble by nationalising the BISF. He recognised that the government could pass a hybrid bill, but argued that 'it would greatly slow down the speed of progress through both Houses of Parliament and might make it impossible to pass the Bill in a single session'. Moreover, he argued that the government was still 'far from having full knowledge of the complex organisation', and had no method of obtaining the necessary information: CAB 129/125, memorandum on 'Iron and steel nationalisation' by Brown, para. 2 (b) (6 May 1966).

⁷⁹At the beginning of the year he had still expressed the opinion that the desirability of nationalisation was 'beyond dispute': Benn, *Diaries 1963-67*, p. 383 (6 Feb. 1966).

accommodate easily.⁸⁰ He had not, however, felt in 1964 that such difficulties would arise⁸¹ – demonstrating how the failure of economic policy, and the consequently perceived need for public financial restraint, impacted upon the pursuit of industrial policy goals.⁸²

Even in the case of ministers such as Brown who rejected the deflationary economic policies, iron and steel nationalisation was now far from being a major priority. The key struggle on the domestic front was over the direction of general economic policy – over consideration of devaluation as an option, or the continuation of the policies of deflation. With the adoption of the July 1966 deflationary package, the pursuit of policies such as nationalisation retreated further in the minds of many ministers. Nationalisation could not affect the short-term economic malaise that the government was presiding over.

It remains to be explained why nationalisation nonetheless took place. Firstly, while nationalisation was not considered to be high priority, most ministers, including Wilson, still judged it to be a desirable objective. Secondly, the Cabinet was aware that it had been twice elected with a manifesto commitment to nationalise the industry, and for Wilson in particular the attainment of manifesto commitments was

⁸⁰He argued that ‘the issue of £600 million of gilt-edged stock would raise formidable problems for the operation of the gilt-edged market and the more market generally ... it would be catastrophic to the government’s credit and their general policies to launch such an issue on a falling market’: CAB 130/285, Ad-hoc Ministerial Committee on Iron and Steel Nationalisation: Compensation Terms, para. 14 (9 May 1966). For details of the Bank of England’s objections, see PREM 13/1035, Bancroft (Treasury) to Wilson (31 May 1966).

⁸¹At least, he did not make public such concerns in 1964, even if he held them. At a meeting on senior ministers in February 1965 to discuss methods of compensation, he still did not think the problem sufficiently serious to mention: PREM 13/449, meeting between Wilson, Callaghan, Lee, D.J. Mitchell (12 Feb. 1965). However, by April 1965 he did express in private a fear that the timing of the parliamentary debate on the measure might undermine confidence unless postponed until after the government had received funds from the IMF: PREM 13/449, Callaghan to Wilson (15 Apr. 1965).

⁸²He explicitly linked the market difficulties with his support for a re-examination of the case for a majority holding. He was only dissuaded from this approach by the vociferous opposition of Marsh: CAB 130/285, Ad-hoc Ministerial Committee on Iron and Steel Nationalisation: Compensation Terms, para. 20 (9 May 1966).

of great significance. However, after 1966 the main reason for iron and steel industry nationalisation was that it could occur almost regardless of Cabinet support. The Minister of Power had been given clear Cabinet approval to introduce a nationalisation bill in October 1964 and, with continual Cabinet approval, had succeeded by 1965 in producing just such a bill, even if the parliamentary situation had meant that it had never been presented. In March 1966, all that was necessary was for the Cabinet once again to express its commitment to the introduction of the measure. With the responsible minister, Marsh, keen to pursue the measure, the Cabinet re-endorsed its decision, however unenthusiastically. The Chancellor's financial objections could have brought the project to a halt, but even he was unwilling to force the issue against Marsh.

The ability of iron and steel nationalisation to be carried out largely due to the enthusiasm of a particular minister, with something close to indifference from his Cabinet colleagues, raises many general questions about the pursuit of industrial policy. For it surely undermines any argument that the failure of the Wilson government's economic policy seriously impacted upon the scope for extending the role of public enterprise. It would imply that such expansion could largely be pursued independently of economic conditions, provided that, firstly, the Cabinet was generally in favour of public enterprise, and that, secondly, the responsible ministers and ministries were prepared to pursue to a conclusion cases where public ownership and control were felt to be merited.

However, before reaching such a conclusion, consideration must be given to the impact of the method chosen for iron and steel. Was it a consequence of the fact that the industry was *nationalised* that enabled the measure to proceed as it did? The nature of nationalisation, being a 'bureaucratic' form of public intervention with

which the civil service was already familiar, was particularly suitable for implementation largely independent of continual input from the Cabinet. Departmental bureaucracies already had experience of nationalisation from the 1940s – as shown by the rapidity with which an outline measure was prepared in 1964. The only major problem requiring Cabinet assistance was that of the future status of the BISF.

What remains to be seen is the extent to which such civil service procedures were appropriate for the production not of systematic renationalisation, but of proposals for the more dynamic state intervention envisaged in the 1964 manifesto for instances when industries fell seriously behind the targets of the National Plan, or proved incapable of applying new ‘white heat’ technologies. Such ‘reactive’ industrial intervention policies surely required the enthusiasm not just of individual ministers, but also of the Cabinet in general (or at the very least, of its key members: the Prime Minister, the Chancellor of the Exchequer, and the First Secretary of State for Economic Affairs). Whether a Cabinet preoccupied with sterling had the time for this type of industrial intervention is more doubtful.

Chapter Six

‘Revisionism’ in the Wilson government’s industrial policies?: Intervention in the computing, shipbuilding and aircraft manufacturing industries

Although iron and steel nationalisation was the chief manifestation of the 1964-70 Wilson government’s industrial ownership policies, it was not the only industry in which it sought fundamental changes in ownership structure. The preparedness of the government to contemplate a broad range of solutions to industrial policy questions had been implicit in the 1964 Labour party manifesto. Indeed, the manifesto proposed that a Labour government would ‘take whatever measures are required’ to support industries where problems arose during the course of its time in office. One particular aspect of industrial performance was focused on in the manifesto: the ‘inject[ion] of modern technology into our industries’. The need to ‘get more rapid application of new scientific discoveries in industry’ was argued to be so serious a requirement – and the response of industry so inadequate – that direct government action was ‘urgently required’. The manifesto outlined three main strategies by which the Labour government would pursue such intervention. Firstly, a new Ministry of Technology would be established to ‘guide and stimulate a major effort to bring advanced technology and new processes into industry’. Secondly, the government would ‘directly stimulate new advance[s] by using, in the field of civil production, the Research and Development contracts which have hitherto been largely

confined to military projects'.¹ Thirdly, the manifesto outlined a commitment to 'go beyond research and development and establish new industries either by public enterprise or in partnership with private industry'.

The possible use of public enterprise indicated in this third point had formed a key aspect of much revisionist thinking in the 1950s on the future role of industrial intervention. However, the actual policies pursued by the Wilson government indicate that the relationship between the party and revisionism was more complex than the manifesto indicated. On the one hand, of the three policies outlined for promoted technological modernisation, the one relied upon least by the Wilson administration was new public enterprise. Yet, on the other hand, new public enterprises *were* established by the government – for very different reasons – in industries such as shipbuilding and aircraft manufacture. While the commitment of the Wilson government to 'white heat' technological change has been investigated by historians, this evidence of industrial intervention elsewhere has been substantially ignored.² However, by understanding the apparent paradox revealed by such intervention, insights may be gained about the extent to which the government's commitment to public enterprise really was revisionist.

I

The first strand of the paradox is the government's seeming unwillingness to use public enterprise to 'inject' modern technology into British industry. There is no

¹A proposal which had been strongly argued for by Blackett and others from the late 1950s onwards. See Horner, 'Wilson, Labour and the scientific revolution', pp. 54-5; Kirby, 'Blackett in the 'white heat'', p. 992.

²Although, for example, Edgerton has argued that in practice the government adopted 'policies for technology quite different from those implied by the rhetoric of the 'White Heat'', he has not examined cases of intervention which would appear to fall within his scope of enquiry. For example, despite critically examining aviation policy, he ignores the government's attempts to save the Beagle Aircraft Company: see Edgerton, 'The 'White Heat' revisited', especially pp. 54, 59-65.

evidence that the government seriously considered such action.³ Certainly, at no time during 1964 and 1965 was the Cabinet pressed by the new Minister of Technology, Cousins, to discuss such intervention in the primary modern technology industry – computing.⁴ This was despite his presentation of damning evidence that the industry was suffering severely from American competition, in production of both hardware and software. Cousins demonstrated that even when tendering for contracts in the United Kingdom, British computing companies could not compete with American giants such as IBM. The British industry – hampered by the smaller size of its domestic market – produced goods which were generally inferior in cost, delivery time, and reliability.

Given the industry's difficulties – and given the key role computing played in modern technology – the case for government intervention was strong. Without government support, the domestic industry could not be expected to survive the American challenge in the medium- or long-term.⁵ In such circumstances, Cousins might have been expected to press the Cabinet either to nationalise the British industry, or at least to establish new companies with government support: after all, he was one of Cabinet's strongest proponents of iron and steel nationalisation. However, even he appears to have been unconvinced of the merits of nationalisation in this case.⁶

³A fact demonstrated by the lack of attention given to the idea by historians concerned with the application of the government's technological policies: see Coopey, 'Industrial policy in the white heat' and Edgerton, 'The 'White Heat' revisited'.

⁴Yet the industry was considered by Cousins to be the 'first industrial priority': CAB 130/217, Ad-hoc Ministerial Committee on Technology, para. 1 (16 Dec. 1964).

⁵CAB 130/217, Ad-hoc Ministerial Committee on Technology, para. 1 (5 Feb. 1965); Castle, *Diaries*, p. 55 (3 Aug. 1965).

⁶He did briefly consider nationalisation in July 1965 as a result of the failure of ITC and English Electric to merge. Even then, however, he conceded that it did 'not seem a promising candidate for the legislative programme': CAB 129/122, C (65) 115, memorandum on 'Computers' by Cousins, paras. 14-15 (28 July 1965); CAB 128/39, CC (65) 44, 3 (3 Aug 1965). Most historians of the industry do not even mention this limited consideration: see Murray Laver, 'ICL – The Ministry of

The simple truth was that there was little evidence that the establishment of new public enterprises in the computing industry would be an effective method of delivering government support. Fundamentally, the problem facing the industry was not a failure of the private enterprises involved, but rather the dominant position of American producers in the market.⁷ Simply changing the ownership of existing companies, or even establishing new companies, would do little to challenge the American dominance. Instead, as Cousins argued at Cabinet, what was needed was increased government support and protection for the existing British companies. This would be best achieved not by changing their ownership, but by attempting to ensure that they received preferential treatment in the domestic market.⁸ This would allow longer production runs, leading to reduced costs, which hopefully would enable the industry to become competitive in the medium-term.⁹

Consequently, the chief focus of Cousins's energies was not on ownership, but persuading his Cabinet colleagues that a series of criteria should be adopted for government computing purchases which favoured domestic suppliers. The government should buy from British computer manufacturers unless the hardware or software was either substantially more expensive than its American equivalent, or

Technology (MinTech) and the merger', *Contemporary British History*, 13 (1999), pp. 183-5; Ross Hamilton, 'Despite best intentions: The evolution of the British minicomputer industry', *Business History*, 38 (1995), pp. 81-104. Castle, however, records Cousins as shying away from nationalisation because he feared that Wilson and Callaghan "wouldn't give it. Steel is the only thing in the public ownership sector in this government" (a proposition Castle disputed): Castle, *Diaries*, p. 26 (29 Mar. 1965).

⁷Although there was a strong case in the mainframe sector for amalgamating the existing firms into a 'single national champion mainframe manufacturer': Hamilton, 'The evolution of the British minicomputer industry', p. 81.

⁸The origins of such an approach appear to have come as much from Wilson as Cousins. In December 1964 he urged Cousins to consider 'ways and means of placing orders financed from public funds in such a way as to encourage technological progress in this country': PREM 13/616, Wilson to Cousins (1 Dec. 1964).

⁹Such an approach need only, Cousins argued, be undertaken for a relatively short period of time (he estimated three years): CAB 129/121, C (65) 66, memorandum on 'Computer purchases by the government' by Cousins, para. 7 (29 Apr. 1965).

could not be supplied without substantial delay.¹⁰ There was considerable Cabinet support for this approach, although Brown and Jay were vigorously opposed.¹¹ Brown argued that he could ‘not imagine that to do so would be defensible as consistent with our determination to stimulate efficiency in industry’, while Jay contended that ‘we will do serious damage to our economy and to the balance of payments’.¹² The Cabinet rejected such objections, but difficulties still arose over deciding just what constituted acceptable excess cost, and acceptable delay.¹³ Two cases – those of a new research computer at Farnborough and a Scottish social security computer system – highlight both the Cabinet’s determination to provide support where possible, and also the conflicts inherent in such a process of support.

In both cases, a clear economic case could be made for allowing American companies to win the orders. They could offer cheaper and better machines than their British rivals.¹⁴ Nonetheless, Cousins argued that preference had to be given to the British companies, and that the extra expense borne by the government was part of the cost of supporting key industrial development.¹⁵ This proposition was substantially

¹⁰Cousins initially called for British machines to be purchased unless: ‘(a) no British machine can meet the requirements; or (b) there would be a serious delay ... (say two years); or (c) there is a gross disparity in the price ... (say 25% or more)’: CAB 129/121, C (65) 66, memorandum on ‘Computer purchases by the government’ by Cousins, para. 5 (29 Apr. 1965); CAB 128/39, CC (65) 32, 4 (3 June 1965).

¹¹CAB 128/39, CC (65) 32, 4 (3 June 1965); Castle, *Diaries*, p. 36 (3 June 1965).

¹²EW 25/55, draft memorandum from Brown to Jenkins (Minister of Aviation) (26 June 1965); CAB 129/121, C (65) 80, memorandum on ‘Computer purchases by the government’ by Jay, para. 9 (1 June 1965). Jay was especially concerned about the likelihood that Cousins’s approach would drive foreign investment out of Britain. Callaghan shared, at least in part, their fears, arguing that ‘he could not accept any proposals to buy British irrespective of cost and performance’: CAB 134/1737, Ministerial Committee on Economic Development, ED (65) 10, 4 (29 Mar. 1965).

¹³Brown angrily complained to his officials that even Cousins’s compromise proposal for only a twelve month delay being allowed was ‘an impossible handicap to put on government establishments’: EW 25/55, note of First Secretary’s comments to officials (29 July 1965).

¹⁴In the Scottish case, the IBM machine was 25% cheaper than ICT’s, as well as being ‘markedly superior in terms of capacity and operation’: CAB 128/39, CC (65) 28, 6 (6 May 1965).

¹⁵*Ibid.*; CAB 134/1739, Ministerial Committee on Economic Development, ED (65) 40, memorandum on ‘Computers for government departments’ by Cousins, para. 8 (8 Apr. 1965).

rejected by Brown,¹⁶ but a majority of the Cabinet favoured Cousins's contention that 'for government purchases other [i.e. non-economic], wider, considerations have to be taken into account'.¹⁷ The compromise decisions eventually reached, to allow the American firm to win the tender for the Scottish order but to support the British case for Farnborough, shows that the government's position was essentially pragmatic. In the Scottish case, the extra costs of supporting the British bid were held to be simply too substantial to outweigh the benefits to the industry,¹⁸ but when the extra costs were not excessive, as in the case at Farnborough, the government supported an uneconomic decision in order to strengthen the industry.

To what extent can the nature of the Wilson government's support for the computer industry – of which these two cases were far from untypical – be seen to follow the three strategies offered for high technology industries in the 1964 manifesto? Certainly, the Ministry of Technology was at the centre of 'guid[ing] and stimulat[ing] a major effort' for the industry. The government also clearly set out to 'stimulate new advance[s]' in the industry through the use of its contracts, not just in Research and Development, but also in procurement. Only on the commitment to use new public enterprise can it be considered to have 'abandoned' the manifesto strategies. The government plainly considered the problems of the computer industry with little ideological bias in favour of public enterprise solutions. Instead of extending the influence of the state in such a manner, which would have done little to

¹⁶Brown argued that unless British companies – ICT in both these examples – had to face real competition, there was no 'sound future for a British-owned computer industry'. 'Such a policy', he continued, 'is likely to leave us, at the end of the day, with an industry which can supply machines to the British government but to no one else'. He proposed an open tendering process for the Farnborough order and allowing IBM to receive the Scottish order, since it 'thoroughly outbid [ICT] on price and performance': CAB 129/121, C (65) 65, memorandum on 'Computers for government departments' by Brown, especially paras. 3-5 (27 Apr. 1965); CAB 128/39, CC (65) 28, 6 (6 May 1965).

alter the competitive position of the industry, the government instead adopted a far more pragmatic form of industrial intervention. Yet this avoidance of public enterprise in the industry did *not* mean that the revisionist approach towards high technology in the 1964 manifesto was not pursued. On the contrary, it reinforces the impression that the government was firmly committed to the manifesto's revisionist thinking – demonstrating its non-dogmatic approach.

This is not to say that the policy decided upon was particularly successful, or uncontroversial within the government. There were two chief weaknesses. Firstly, there was always strong pressure within government – not just from the Treasury – to 'water down' the criteria in order to save the Exchequer unnecessary expenditure. This was especially the case when, from summer 1965 onwards, defence of sterling and the balance of payments caused the Treasury to put extra pressure on other departments to cut expenditure.¹⁹ Secondly, there was no means of guaranteeing that the protection given to the industry would lead to it becoming more competitive. It was equally possible that the industry would, by being sheltered from direct American competition, continue to be more expensive and less reliable.²⁰ Moreover, as Laver

¹⁷CAB 129/121, C (65) 66, memorandum on 'Computer purchases by the government' by Cousins, para. 6 (29 Apr. 1965).

¹⁸CAB 128/39, CC (65) 28, 6 (6 May 1965).

¹⁹This was precisely the time at which Cousins was arguing strenuously for protection for the industry. As he examined the industry further, so it became increasingly apparent that 'US competition is becoming more severe, partly as a result of economies of scale and partly because of the competition between the American companies themselves. Failing some degree of preference', he argued, 'an unacceptable situation will arise': CAB 129/122, C (65) 115, memorandum on 'Computers' by Cousins, para. 3 (28 July 1965).

²⁰As Brown and Jay had argued. All of these objections were raised when the Ministerial Committee on Economic Policy debated the question of using government procurement generally to 'improve the technological or competitive position of its suppliers, and promoting desirable changes in the structure of industry'. Above all, it was the prospect of a 'cost increase' which worried ministers, along with the practicality of government officials being able to judge the relative merits of industrial products: CAB 134/2736, Ministerial Committee on Economic Policy, EN (67) 2, 1 (23 Jan 1967).

has argued, the challenge offered by the dominance of the American companies may simply have been insurmountable.²¹

However, the potential limits to the policy's effectiveness do not alter its essentially revisionist nature. Given this, attention must switch from computing, where public enterprise was not adopted, to two industries where, paradoxically, it was applied. If it was the case that in computing the government's policy of indirect intervention resulted from pragmatic yet revisionist thinking, then how can the more direct interventions chosen in shipbuilding and aircraft production be explained? Were these, likewise, the result of pragmatic thinking, with the different circumstances in both aircraft and shipbuilding warranting the establishment of public enterprise? Or was it rather that these two more long-established, and, in the case of shipbuilding, 'traditional' industries, were considered from an ideological perspective to be different from the more modern computer industry, and so somehow more deserving of public enterprise?

II

Both aircraft manufacturing and shipbuilding were in a similar position to computing. Both were suffering heavily from international competition. In the case of aircraft production, in almost all sectors – from light aircraft to large passenger jets – American competition was fierce. As in the computer industry, American manufacturers had natural advantages in having the largest domestic market in the world which allowed for extended production runs and reduced unit costs. Moreover,

²¹He has argued that 'realistically, there was little hope of competing successfully with the cascade of dollars poured into American space and defence contracts, which fuelled the production of solid-state microelectronics there'. As he notes, the research and development budget of IBM was, at this time, greater than the entire turnover of any British company: Laver, 'MinTech and the merger', pp. 184-5.

American products were often technically superior.²² In shipbuilding, the strongest competition came not from America but from Japan, Germany and the Scandinavian countries. Although there were few doubts that British ships were technically sound, they were more expensive than competitors' products and generally took much longer to be produced.²³

The seriousness of both industries' position cannot be doubted,²⁴ and was reflected in the government's almost continual involvement in their affairs from 1964 through until 1970. Neither industry, however, was nationalised as a whole. Instead, the government's support manifested itself in numerous ways, from provision of general financial assistance to the take-over of particular companies. The fact that the entire industries were not brought under public control makes explanation of the government's approach more necessary, not less. What must be established is why, in the particular cases of the Fairfields Shipyard Company and the Beagle Aircraft Company, the policies adopted for the industries in general were considered inappropriate and why, as a consequence, it sought to 'nationalise' both companies, either totally or in partnership with private interests.

From the outset, the government appeared prepared to adopt flexible and pragmatic policies towards the two industries. Rather than seeking to impose any short-term solutions on either industry, both were subjected to investigation by Royal Commissions, chaired by Ray Geddes for shipbuilding and Lord Plowden for the

²²See K. Haywood, *Government and British civil aerospace: A case study in post-war technology policy* (Manchester, 1983), pp. 37-8.

²³See E.H. Lorenz, *Economic decline in Britain: The shipbuilding industry, 1890-1970* (Oxford, 1991), pp. 72-3, 86.

²⁴As Buxton has noted, 'no one had any doubt in the 1960s that British shipbuilding was in deep crisis'. He continues by arguing that 'it is difficult not to see the industry as floundering, with little sense of direction ... it was obvious to many that if there was to be any new type of saving the industry from near extinction, there had to be a new appraisal [i.e. The Geddes Commission]': A. Buxton, *The rise and fall of British shipbuilding* (1994), pp. 217, 219.

aircraft industry. Both were given wide remits to investigate the entire range of circumstances affecting the industries and both were invited to offer detailed long-term solutions to whatever problems were uncovered. The Reports of both Royal Commissions recommended wide-ranging structural changes, including – especially for aircraft production – proposals for reforming the ownership patterns. However, before the long-term proposals contained in the Reports had been acted upon, and in the case of shipbuilding even before the Commission had finished its Report, the government introduced its own radical changes in ownership.

III

The government's intervention in the Fairfields shipyard came about as much as a consequence of *when* the yard came to the government's attention, as *why* it did. The Geddes Commission was appointed in spring 1965 and was expected to publish its findings the following spring.²⁵ However, while the Commission was in session Fairfields became a matter of concern for the government. The shipyard, despite – or perhaps because of – having undergone a thorough modernisation in the preceding years,²⁶ found itself with irredeemable financial difficulties by October 1965. The Royal Commission was still a substantial way from being able to report.²⁷ The dilemma was that its findings would clearly be affected by the 'sudden amputation' of one of the largest Clydeside yards, yet its recommendations might restore Fairfields' fortunes.²⁸

The government felt that this problem of timing obliged it to act to try and save the yard from closure. In addition, it was not at all clear whether the yard's

²⁵It was actually published in March 1966.

²⁶Buxton, *British shipbuilding*, p. 215.

²⁷CAB 128/39, CC (65) 56 2 (2 Nov. 1965) and CC (65) 66 2 (30 Nov. 1965).

²⁸*HC Deb.* 718, cols. 1235 and 1238 (4 Nov. 1965); CAB 128/39, CC (65), 69, 4 (9 Dec. 1965).

financial failure was caused by any fundamental problem in its operations, or merely by poor management. To stand by and watch the yard close in such uncertain circumstances was considered to be particularly undesirable.²⁹ Finally, the government was acutely aware that closure risked adding to the region's already substantial unemployment.³⁰ These factors together seemed more than sufficient to justify saving the yard – a decision that appears eminently reasonable. The decision was also consistent with the 1964 manifesto commitment that the government would take 'whatever measures [we]re required' to save failing industries.

The government was keen to stress that intervention in Fairfields was an 'exceptional measure taken in exceptional circumstances': there could be no expectation that other yards would be similarly taken over.³¹ This was reinforced by the nature of the initial support action announced on 4 November 1965. It involved no public ownership or control, Callaghan merely agreeing to grant the receiver such borrowing powers 'as may be necessary to enable the shipyard ... to continue in operation until the early spring'.³² Yet if this method of intervention supports the government's contention that the aim was to 'cover the Fairfields situation pending the production of the Geddes Report',³³ the £1 million subvention proved to be the beginning of much greater intervention. Why did the government move from financial support to the establishment of a new company 'in partnership with private industry'?

²⁹It would have been 'madness' in Buxton's opinion: Buxton, *British shipbuilding*, p. 227.

³⁰*HC Deb.* 722, cols. 618-20 (9 Dec. 1965).

³¹*HC Deb.* 718, col. 1236 (4 Nov. 1965) and 722, col. 620 (9 Dec. 1965).

³²*HC Deb.* 718, col. 1235 (4 Nov. 1965).

³³EW 27/118, Painter (Treasury) to Burgh (DEA) (1 Nov. 1965).

The main pressure on the government was continued deterioration in the yard's financial position.³⁴ By mid-November it was apparent that the £1 million subvention would not save the yard. The shipping companies whose orders the yard depended on were not prepared to operate under such conditions of uncertainty, and new orders, essential for the operation and future of the yard, could not be pursued either.³⁵ Four of the five berths at the yard were empty and a continuance of such a limited scale of operation was not considered by the receiver to be viable. Ostensibly, therefore, further public intervention arose from the need to place the yard on a more secure financial footing. Yet it remains unclear why this led to the specific form of intervention adopted. Given that the government eventually assumed the majority of the financial risk, it might have been more straightforward simply to nationalise the company. In fact, numerous alternatives were considered, and at times favoured – including closing the yard altogether – but the Cabinet was divided and unsure about both the desirability of intervention, and the method to be adopted.

As with iron and steel nationalisation, the Cabinet's approach to the Fairfields case reveals a lack of coherent policy which contrasts sharply with the more dynamic approach taken with the computing industry. Yet in reality, the need for repeated debate over Fairfields was mostly caused by the domination of similar principles of pragmatic economic efficiency to those which guided the Cabinet in the latter instance. Rather than simply approving public intervention without thought, the Cabinet was determined to judge the Fairfields case on its merits. Intervention in the yard was held to be justified if its long-term potential was sufficiently sound that investment could be expected to allow the yard to become self-sustaining and

³⁴CAB 128/39, CC (65) 66, 2 (30 Nov. 1965).

³⁵BT 291/119, Report of Official Working Group (19 Nov. 1965).

competitive. At first glance this is unsurprising: after all, more recent governments have argued that all public intervention must be justifiable on economic grounds. Moreover, it was consistent with wider government industrial policy: in the computer industry direct public intervention had not been considered to be justifiable precisely because it would do little to make the industry competitive in the long-term. Over Fairfields, however, the Cabinet was increasingly divided between those determined to apply strict economic criteria, and others who argued that wider issues should be considered.

Unsurprisingly, Callaghan became most insistent that economic criteria should prevail.³⁶ He believed that Fairfields' long-term financial prospects were poor and his doubts were increased by the uncertainty of the receiver's estimates.³⁷ At the Cabinet on 30 November he still argued that it was 'desirable to keep the yard in operation' and for the government to buy the yard's physical assets if necessary. However, such intervention would 'preferably' be pursued 'in association with private industry' in order to share the financial risk. Other ministers shared these doubts, agreeing 'it would be dangerous to assume that the enterprise would prove profitable for several years'.³⁸

By 9 December, Callaghan felt 'it would be a mistake ... to acquire the yard'. His scepticism was endorsed by Gunter (Minister of Labour) and by the Prime Minister, who agreed that unless 'a reasonable share in the new enterprise were taken

³⁶See BT 291/119, Meeting of Chancellor and receiver (Mr. Mackenzie) (29 Oct. 1965), and CAB 130/248, first meeting of Cabinet Committee, 'Fairfields Shipbuilding and Engineering Company Limited', (3 Nov. 1965).

³⁷Chapman (Shipbuilding Division, Board of Trade) bemoaned that the fragmentary information coming from the receiver led to a 'misleading picture of the position': BT 291/119 (19 Nov. 1965).

³⁸CAB 128/39, CC (65) 66, 2 (20 Nov. 1965) and CAB 129/123, C (65) 165, 'Fairfields Shipbuilding and Engineering Company Ltd', memorandum by the Chancellor (29 Nov. 1965).

by private capital' it would 'not be possible to save the yard'.³⁹ Callaghan repeatedly argued that there were 'serious disadvantages in ... continuing with this venture'. He continually reminded fellow ministers that it was 'improbable that the new company would make a profit for a considerable time and perhaps it never would'. He was backed by many at the Cabinet, which, it is clear, came close to allowing the yard to close.⁴⁰ That Fairfields was nonetheless saved may appear inexplicable. As the enthusiasm of Callaghan and others was lost, however, it was replaced with that of George Brown.

Brown's interest in Fairfields was aroused by the Scottish industrialist Iain Stewart. Stewart was convinced the yard could have a bright future with new management structures and working practices.⁴¹ He told Brown that the situation 'present[ed] a heaven sent opportunity to expose the problems of the industry and grasp the nettle of overmanning, demarcation and rank bad management'.⁴² Such a promise fitted well with the aims of Brown's DEA, and was eagerly taken up there.⁴³

At a meeting of senior ministers on 23 November, Brown indicated that he preferred to see the yard nationalised. Callaghan was insistent on at least sharing the financial risk through partnership with the industrialist Sir Isaac Wolfson,⁴⁴ but Brown thought that Wolfson's interest showed how 'powerful the arguments [were] for

³⁹CAB 128/39, CC (65) 69, 4 (9 Dec. 1965).

⁴⁰CAB 128/39, CC (65) 72, 4 (21 Dec. 1965). The Chancellor confirmed to Jay he was 'firmly opposed to the acquisition of Fairfields' for this reason: BT 291/120, (17 Dec. 1965).

⁴¹Stewart was confident profits would be earned 'probably within three' years: EW 27/118, Stewart to Brown (19 Nov. 1965). See also Buxton, *British shipbuilding*, pp. 227-8; Brian Hogwood, *Government and shipbuilding: The politics of industrial change* (Farnborough, Hants., 1979), pp. 69-70.

⁴²EW 27/118, Stewart to Brown (19 Nov. 1965).

⁴³By 22 November, Brown's officials were enthusiastically recommending a take-over of the yard 'to show what can be achieved [under Stewart's management]': EW 27/118, (22 Nov. 1965).

⁴⁴Wolfson was a wealthy Glasgow-based businessman: see Sydney Paulden and Bill Hawkins, *Whatever happened at Fairfields?* (1969), p. 34.

acquiring the yard for the nation'.⁴⁵ He was nonetheless persuaded by the Chancellor to support the approach to Wolfson.⁴⁶ The ensuing search for a financial partner proved a tortuous one. Brown was eventually 'let down' by Wolfson,⁴⁷ and then again by his 'replacement', Lord Thomson.⁴⁸ In this latter case, the contracts were ready and Brown poised to make an announcement in Parliament,⁴⁹ only for Thomson to withdraw because of spurious (in Brown's opinion) concerns over workers' attitudes.⁵⁰ The eventual establishment of a consortium, when a single partner could not be found, was one of Brown's greatest triumphs during his time at the DEA.

Why was it, however, that Brown attempted to create a joint company, when the frustrations and setbacks were so great?⁵¹ Despite being convinced of the merits of saving the yard, and despite flirting with nationalisation,⁵² he eventually favoured the presence of private interests in the yard.⁵³ In part, he was driven from nationalisation by Cabinet opposition. Eventually, however, even he grew doubtful as to the financial prospects of the yard.⁵⁴ While still wishing to save the yard, he admitted by late December that 'to nationalise this particular yard without getting the new and dynamic management that was required, and in the face of manifest opposition from the shipbuilding industry would entail *unacceptable risks*' (my

⁴⁵EW 27/118, (23 Jan. 1965).

⁴⁶BT 291/119, (1 Dec. 1965) and (3 Dec. 1965).

⁴⁷*Ibid.* (8 Dec. 1965); CAB 128/39, CC (65) 69, 4 (9 Dec. 1965).

⁴⁸Thompson was a Canadian newspaper proprietor, who at this time owned *The Scotsman*: see Paulden and Hawkins, *Whatever happened at Fairfields?*, pp. 32-3.

⁴⁹CAB, CC (65) 71, 2 (16 Dec. 1965).

⁵⁰*Ibid.* (15 and 16 Dec. 1965); CAB CC (65) 72, 4 (21 Dec. 1965). See also Hogwood, *Government and shipbuilding*, p. 71.

⁵¹Brown admitted that the negotiations 'have seemingly been endless': *HC Deb.* (722), col. 2105 (22 Dec. 1965).

⁵²On 23 November he wanted a Cabinet paper prepared supporting public ownership: EW 27/118, Note by J.C. Burgh of meeting between Brown, Callaghan, Jay and Mayhew (Ministry of Defence for the Royal Navy) (21 Nov. 1965).

⁵³CAB 129/123, C (65) 183, 'Fairfields Shipyard', memorandum by Brown (17 Dec. 1965).

⁵⁴By 17 December he told Cabinet he was 'not ... attracted' by nationalisation since it would 'prove difficult to run the shipyard as a viable commercial concern': CAB 129/123, C (65) 183, 'Fairfields Shipyard', memorandum by Brown (17 Dec. 1965).

italics).⁵⁵ Such a conclusion from the minister most keen to save the shipyard is of great significance. It was an acknowledgement – unchallenged by other members of the Cabinet – that the Wilson government had serious reservations regarding nationalisation. It helps to explain the lack of enthusiasm noted in the previous chapter to complete the take-over of the iron and steel industry.⁵⁶

Brown's acceptance of the risks posed by outright nationalisation, despite his determination to save the shipyard,⁵⁷ shows just how pragmatic the Wilson Cabinet often was in industrial policy. Both Brown and Callaghan were prepared to compromise over Fairfields. Callaghan openly concluded that the yard's financial prospects were insufficiently good to justify any intervention by the government. Nevertheless, he attempted to find solutions which allowed the yard to be saved while reducing the government's financial exposure. Likewise, Brown backed away from outright nationalisation when it was clear that a different form of public intervention could achieve his desired aims.

It might be argued that Brown's rejection of nationalisation was forced upon him by circumstances. After all, the government was operating in a political environment in which nationalisation faced strong opposition. A narrow parliamentary majority, coupled with opposition from two Labour MPs, had already meant postponement of iron and steel nationalisation. The potential for further nationalisations, especially those such as Fairfields which might be seen as 'back-

⁵⁵CAB 128/39, CC (65) 72, 4 (22 Dec. 1965). The opposition of the shipbuilding industry had been made apparent to Brown by its representatives: EW 27/118, President of the Shipbuilding Conference to Brown (9 Dec. 1965).

⁵⁶See above, Chapter V, especially section iv.

⁵⁷For there can be no doubt that nationalisation would have been the easiest method of guaranteeing the yard's future.

door' take overs,⁵⁸ was not apparent. However, the commitment Brown showed to the exceptionally frustrating task of establishing a consortium to save the yard demonstrates that his support for the alternative form of intervention was genuine.⁵⁹ It would have been possible on the numerous occasions when negotiations broke down for Brown to have at least re-opened debate on outright nationalisation. That he did not even do this, however, is highly significant. What mattered to Brown was saving the shipyard, not the opportunity offered to increase the size of the public sector of the economy.

IV

The case of the Beagle Aircraft Company was similar to that of Fairfields. Like the shipyard, Beagle turned to the government when it appeared that closure was the only other option. Like Fairfields, Beagle was not obviously suffering from a lack of modern plant. Indeed, the company was in the process of launching a new range of light aircraft when it became clear that the financial strength of the company was insufficient to sustain its day-to-day operations. However, the primary source of its immediate problems was more complex in the case of Beagle than it had been with Fairfields. The complications arose from the fact that the aircraft company was a wholly-owned subsidiary of the Pressed Steel Company – which was itself a subsidiary of the British Motor Corporation (BMC). The problem was not that Beagle was so far in debt that its owners could not cover its liabilities. Rather, it was simply that Pressed Steel was not prepared to support the losses that Beagle was running,

⁵⁸As the CBI, for example, saw the measure: BT 291/119, note by officials to Jay (President, Board of Trade) (8 Dec. 1965).

⁵⁹It must also be recognised, however, that Brown was motivated by the need to defend the status of his new Department, and his own status within the Cabinet. In particular, to have 'failed' to save the shipyard would have further undermined the standing of the DEA relative to the Treasury.

wishing instead to concentrate its resources on its 'major responsibilities to the motor car industry'.⁶⁰

Although the origins of Beagle's problems were different from those of Fairfields, it was to the government that Pressed Steel – like the receiver appointed at the shipyard – turned for support. From the outset, however, Pressed Steel made it clear that it was not simply seeking to reduce its financial exposure by persuading the government to share the risks. Rather, Beagle's owners wished the government to enter into a partnership, with the government as the primary partner, arguing that 'light aircraft manufacture is a task of national importance which can go forward to success only with government support'.⁶¹ When Pressed Steel first entered into negotiations in the first half of 1966, they envisaged retaining only a 25% stake in the company, and by the early July of the same year they had retreated even from this position. They informed the government that they no longer wished to retain any share at all, although they were prepared to 'leave 20% of the purchase price in the business as an investment'.⁶² Unless the government adopted permanent and total control over the company, Pressed Steel was not prepared to fund it, and would wind Beagle up by the end of the month.⁶³

With Fairfields, the government had been presented with the financial collapse of the enterprise, and in attempting to save it had concluded that some form of direct state intervention would be necessary. Beagle was the reverse of this: the government

⁶⁰Pressed Steel argued that the 'large calls on its financial resources' from the motor car business meant that it 'c[ould] not provide additional working capital for Beagle': AVIA, 65/1790, Pressed Steel, *The Beagle range of Beagle light aircraft for world markets* (1966), preface, para. 9. See also CAB 129/125, C (66) 98, memorandum on 'A British light aircraft industry' by Brown, para. 2 (7 July 1966).

⁶¹AVIA, 65/1790, Pressed Steel, *The Beagle range*, para. 10.

⁶²CAB 129/125, C (66) 98, memorandum on 'A British light aircraft industry' by Brown, para. 3 (7 July 1966).

⁶³AVIA, 65/1790, Pressed Steel, *The Beagle range*, para. 9.

faced the prospect that the company, which was not yet insolvent, would be made so by its owners unless they agreed to nationalise it. It was the first case any government had experienced where the pressure to nationalise came not from the government itself, but rather the industry – or rather company – alone.⁶⁴ Given this, it might have been thought that the government would have seized the opportunity to bring the light aircraft industry into public ownership. However, if any single case demonstrates that the Wilson government lacked any fervent ideological commitment to public ownership, then it must be Beagle.⁶⁵ Despite the enthusiasm of Pressed Steel, the government was determined that, as with Fairfields, any decision on intervention had to be justifiable on economic grounds.⁶⁶

With Fairfields, the government had initially intervened because the Royal Commission on the industry was still conducting its investigations. This was not the case with the aircraft industry: the Plowden Report was published in December 1965.⁶⁷ The government accepted ‘the basic analysis of the future of the aircraft

⁶⁴There had been pressure from workers in both the coal and railway industries in the 1940s for nationalisation, but this had been matched by an existing commitment from the Attlee government: Beagle appears to be the first case where the pressure came from the industry alone.

⁶⁵The government’s attitude towards the light aircraft industry in general reveals such an approach. In October 1965, for example, the government agreed to provide 50% of the launching costs of the Britten-Norman BN-2 ‘Islander’ (a smaller type of aircraft than that produced by Beagle) on the grounds that it represented a ‘good business proposition’: CAB 134/1737, Ministerial Committee on Economic Development, ED (65) 21, 2 (18 Oct. 1965), and CAB 134/1741, ED (65) 96, memorandum on ‘Launching aid for the BN-2 ‘Islander’’ by J. Stonehouse (Parliamentary Secretary, Ministry of Aviation), especially paras. 3-4 (12 Oct. 1965). See also the lack of enthusiasm for providing financial support for Shorts’ Skyvan aircraft, deemed to be uncompetitive and therefore a poor investment: CAB 134/2736, Ministerial Committee on Economic Policy, EN (67) 12, 1 (11 May 1967).

⁶⁶Indeed, Callaghan went so far as to argue in April 1966 that on the grounds of economic efficiency, the company might have to be saved without government support, since ‘government ownership ... may make it more difficult to forge links with another concern which already possesses the necessary after sales organisation which is the really effective solution [to Beagle’s problems]’: EW 25/319, Callaghan to Mulley (5 Apr. 1966). Haywood has argued convincingly that the government’s attitudes were, in no small part, shaped by their general ‘hostility’ to the ‘apparently free-spending aero industry’, seeing it as ‘symbolic of the waste and mismanagement characteristic of the previous administration’: Haywood, *Government and British civil aerospace*, pp. 70-1.

⁶⁷For analysis of reaction to its publication, see Edgerton, ‘The ‘White Heat’ revisited’, p. 61.

industry in the Plowden Report'.⁶⁸ Moreover, when specifically asked about the government's position on the production of light aircraft in Britain, Mulley (Minister of Aviation) gave no indication that this was an area in which he dissented from Committee's findings.⁶⁹

However, as Mulley recognised when considering Pressed Steel's proposals in July, the Plowden Committee had argued that the light aircraft industry should 'eventually become commercially self-supporting and should not have government assistance indefinitely'.⁷⁰ Any decision to take over the company therefore risked being viewed as contrary to the conclusions of the Royal Commission the government itself had set up.⁷¹ Nevertheless, Mulley, while recognising the legitimacy of the Commissions findings, gave a higher priority in his thinking to the potential that Beagle offered. In the Commons debate on the Plowden Report, he had argued that 'Beagle seems to me the best way to develop light aircraft in this country'.⁷² This optimism convinced such doubtful ministers as Brown to conclude that 'Britain ought to be able to compete successfully in the light aircraft industry' and that 'it seems that

⁶⁸CAB 129/124, C (66) 14, memorandum on 'Plowden Report on the aircraft industry' by Brown, para. 3 (i) (21 Jan. 1966); CAB 130/253, Ad-hoc Ministerial Committee on the Plowden Report, para. 12 (10 Dec. 1965).

⁶⁹*HC Deb.* (723), cols. 890-905 (1 Feb. 1966).

⁷⁰CAB 129/125, C (66) 98, memorandum on 'A British light aircraft industry' by Brown (7 July 1966).

⁷¹Although the concept of a government ignoring the conclusions of its own Royal Commission was by no means unusual, let alone unprecedented. However, Brown for one strenuously argued that any intervention to save Beagle could not be undertaken independently of the government's overall response to the Plowden Report. DEA officials were more forthright, concluding that 'the acquisition by the government of a major equity holding in this particular company [wa]s inconsistent with the general approach of the Plowden Report': EW 25/319, Brown to Mulley (14 Jan. 1966); EW 25/319, memorandum for First Secretary by officials (21 Jan. 1966). This also appeared to be the Treasury's initial position, Diamond (Chief Secretary to the Treasury) putting forward objections almost word-for-word the same as Brown: CAB 134/2707, Ministerial Committee on Economic Development, ED (66) 3, 3 (24 Jan. 1966). Brown appears, however, to have been persuaded by Mulley not to adopt such a position, for by July 1966 he was suggesting only that it was 'conceivable' that government support could be viewed as contrary to Plowden: CAB 129/125, C (66) 98, memorandum on 'A British light aircraft industry' by Brown, para. 8 (7 July 1966).

⁷²*HC Deb.* (723), col. 903 (1 Feb. 1966).

Beagle is the only going concern that provides a basis for a British light aircraft industry'.⁷³

Mulley's optimism could not, however, hide the serious financial risks involved in any nationalisation of Beagle.⁷⁴ Pressed Steel considered the company to be worth £3 million, while Mulley predicted that additional expenditure of some £2-2.5 million would be needed over a four or five year period before the company was profitable. It was calculated that, even over an extended period (of thirteen years), the return on such investment could not be expected to be much more than six percent, which, as Mulley acknowledged, did not make it a 'very attractive investment proposition'.⁷⁵ Moreover, even such figures were based more on hopeful expectation than anything else. The American company, General Dynamics, had undertaken an assessment of Beagle's potential future profitability with a view to either taking it over outright, or entering into a partnership with the government, but found the prospect of a financial return 'too remote' to justify any investment.⁷⁶

Despite the financial dangers, however, the Ministerial Committee on Economic Development backed Mulley in going ahead with the project, although 'with some misgivings'. The Committee's one insistence was that he should reach

⁷³ Although it is clear that Brown was not prepared to support a government take-over unless the price was reasonable: CAB 129/125, C (66) 98, memorandum on 'A British light aircraft industry' by Brown, paras. 8-9 (7 July 1966).

⁷⁴ His officials in the Ministry of Aviation pressed this point upon him, expressing 'reservations' about Pressed Steel's proposals, especially the financial prospects which were 'not attractive by normal commercial standards': AVIA 65/1790, draft memorandum on 'Proposals for a joint company' (September 1965 (no specific day given)).

⁷⁵ CAB 129/125, C (66) 98, memorandum on 'A British light aircraft industry' by Brown, para. 7 (7 July 1966).

⁷⁶ They concluded that it would be 1974 at the earliest before any profit could be expected: EW 27/158, memorandum from Mulley to Callaghan (25 Mar. 1966); EW 25/319, memorandum from A. Albu to Brown (29 Mar. 1966). The legitimacy of General Dynamic's conclusions were, however, undermined by claims that they had been dissuaded from supporting Beagle only by pressure from the US government: CAB 129/125, C (65) 98, memorandum on 'A British light aircraft industry' by Brown, para. 4 (7 July 1966); CAB 134/2707, Ministerial Committee on Economic Development, ED (66) 8, 1 (25 Apr. 1966).

satisfactory financial terms with Pressed Steel, believing that the government should pay no more than £1.5 million – the break-up value of Beagle.⁷⁷ This aside, the Committee accepted Mulley's arguments that, unless the effort was made to save Beagle the British light aircraft industry had no future. As for Cabinet, it did not even consider the matter worthy of debate, merely accepting the conclusions of the Ministerial Committee.

That the Cabinet was prepared to go along with what was, to all intents and purposes, a nationalisation measure, without even discussion, appears incredible. Still more incredible is the attitude taken by the Prime Minister. Wilson was not only prepared to let the Ministerial Committee decide whether to proceed, but rarely offered any opinion of his own.⁷⁸ However, it should be noted that the initial decision to involve the government in Fairfields was also made with little real debate.⁷⁹ It was only later, when the difficulties attached to the government's commitment became clear that significant Cabinet attention was focused upon the shipyard. The same was true of Beagle.⁸⁰ Other ministers, although not, significantly, Brown and Callaghan, appeared content to allow Mulley to save the light aircraft industry for what was 'not

⁷⁷CAB 134/2707, Ministerial Committee on Economic Development, ED (66) 17, 1 (4 July 1966). Mulley himself had already expressed the view that that the company should be purchasable for no more than £2 million. He had also proposed in March that the government could limit itself, if it wished, to temporarily supporting Beagle for a few months while it studied the financial position in more detail. Such an approach had, however, been largely negated by the behaviour of Pressed Steel, which threatened to wind-up Beagle unless the government acted with haste: EW 27/158, memorandum from Mulley to Callaghan (25 Mar. 1966).

⁷⁸Although in February 1966 he urged the Ad-hoc Ministerial Committee to give 'further consideration' to supporting Beagle 'in view of the big demand', in July he wrote to Callaghan that 'if you are satisfied that the purchase price is reasonable, I am content to leave it up to you': EW 25/319, memorandum by Wilson (2 Feb. 1966); PREM 13/1077, Wilson to Callaghan (28 July 1966).

⁷⁹On 2 November 1965, when Fairfields first came to the Cabinet's attention, ministers simply gave permission to Callaghan to decide (after consulting Brown, Jay, Cousins, Gunter (Minister of Labour) and Ross (Secretary of State for Scotland)) whether or not to support the shipyard: CAB 128/39, CC (65) 56, 2 (2 Nov. 1965).

⁸⁰Although the precise method of take-over was a subject which exercised other ministers and departments. The Board of Trade, for example, strongly rejected the suggestion that it should buy the company using its existing powers. Officials advised Jay (President of the Board of Trade) that 'a

... an unduly high price to pay for keeping Britain in this business, compared with other expenditure in the aircraft industry'.⁸¹

In December 1966 the future of the proposed take-over of the company again came to the Cabinet, but by this time the Ministerial Committee for Economic Development had reversed its earlier support for the scheme and advocated allowing Pressed Steel to wind Beagle up.⁸² The cause was simple: the estimates of the losses that the government would have to cover until the company was profitable had increased from £2-2.5 million to £3.1 million, meaning that the return which would be had on the investment had deteriorated from 6% to only 3%.⁸³ Michael Stewart, the new First Secretary of State,⁸⁴ informed the Cabinet that under such conditions, and given doubts about the expertise of the current Beagle management, the Committee considered it to be 'disastrous to go ahead'. Even if it were possible to introduce new management, the project should still not be pursued, since 'experience with other publicly-owned firms was not encouraging in this respect'.⁸⁵ Such doubts regarding the record of nationalisation mirror the sentiments of his predecessor, Brown. It is clear that neither man had any dogmatic attachment to nationalisation. However, in

new policy such as this should be supported by legislation' rather than any less public method: BT 279/280, memorandum on 'Beagle Aircraft' by Dean (Board of Trade) (8 July 1966).

⁸¹The DEA and Brown viewed the financial prospects of the company in a negative light throughout. Albu (Minister of State for Economic Affairs) argued in March 1966 that the project 'is really a rescue operation with, I fear, little real chance of breaking even'. Brown agreed, replying to Albu that 'I am against doing a 'Fairfields' here': EW 25/319, Albu to Brown (29 Mar. 1966) and Brown to Albu (31 Mar. 1966). For Callaghan's equally negative views, see EW 25/319, Callaghan to Mulley (5 Apr. 1966). By contrast, Jay was 'very much in agreement' with Mulley, arguing that the project was 'in our national interest, and more particularly essential for our exports': EW 25/319, Jay to Callaghan (4 Apr. 1966).

⁸²CAB 134/2707, Ministerial Committee on Economic Development, ED (66) 24, 1 (7 Dec. 1966). Even Mulley conceded that 'had the latest estimates been available and the management difficulties as clear in July as they now were, he would not have recommended government acquisition of Beagle'.

⁸³*Ibid.*

⁸⁴He replaced Brown in August 1966.

⁸⁵CAB 128/41, CC (66) 65, 5 (8 Dec. 1966).

the case of Stewart, it is not even clear if he was prepared to consider nationalisation as a method of industrial intervention.

Stewart's objections were backed by others in the Cabinet who were unconvinced that the export prospects of the company were 'sufficient to justify acquisition'. Doubts were expressed about the company's ability to sell its products in the key American market, and some were even sceptical about the technical quality of the aircraft.⁸⁶ However, just as Brown had fought strongly to persuade the Cabinet to have faith in Fairfields, so Mulley fought to overcome the objections to Beagle. He recognised that 'even before the revised estimates of future prospects ..., the advantages of the project had been marginal from the government's point of view'. He argued, however, that if the costs rose no more, the project remained justifiable. He was backed in such conclusions by other ministers who argued that an increase of only £700,000 in costs did not justify losing one of the most successful of British aircraft exporters.

On balance the Cabinet was persuaded that the project should be continued, although once more with the proviso that Mulley should obtain a 'very substantially lower purchase price'.⁸⁷ However, the financial position of Beagle continued to deteriorate and in the following September the Cabinet found itself once more debating – in very similar fashion – the case for intervention. By that stage problems with one of the company's aircraft, the B-206, and doubts about new variants of another, the B-121, had pushed up the cost of assistance to £4.5 million.⁸⁸ Despite this, Peter Shore, Secretary of State for Economic Affairs following the reorganisation

⁸⁶CAB 128/41, CC (66) 65, 5 (8 Dec. 1966).

⁸⁷*Ibid.*

⁸⁸CAB 129/133, C (67) 151, memorandum on 'The Beagle Aircraft Company' by Shore, paras. 1-2 (19 Sept. 1967).

of the DEA in August 1967, retained more faith in the project than had his predecessor Stewart, arguing that although obviously not good, the deterioration in the financial prospects 'was not sufficiently significant in itself to warrant abandoning the project'.⁸⁹ Such a withdrawal could only be justified if it could be shown that 'it had been wrong to decide on acquisition originally'. He nevertheless admitted that, judging the project 'solely by commercial criteria', its merits were debatable.⁹⁰

The subsequent Cabinet discussion reveals that Shore's contention – that commercial criteria alone should determine the government's approach – was supported by many fellow ministers. The debate swung to and fro over estimates of the company's potential to win exports, and estimates of costs. One decisive factor was that as a result of the government's continuing commitment to support the company, some £2 million would be lost if it was allowed to close. The psychological impact of a closure on the aircraft industry in general was also felt to be crucial. However, the most important determining factors remained financial. The fact that all sales would be exports or import savings, and that overall global demand for light aircraft was soaring by an estimated 10% per annum, persuaded the Cabinet to reaffirm its earlier decisions to the take-over of the company.⁹¹

V

The cases of Fairfields and Beagle share numerous common characteristics. However, two in particular were of critical importance. The first is the extent to which government policy was determined by a pragmatic application of economic

⁸⁹CAB 128/42, CC (67) 56, (21/9/67), 6. This was also the conclusion held by the Ministry of Technology: Stonehouse (Minister of State, Ministry of Technology) argued that, while 'the financial position had changed for the worse ... [it] had not changed the prospects so markedly that a withdrawal could be justified': CAB 134/2914, Ministerial Committee on Industrial Policy, IN (67) 1, 1 (8 Sept. 1967).

⁹⁰CAB 128/42, CC (67) 56, 6 (21 Sept. 1967).

criteria. In both instances, intervention was eventually adopted because it was judged that the projects could be justified in financial terms – if not in the sense that they would generate huge profits, at least that there was a realistic prospect of them ceasing to lose money in the medium term. Other factors were obviously important, but the Cabinet as a whole was not prepared to throw money at the companies without any indication that they could actually be returned to profitability. Such thinking also explains the methods of intervention chosen. In both cases these were considered the best way of keeping the enterprise in operation. At no stage did any minister propose nationalisation for ideological reasons; it was only suggested as a pragmatic solution.

The second key characteristic of both interventions is the extent to which support for the individual projects was dependent on their promotion by individual ministers: Brown in the case of Fairfields, Mulley in that of Beagle. Although a rational case could be made for intervention in both instances, the arguments were far from overwhelming. There were occasions when the Cabinet came very close to abandoning both Fairfields and Beagle. It was at these moments that Brown and Mulley pressed the Cabinet hard to continue. That they were able to convince their colleagues shows that even Callaghan, who was determined to restrict public spending, approached the cases with a degree of flexibility.

It remains the case, however, that flexibility and pragmatism did not demonstrate dynamic decision making. Although the Cabinet was prepared to listen to arguments for intervention, few of its members were prepared to champion individual cases for intervention. It seems difficult to avoid the conclusion that Fairfields and Beagle were only saved because they happened to secure the attention of Brown and Mulley. Even they became interested only because the cases were

⁹¹*Ibid.*

brought to their attention by private individuals and companies: Fairfields by its receiver and Iain Stewart, Beagle by Pressed Steel. The interventions were essentially reactive; they do not represent a dynamic government using public enterprise as a solution to industrial problems identified by their planning apparatus. Both the reactive character of policy and the dependence on the initiative of individual ministers is further demonstrated by the government's policy towards the other civil aircraft manufacturers.

VI

While concluding that the light aircraft industry should be able to stand on its own feet without substantial government support, the Plowden Commission nevertheless accepted the overwhelming evidence that the same was not true of larger civil aircraft production. The two main airframe producers, Hawker Siddeley Aviation and the British Aircraft Corporation (BAC), were both struggling in the face of the giants of American competition such as Boeing, Lockheed and MacDonal Douglas. Both depended on government assistance for the development of all aircraft, and on the publicly-owned airlines for orders. The Plowden Commission saw no prospect of this dependence being reduced, even in the long-term. Accordingly, it recommended that the government should take a substantial stake in both companies in order to exercise easier control over their use of public funds.⁹²

⁹²But not that the two companies should be merged. This astounded some ministers, including Jenkins (as Minister of Aviation), who had believed that such a merger 'had been the working assumption behind the Commission's study'. The Commission's conclusion seemed 'quite wrong' to Jenkins, and he was supported by other ministers such as Healey (Secretary of State for Defence): CAB 130/253, Ad-hoc Ministerial Committee on the Plowden Report, paras. 1-3 (10 Dec. 1965).

While several ministers were initially prepared to accept this,⁹³ the Cabinet as a whole doubted the practicality of the Commission's conclusions, and set up a sub-committee to give the matter more thought.⁹⁴ This sub-committee found no reason to dissent from the Commission's judgement that the relationship between the companies and the government was not functioning to the benefit of either party. However, it rejected the recommendation that the government should take a share in both companies as 'impracticable' – primarily 'because it would not be accepted by the two companies'.⁹⁵ The sub-committee recommended instead two possible alternatives, neither of which appeared likely to be welcome to the companies. The alternatives were:

1. To take over the whole of the equity of BAC, and then merge BAC and Hawker Siddeley Aviation into a new company in which the former BAC equity would represent a substantial minority shareholding for the government; or
2. To take both companies into 100% public ownership, bringing them as separate companies under a new public corporation, which would also take over responsibility for other airframe interests in public ownership (e.g. the government's holding in Shorts, and the Beagle Aircraft Company) and would be charged with the duty of rationalising the industry.⁹⁶

The sub-committee itself was unable to decide between these two options,⁹⁷ but it is clear that either represented a substantial extension of public enterprise in the industry.

⁹³CAB 129/124, C (66) 14, memorandum on 'The Plowden Report on the aircraft industry' by Brown, para. 3 (21 Jan. 1966).

⁹⁴CAB 128/41, CC (66) 41, (2/8/66), 6; CAB 134/2707, Ministerial Committee on Economic Development, ED (66) 19, 3 (25 July 1966).

⁹⁵CAB 128/41, CC (66) 51, 7 (29 Oct. 1966).

⁹⁶CAB 129/127, C (66) 142, memorandum on 'The future of the airframe industry' by Crosland, para. 10 (18 Oct. 1966). The sub-committee also considered two further alternatives: '(a) to leave things as they are; or (b) to take a majority holding in both companies, and use the majority power to carry through rationalisation'. It dismissed the first as being equivalent to overseeing the destruction of the industry. The second 'would be practical only with the agreement and co-operation of the industry, and this would not be forthcoming'.

⁹⁷CAB 129/127, C (66) 142, memorandum on 'The future of the airframe industry' by Crosland, para. 15 (18 Oct. 1966). It should be noted, however, that their officials had advised that outright nationalisation was probably 'unavoidable, given the reported attitudes of the companies, and the

The first alternative, in particular, would have been a radical departure in public ownership policy – one very much in the direction that revisionist thinking had suggested.

Once again, debate in the Cabinet centred around identification of the best solution, without recourse to ideological discussion of the merits of public ownership *per se*. This can be seen in the reasoning given by Mulley for his personal preference for outright nationalisation. He argued that with the government already ‘so deeply involved in the affairs of the industry’, nationalisation was the logical next step.⁹⁸ Without it, the government would continue to exercise over-burdeningly detailed ‘financial and technical control of projects’, and would still risk public criticism for the ‘deliberate creation of a monopoly under the predominant control of private enterprise’ which might make ‘excessive profits out of public money’.⁹⁹

For Mulley, the key question was whether a nationalised industry could prevent the existing management and design staff from leaving.¹⁰⁰ This was especially pertinent with regard to Hawker Siddeley Aviation, where he recognised that ‘while it could not be taken for granted that the present management would be wholly unavailable to a public corporation, it was probable that they would not’.¹⁰¹ This likelihood that staff from the company, which bitterly opposed any state take-over, would refuse to serve a public enterprise was considered by a majority of the

disadvantages of a minority holding’: EW 27/180, meeting of officials on ‘Government shareholding in a merged airframe company: Powers’ (29 Mar. 1966); meeting of officials (19 Sept. 1966).

⁹⁸CAB 128/41, CC (65) 51, 7 (20 Oct. 1966); CAB 129/126, C (66) 119, memorandum on ‘The aircraft industry’ by Brown, para. 6 (26 July 1966).

⁹⁹CAB 128/41, CC (65) 51, 7 (20 Oct. 1966).

¹⁰⁰CAB 129/126, C (66) 119, memorandum on ‘The aircraft industry’ by Brown, para. 7 (26 July 1966). Indeed, even the prospect of nationalisation (and uncertainty regarding the government’s intentions) was, according to Mulley, ‘leading to the loss of key staff’: CAB 134/2707, Ministerial Committee on Economic Development, ED (66) 19, 3 (25 July 1966).

¹⁰¹CAB 134/2707, Ministerial Committee on Economic Development, ED (66) 19, 3 (25 July 1966); CAB 129/127, C (66) 142, memorandum on ‘The future of the airframe industry’ by Crosland, para. 13 (c) (18 Oct. 1966).

Cabinet to be ‘decisive’.¹⁰² Crosland, the Secretary of State for Education and Science, thought it justified the alternative option of the government acquiring only a minority shareholding in a merged company, for ‘it was difficult to see why design staff ... should object so strongly to such a solution as to prefer to leave the industry rather than to continue on this basis’. Moreover, he argued that given the government’s existing position as the ‘major purchaser and source of funds’, a minority shareholding would in any case provide ‘a sufficient measure of influence in the affairs of the industry, while preserving an element of commercial discipline and expertise in management’.¹⁰³

Such arguments persuaded the Cabinet that what was for a Labour government the more radical – although less potentially controversial – option of obtaining a minority shareholding was the most desirable solution.¹⁰⁴ This option was especially desirable since it was feared that the industry was faced with a ‘phase of contraction’ and that the government ‘should not take [it] over just at the point when it can be seen to be facing a substantial decline’.¹⁰⁵ There should be no doubt that the Cabinet’s decision was radical and unprecedented. Never before had a Labour government considered nationalising a company – BAC – with the intention of merging it with a private enterprise – Hawker Siddeley Aviation – and allowing the private company both to manage the new enterprise and to retain the majority of the shareholdings in it.

¹⁰²CAB 128/41, CC (65) 51, 7 (20 Oct. 1966).

¹⁰³*Ibid.*; CAB 129/127, C (66) 142, memorandum on ‘The future of the airframe industry’ by Crosland, para. 13 (d) (18 Oct. 1966).

¹⁰⁴This was not the universal conclusion of ministers. Benn vigorously opposed the Cabinet’s approach, being ‘convinced that we are not pursuing the right policy ... it was now clear that a minority holding would not in itself enable us to exert significantly greater influence than at present’. Nationalisation was, for him, the only realistic option: CAB 130/343, Ad-hoc Ministerial Committee on the Airframe Industry, paras. 1-3 (6 Nov. 1967).

¹⁰⁵CAB 129/126, C (66) 119, memorandum on ‘The aircraft industry’ by Brown, para. 7 (26 July 1966). The Ministerial sub-committee, however, found that ‘a number of major uncertainties hung over the industry’ which made any analysis of its future development less than exact: CAB 129/127, C (66) 142, memorandum on ‘The future of the airframe industry’ by Crosland, paras. 5-6 (18 Oct. 1966).

It might be considered an even clearer example of the Cabinet pursuing a revisionist industrial policy than their actions towards the computer industry, or over Fairfields and Beagle.

However, having embarked upon so radical a policy the government then failed to translate it into reality. It was not until the 1970s that, with the creation of British Aerospace, that this was brought into being by a different government in very different circumstances. Why then did the government fail to achieve the aims it had agreed in October 1966? After the election in March, it was not due to the lack of parliamentary strength. Moreover, as the next chapter will show, with the enactment of the Industrial Expansion Act in May 1968, the government gave itself sufficient powers to undertake both the take over of BAC, and the consequent merger of that company with Hawker Siddeley Aviation.

Rather than any lack of necessary legislative provision holding the government back, the primary reason for its failure to fulfil its proposed course of action was that it lacked the determination to fight the opposition of the industry itself. While the owners of BAC were keen on the government's plans, the management of Hawker Siddeley Aviation were bitterly opposed.¹⁰⁶ The company was determined not to be forced into any partnership with the government, which it thought would lead to diminution of its managerial control.¹⁰⁷ It was not overly keen on merging with BAC either, at least not unless it was on terms that it alone could set. In the face of this opposition the government backed down, and allowed all parts of the scheme to

¹⁰⁶BAC's owners adopted a similar attitude to that of Pressed Steel regarding Beagle, 'decid[ing] that they did not wish to remain in the airframe business, and were anxious to dispose of BAC to the government': CAB 134/2707, Ministerial Committee on Economic Development, ED (66) 19, 3 (25 July 1966). For details of Hawker Siddeley's opposition, see PRO, CAB 130/263, Ad-hoc Ministerial Committee on the Plowden Report, paras. 1-4 (19 Jan. 1966).

founder, including the take over of BAC.¹⁰⁸ This reaction on the part of the government might be taken as yet more evidence of the essentially pragmatic nature of its policy making. Although seemingly determined to introduce change in the industry, on realising that such change would lead to conflict with the management in the industry – a confrontation that the Cabinet agreed it was essential to avoid – the government backed down.

Rather than being evidence of pragmatism, however, the government's retreat in the face of the industry's opposition instead demonstrates evidence of weakness and indecision.¹⁰⁹ For if this response had been typical of the government's industrial policy, then the iron and steel industry would certainly not have been nationalised. The opposition of that industry to its nationalisation could hardly be doubted, yet the government overcame the opposition through legislation. The same could have been done in the case of the airframe industry, and although some managers and designers might have left, evidence from other nationalised industries showed that opposition usually diminished once the reality of nationalisation was apparent. The difference between the airframe industry and the iron and steel industry, or indeed Fairfields and Beagle Aircraft, was that in this instance there was no member of the Cabinet sufficiently convinced of the merits of the projects to force the measure through. Even Mulley, although seemingly in favour of the scheme, made little or no effort to

¹⁰⁷A diminution the government deemed to be 'essential' (the government wanted very clear control over the chairman of any merged company, for example): CAB 134/2736, Ministerial Committee on Economic Policy, EN (67) 10, 3 (1 May 1967).

¹⁰⁸Ministers were only willing to take BAC into public ownership in order merge it with Hawker Siddeley, they expressed no enthusiasm for its nationalisation *per se*: CAB 134/2736, Ministerial Committee on Economic Policy, EN (67) 21, 2 (20 July 1967). Benn went even further, recording in his diary that 'the truth was that I was not interested' in the scheme at all: *Diaries 1963-67*, p. 510 (6 Sept. 1967).

¹⁰⁹Haywood has argued the government retreated on the basis of a belief that 'the gains [from the merger] would not outweigh the political odium of a contested battle to obtain either company': Haywood, *Government and British civil aerospace*, p. 82.

persuade his Cabinet colleagues to back a forceful approach to the matter of Hawker Siddeley's opposition.¹¹⁰

Without the presence of a forceful personality behind the project, it was allowed to drift. A similar fate befell the Fairfields shipyard after George Brown moved, in August 1966, to the Foreign Office, and responsibility for the project passed to other hands – eventually to Tony Benn at the Ministry of Technology. Benn had none of the personal attachment of Brown to the shipyard, nor the personal relationship he had with Iain Stewart. This was shown when, despite Iain Stewart's vehement protests, Benn allowed the yard to be swallowed up in the creation of the Upper Clyde Shipbuilders (UCS).

VII

The driving force behind establishment of the UCS consortium was the Geddes Commission's Report. It recommended rationalisation of the industry through the creation of a series of grouped yards in the various geographical shipbuilding areas – such as the upper Clyde.¹¹¹ In order to bring about the necessary amalgamations more rapidly than might otherwise occur 'naturally', the government followed the Report's recommendations and created the Shipbuilding Industry Board (SIB).¹¹² The Board was given access to substantial funds both to cover the costs of amalgamations, and also to allow the yards to develop their groupings in the years immediately thereafter. It was the promise of these funds, and the threat of their being withheld to

¹¹⁰His successor from 7 January 1967, Stonehouse, does not appear to have been any more enthusiastic.

¹¹¹CAB 129/126, C (66) 126, memorandum on 'Reorganisation of the shipbuilding industry' by Jay, para. 2 (2 Aug. 1966).

¹¹²Hogwood, *Government and shipbuilding*, pp. 75-7, 80.

shipyards refusing to participate in mergers, that was the main motivating force behind UCS.¹¹³

Although the creation of a single shipyard grouping on the upper Clyde, encompassing Fairfields, Yarrow, Browns, Stephens of Linthouse, and Connells of Scotstoun, made some economic sense, the management at Fairfields and Stewart in particular were bitterly opposed to the scheme. They had embarked on the project at Fairfields to show what could be done if they 'grasp[ed] the nettle of overmanning, demarcation and rank bad management'.¹¹⁴ After the government-led consortium took over the yard, to this end they had launched what became known as the 'Fairfields Experiment'. Stewart brought in teams of experts to assist the yard in such areas as 'time-management' study. The yard's management reached ground-breaking agreements with the workforce to break down demarcation barriers and encourage re-training and flexibility.¹¹⁵ Although by 1968, when UCS was formed, it was too soon to see how well the 'experiment' was working, Stewart and his management team were convinced that they were achieving a real breakthrough in productivity.¹¹⁶

The Fairfields Experiment, whether successful or not, aroused deep suspicions among other shipyard owners on the Clyde, who felt that Fairfields was using an unfair advantage, given by virtue of being part-owned by the government, to offer workers wage settlements they themselves could not hope to match. Moreover, the other shipyard owners remained unconvinced of the entire approach adopted by the Fairfields management. Stewart knew that if his yard was merged into a conglomeration such as UCS, his ideas would be vetoed by the other owners, and his

¹¹³Buxton, *British shipbuilding*, p. 231.

¹¹⁴EW 27/118, Stewart to Brown (19 Nov. 1965).

¹¹⁵For a long-term perspective on the changes introduced, see Lorenz, *The shipbuilding industry*, pp. 113-120.

¹¹⁶For details of the 'Fairfields experiment', see Buxton, *British shipbuilding*, pp. 278-231.

‘experimentation’ would be abandoned.¹¹⁷ Benn, however, made it quite clear to Stewart that Fairfields could expect no special treatment from the government, no matter its ownership, and that unless it took part in UCS it would be financially penalised.¹¹⁸ Indeed, he took the view that the purpose of the government’s financial support for the industry was to ‘bring about changes necessary to make the industry competitive *without further assistance*’ (my italics).¹¹⁹ Fairfields was therefore forced into UCS, and Stewart’s fears were proved correct. He left soon after as the other shipyard owners over-ruled his ideas, and the progress offered by the Fairfields experiment was lost.

To some extent, Benn’s refusal to support Fairfields and the pioneering work it was doing, was consistent with the aims that the government had when it had saved the yard in the first place. At the time, it had been made clear that the yard was only being saved so that it could play its part in whatever future the Geddes Commission offered the industry. To this extent, Benn was merely being consistent in the government’s approach. It is impossible to avoid the conclusion, however, that he allowed a real opportunity to revolutionise working practices and productivity in the industry to be lost before it had had the chance to prove itself. It is also impossible to avoid concluding that had Brown rather than Benn been responsible for the yard, such a situation would not have been allowed to occur.¹²⁰ Writing later of the amalgamation of the yard into UCS, Brown was clear in his mind that it represented a

¹¹⁷*Ibid.*, p. 231.

¹¹⁸Hogwood, *Government and shipbuilding*, p. 100.

¹¹⁹CAB 134/2736, Ministerial Committee on Economic Policy, EN (67) 5, 4 (20 Feb. 1967).

¹²⁰Brown asked his officials for advice on the impact of the Geddes Report for Fairfields just months before he left the DEA. His successor, Stewart, had attempted in October 1966 to persuade Benn to pass responsibility for Fairfields from the Ministry of Technology to the DEA. He argued that ‘there must be from time to time a conflict of interest between the two roles’ Benn had: ‘shareholder in one company ... and sponsor for the whole industry’. He retained Brown’s enthusiasm for the project, reminding Benn that Fairfields was ‘a proving ground for new and enlightened industrial relations’.

missed opportunity.¹²¹ Such a judgement is of course affected by the sorry subsequent experience of UCS, leading to its collapse in 1971, but that collapse surely reinforces still more the sense of lost opportunity.

More than this, however, the abandonment of Fairfields to its fate with UCS shows that the Wilson's government exercises in revisionist uses of public enterprise lacked any coherent general strategy. They were so heavily dependent upon the whims of individual members of the Cabinet that the fate of an enterprise such as Fairfields could change as easily as the Cabinet was reshuffled. Other projects which failed even to win a personal backer – such as the airframe industry – had little chance of occupying enough of an increasingly over-burdened government's time to be translated into reality. It was not what had been envisaged when the revisionists of the 1950s had proposed that the party should replace its 'shopping list' approach to industrial intervention with a more flexible approach.

However, when Benn refused to agree to the shift, Stewart allowed the matter to lapse: EW 27/82, note by Brown for officials (11 Mar. 1966); EW 2/14, Stewart to Benn (24 Oct. 1966).

¹²¹Brown, *In my way*, p. 123.

Chapter Seven

Establishing revisionist frameworks for intervention?: The Industrial Reorganisation Corporation (IRC) and the Industrial Expansion Act.

The evidence of the Wilson government's extensions of public enterprise has revealed a strategy that combined both the 'traditional' and the revisionist. Renationalisation of iron and steel was a continuation of the policies of the 1940s, yet with a greater concentration on control (rather than just ownership) than had been the case previously. The rescue of Fairfields and Beagle revealed an altogether more revisionist approach to industrial intervention: public ownership used to reinforce the government's policies for the two industries in general. However, while revisionist in nature, such interventions do not themselves demonstrate the existence of an overall revisionist and interventionist industrial policy. Indeed, with neither Fairfields nor Beagle could it realistically be argued that the government acted on the basis of an industrial policy at all: both measures were largely *ad hoc*, made to fit the particular circumstances that the government faced.

The largely reactive treatment of Fairfields and Beagle might be seen as consistent with the general condition of economic policy: driven more by circumstance than intentions. However, conclusions on the government's record of industrial intervention should not be drawn too firmly from such examples. As Callaghan said of Fairfields, these two instances arose from 'exceptional

circumstances', and produced 'exceptional measure[s]' from the government.¹ A similar description could also be offered for iron and steel: the government clearly judged the industry to be 'exceptional' in that the only solution to its ills was outright nationalisation. However, beyond these three industries lay the vast remainder of private industry which, while not considered to be in 'exceptional' crisis, was still perceived by the Labour party – as evidenced by the 1964 manifesto and the 'white heat' rhetoric – to be performing inadequately. If nationalisation was only for iron and steel, and rescue through public ownership was to be exceptional rather than the rule, then it remains to be seen what policies the government adopted *in general* for industrial intervention.

As already shown, the computer industry provides an example of how the government was prepared to act to support private industry. This key 'white heat' industry was granted a substantial form of protection from overseas competitors. However, more general protectionist policies were not a realistic proposition. It is true that measures of an apparently protectionist nature were implemented soon after the government came to power: a general Import Surcharge was imposed in October 1964. However, this policy was intended to bring the balance of payments into line rather than to support industry; other ministers were urged by Callaghan to 'make it absolutely clear that the restrictions were only temporary measures and were not in any way a protective device'.² The opposition among international opinion to the imposition of the Surcharge, especially from Britain's EFTA partners, in any case demonstrated that the policy was not pursuable in the long-term.³

¹*HC Deb.* 718, col. 1236 (4 Nov. 1965).

²CAB 130/202, Ad-hoc Ministerial Committee on Economic Affairs, para. 1 (b) (21 Oct. 1964).

³Ministers were under no illusions that the policy was contrary to the government's international obligations, especially under GATT, and could only be imposed temporarily: CAB 130/202, Ad-hoc

In place of overt protection, the government sought to address the problems of industrial productivity more directly. Two measures in particular represented public support mechanisms for private industry: the Industrial Reorganisation Corporation (IRC), and the assistance offered under the Industrial Expansion Act. Such 'framework' intervention did not have at its heart any ideologically-based prescription that public enterprise was more productive than private; at least as expressed its primary purpose was not to expand the scope of the public sector. Yet it was nevertheless intended to create mechanisms whereby the state would intervene directly in the private sector, up to and including involvement in ownership.⁴

As such, the IRC and the Industrial Expansion Act might be considered evidence that the Wilson government's industrial policies were interventionist in intention and revisionist in application. The attempt to combine public finance and assistance with private enterprise and ownership may appear to be irrefutable 'proof' of the government's revisionist credentials. However, neither developed into the long-term framework of dynamic public support for private enterprise envisaged by the government. This has led Coopey to question their significance, arguing that the importance of the IRC in particular has been over-estimated.⁵

However, before dismissing these measures as unimportant, their intended purpose should be examined. Little consideration has been given to their intended

Ministerial Committee on Economic Affairs, paras. 1-2 (17 Oct. 1964). For details of EFTA members' objections, see *ibid.*, para. 5 (19 Feb. 1965).

⁴As Coopey argues, by the end of the government these and other measures, supervised by the Ministry of Technology, placed the Ministry 'in a position to co-ordinate a range of interlocking government industry functions including officially funded R&D, procurement, investment and regional policy': Coopey, 'Industrial policy in the white heat', p. 103.

⁵*Ibid.*, pp. 105-6.

impact in the area of industrial ownership.⁶ Yet they had the *potential* to bring about an increase in the size of the public sector. It should be asked, first, whether the government intended such an increase to occur as a consequence of their introduction. Second, consideration should be given to how the measures complemented the government's other industrial interventions – in the iron and steel, shipbuilding, and aircraft industries. Third, were the measures merely a short-term solution to specific problems, or a longer-term method of supporting private industry?

I

The Industrial Reorganisation Corporation (IRC) was established in December 1966 as a public corporation 'with the functions of promoting or assisting the reorganisation or development of any industry or section of an industry and establishing or developing, or promoting the establishment or development of, any industrial enterprise'.⁷ The scope of the Corporation, as so outlined, seems extraordinarily wide. Moreover, the broadness of its potential functions was repeatedly confirmed by the terms of the Act which established it. Its primary goal was described as 'promoting industrial efficiency and profitability and assisting the economy of the United Kingdom or any part of the United Kingdom'.⁸ It would pursue these wide goals chiefly through the reorganisation and development of industry, but 'if requested so to do by the Secretary of State', it could 'establish or develop' any industrial enterprises it saw fit as well.⁹

⁶Edgerton's consideration of the Industrial Expansion Act extends only to a description of some (not even all) of its most significant clauses, with no examination of the reasoning behind the introduction of the measure: see Edgerton, 'The 'White Heat' revisited', p. 69.

⁷*Industrial Reorganisation Corporation Act* (1966), preamble.

⁸*Ibid.*, Section 2, (1).

⁹*Ibid.*, Section 2, (1). When ministers had been considering the potential functions of the IRC, Jay had urged that 'it should not only be concerned with mergers and concentrations, but also deal with expansions and new projects. There should be provision for the Corporation to undertake investments

The powers vested in the Corporation were as broad as the aims themselves. It received authority 'to do anything, whether in the United Kingdom or elsewhere'. This 'anything' included '(a) the acquisition, holding and disposal of securities; (b) the formation of bodies corporate; (c) the making of loans and the giving ... of guarantees with respect to loans made by others; [and] (d) the acquisition and placing at the disposal of others of premises and plant, machinery and other equipment'.¹⁰ Only two – albeit significant – caveats limited the Corporation's powers of intervention. Firstly, the total sum of assets that it could own, of moneys it could borrow or lend, and of any other financial obligations it could enter into, could not exceed £150 million, and this sum could not be increased except by fresh legislation.¹¹ The second limitation was that IRC was not intended to acquire the assets of any company or industry compulsorily. This point was repeatedly stressed by ministers, primarily in order to demonstrate that it would not be a nationalisation agency.¹²

While this behaviour reinforces the impression that nationalisation was an exceptional measure which the government was not prepared to adopt more generally, this establishment of a public corporation was nevertheless a clear departure in industrial policy. Unlike other public corporations – for example, that for the nationalised iron and steel industry – its functions and scope were general rather than specific. Rather than being responsible for running an individual industry or even merely a single company, the IRC was charged with pursuing particular industrial

and to hold shares'. This found no objection from Wilson, Callaghan or Brown: CAB 130/202, Ad-hoc Ministerial Committee on Economic Affairs, paras. 12-13 (22 Dec. 1965); CAB 134/2707, Ministerial Committee on Economic Development, ED (66) 1, 2 (7 Jan. 1966), 2 and ED (66) 2, 3 (20 Jan. 1966).

¹⁰*Industrial Reorganisation Corporation Act*, Section 2, (3).

¹¹*Ibid.*, Section 7.

¹²Although there appears nothing within the Act itself that would specifically prevent the Corporation acquiring assets by compulsion. Nonetheless, Brown made it clear from the first that the Corporation would not be seeking 'to acquire anything compulsorily': *HC Deb.*, (723), cols. 57-8 (25 Jan. 1966).

developments – primarily ‘reorganisation’ and ‘industrial efficiency and profitability’ – over the whole range of British industry. This quite distinct purpose was offered as explanation for the Corporation’s broad powers. Indeed, given the ambitions laid out for the IRC it is difficult to envisage how any more limited powers could have been granted to it. However, even if it is accepted that the powers given to the IRC matched the broad nature of the tasks allocated to it, several questions remain to be answered. Firstly, it must be wondered why the government felt the question of industrial reorganisation to be so serious as to need the creation of the IRC. Why was industrial *organisation*, as distinct from factors such as industrial *ownership*, singled out in this way? Secondly, why was the IRC seen as the best solution to the question of industrial organisation? Finally, given that the IRC had such broad-ranging powers, why did it not herald a period of significant change in Britain’s industrial structure? It was, at least in potential, a revisionist public corporation capable of extending the influence of the state throughout private industry. Yet almost from its inception, critics alleged that it merely acted as a pawn of the Wilson government, pursuing a limited number of industrial interventions that the government dare not directly involve itself in.¹³

II

The origins of the IRC reveal much about its intended purpose, and further indicate the particular complexities of economic policy formation. To some extent the IRC can be seen as a simple product of the planning for economic development that the two new economic ministries, the DEA and the Ministry of Technology, had been established to promote. The need for a body such as the IRC, the basic outlines of

¹³As Woodward argues, ‘the IRC ... acted primarily as a merger broker on behalf of the government’:

how it might be structured, and how it might function, had been essentially sketched out in a working paper produced in the Ministry of Technology by B.R. Cant, some time in early 1965, on a 'National Corporation for Company Reconstruction and Development'.¹⁴

Cant had been seconded into the Ministry on a part-time basis from the University of Keele – where he lectured in economics – to act as head of the Departmental Advisory Unit on Industrial Structure. Like many other economists in this period, Cant was convinced that a key explanation for Britain's comparatively poor post-war economic performance lay in its industrial structure. Technological developments, together with changes in managerial and administrative techniques, the financing of corporate growth, marketing, and many other factors, all pointed to the same conclusion: economic advantage and efficiency lay with the larger firm. Several industries (for example, motor car manufacture) were being held back in Britain by the proliferation of small firms producing a multitude of different models, none of which sold in sufficient numbers to allow economies of scale to be made in their production. The problem, as outlined in Cant's paper, lay in a failure of British industry to realise the advantages of large-scale production through mergers, amalgamations and expansions. He argued that with industry failing to take the lead, government must seize the initiative.¹⁵

Woodward, 'Labour's economic performance', p. 88.

¹⁴CAB 147/100, paper on 'A National Corporation for Company Reconstruction and Development', by B.R. Cant (Undated, attached to memorandum from Balogh to D.J. Mitchell (Prime Minister's Office) (15 Sept. 1965)). Cant, who was highly regarded by Benn, eventually became a member of the IRC he had been instrumental in establishing: see Benn, *Diaries 1963-66*, p. 467, 479 (9 Aug., 19 Oct. 1966).

¹⁵CAB 147/100, paper on 'A National Corporation for Company Reconstruction and Development', by B.R. Cant (Undated, attached to memorandum from Balogh to D.J. Mitchell (Prime Minister's Office) (15 Sept. 1965)).

Cant's arguments were not unfamiliar to members of the Wilson government. Indeed, the characteristics of post-war capitalist development he outlined were basically the same as those which Labour party 'revisionists' had identified in the 1950s. It is therefore unclear why the party had not developed proposals of its own before the 1964 election.¹⁶ Regardless of this, Cant's suggestions for the creation of a government-funded public corporation to support corporate mergers and amalgamations where economically justified, and to seek out areas where such changes were needed, unsurprisingly found support among ministers and, more importantly, from Wilson. Indeed, Cant's proposals were not deemed controversial enough to warrant a Cabinet debate, the Committee for Economic Development judging that the measure was straightforward enough for it to deal with by itself.¹⁷ Despite having only first come to the attention of ministers in general in September 1965, within four months George Brown announced to parliament the government's intention to introduce legislation as soon as practicable.¹⁸ Even with the distraction of a general election shortly thereafter, the measure was still ready to be introduced in Parliament by July 1966.

This rapid translation of outline into legislation might indicate that the idea of an industrial reorganisation authority closely matched the key aims of the government's industrial policy. Yet this conclusion would ignore the evidence of other government measures, especially the reforms of merger and monopoly law, which show policy being directed in a very different direction. The Board of Trade's 1965 Monopolies and Mergers Act reveals an economic philosophy not simply

¹⁶Although it still further reinforces the impression that the periods which the party spent in opposition ill-prepared it for government – despite the ideological rethinking frequently undertaken.

¹⁷Brown argued that the proposals were 'generally sound' and there was 'general agreement' from the other ministers on the Committee: see CAB 134/2707, Ministerial Committee on Economic Development, ED (66) 1, 2 (7 Jan. 1966).

contrary to, but antagonistic towards that behind the IRC bill. The Board of Trade's measure explicitly aimed to strengthen the powers of the Monopoly Commission to prevent the establishment of monopolistic practices, arguing that such behaviour was against the public interest.¹⁹ Yet the purpose of the IRC bill was to encourage, if not monopolies *per se*, then the establishment of larger and ever larger companies which would tend to squeeze smaller rivals out of the marketplace. Given that the government's monopolies legislation had already passed through parliament before the creation of the IRC had been broached, it seems inexplicable that the idea was pursued, let alone that it was so uncontroversial and raised no overt opposition from any ministers. The main explanation is that, for some months before Cant's paper was made known, an influential government advisor had been suggesting that there was a dire need for a measure of this type. Significantly, the focus of debate had been at the apex of political power: Downing Street. From within the Cabinet Office, the question of industrial organisation had already been placed in the Prime Minister's mind by the determined efforts of Thomas Balogh.

The exact nature of Balogh's position in the government was the subject of much conjecture at the time, even among ministers. He was a long-standing confidant of Wilson, and had been instrumental in the pre-election thinking which had led to the establishment of the DEA.²⁰ At the inception of the government he became Economic Advisor to the Prime Minister. His appointment was a result of Wilson's determination to 'strengthen the services provided by the Cabinet Office to the government as a whole'.²¹ His stated function to 'provide advice on economic

¹⁸See *HC Deb.* (723), cols. 55-62 (25 Jan. 1966).

¹⁹See CAB 134/1736, Ministerial Committee on Economic Development, ED (64) 8, 5 (14 Dec. 1964).

²⁰Benn, *Diaries 1963-67*, p. 25 (25 May 1963).

²¹Public Record Office, 'List notes to CAB 147'.

questions with particular reference to external economic policy'.²² However, the physical location of his office within Downing Street, giving him 'direct access' to the Prime Minister, led many – both government ministers and civil servants – to fear that his influence was in fact significantly broader than his remit might suggest.²³

An examination of the papers Balogh sent to Wilson confirms that these suspicions were well founded. The range of domestic, as opposed to 'external', economic policies in which he sought to involve himself was very broad. Over such questions as the role of the National Board for Prices and Incomes, or the establishment of long-term financial objectives for the nationalised industries, Balogh was in active debate with Wilson, firing off numerous memoranda.²⁴ One question of domestic economic policy which particularly attracted his attention was that of industrial organisation.

Like Cant, Balogh thought the need for reorganisation in many industries to be acute if Britain was ever to increase its industrial productivity significantly. Some individual cases – such as shipbuilding and the docks – were given direct attention in his papers, but he believed that the question of more general industrial reorganisation was still more pressing. This implied re-consideration of the government's approach to several areas of policy – most notably the attitude taken towards monopolies and mergers. Balogh was scathing of the 'Liberal-American concepts elaborated by the Board of Trade', which presented a 'simplistic philosophy of efficiency through

²²*Ibid.*

²³Cairncross has described him as 'Wilson's 'spy'', and claimed that 'throughout his years in Whitehall he never once informed me what we was up to, by minute or by word of mouth although we met frequently': Cairncross, 'Economic advisors in the United Kingdom', p. 237.

²⁴See CAB 147.

greater competition'.²⁵ Such a viewpoint, he argued to Wilson in a memorandum of 22 February 1965, was not only 'contrary to all economic theory', but 'even more contrary to experience'.²⁶ Inefficiency, he contended, was due not to monopolistic tendencies among companies, but 'mainly to the multifariousness of the firms' which led to 'too short production runs' and a 'consequent lack of Research and Development'.²⁷

Balogh recognised that there was a trend in many industries towards the 'large firms finish[ing] off the small ones', but in industries such as machine tools, motor cars, aircraft manufacturing and computers, the process was so essential that every effort should be made to encourage it: without it, he asked, 'how are we otherwise to compete with the US?'. Given the desirability of merger and amalgamation in these industries, the government's policy towards such reorganisation 'must be positive'. The 'Monopolies Committee' (sic.) should be given powers 'to recommend mergers and standardisation', and should oppose mergers only where there was a danger of the process 'protecting the small and inefficient firm through restrictions on production, mainly through price rings'. The real danger was not the process of merger and amalgamation, but the fact that without government help the reorganisation of industry would 'not be quick enough' to meet the American challenge.²⁸

It was his belief in the need to encourage mergers and other amalgamations that led Balogh into more general questions of whether new agencies should be

²⁵Although many have argued that with hindsight it is Balogh, and other proponents of the 'big is beautiful' school of economic theory, who have been judged to be 'somewhat naïve': Woodward, 'Labour's economic performance', p. 88.

²⁶CAB 147/95, Balogh to Wilson (22 Feb. 1965). He went so far as to allege that the Board of Trade 'discourages the rationalisation of industry': PREM 13/400, memorandum on 'The reorganisation of industry' from Balogh to Wilson (8 Sept. 1965).

²⁷CAB 147/95, Balogh to Wilson (22 Feb. 1965). See also PREM 13/400, memorandum on 'Technology' from Balogh to Wilson (4 Feb. 1965), in which he argued that 'it is [not] an abuse of monopoly power that we are suffering from, so much as the inefficiency of the small firm'.

created to assist in industrial reorganisation. ‘Orderly rationalisation’, he argued, should ‘not merely [be] not opposed or only tolerated, but stimulated’. In particular, the financing of reorganisation would need such stimulation, and so he argued for the establishment of a ‘Financial Corporation for Industry’²⁹ – in other words the IRC.

There is no evidence that Balogh persuaded Wilson as early as spring 1965 that a corporation similar to the IRC was so urgently needed as to warrant legislative action. Nonetheless, the impact of Balogh’s thinking should not be dismissed. The rapidity with which the contents of Cant’s paper was acted upon after September 1965 demonstrates that Balogh had already convinced the Prime Minister of the arguments that lay behind it. The importance of Balogh’s role is further shown by the process which brought Cant’s paper before the Cabinet. It was he who discovered that the ‘extremely interesting paper’ was circulating privately within the Ministry of Technology, and he who brought it to the attention of Wilson’s office staff.³⁰ Significantly, Balogh recommended the paper on the grounds that it was ‘very much apropos of what we want to do’, and after meeting Cant he noted that ‘we [i.e. Wilson and Balogh] seem to be thinking along the same lines [as those in Cant’s paper]’.³¹ It seems plain that Wilson was already considering the establishment of some form of corporation for industrial reorganisation. In this context, Cant’s paper was the catalyst that convinced him to lead the government’s industrial policy away from the ‘Liberal-American concepts’ of the Board of Trade.

It would be inaccurate, however, to suppose that after the distribution of Cant’s paper, the government turned *volte-face* and allowed Balogh to dictate the

²⁸CAB 147/95, Balogh to Wilson (22 Feb. 1965).

²⁹*Ibid.*; PREM 13/400, Balogh to Callaghan (17 Feb. 1965).

³⁰CAB 147/100, Balogh to D.J. Mitchell (Prime Minister’s Office) (15 Sept. 1965).

³¹*Ibid.*

foundations of a more 'economically sound' industrial policy. This was not through lack of endeavour on Balogh's part: his voluminous correspondence with Wilson demonstrates his determination to ensure that the new corporation would match his theoretical ideas. Moreover, a comparison of the language of his correspondence with the terms of the Act shows he had considerable influence on many aspects of the corporation's development, both in terms of function and structure. He was especially keen, for example, that the corporation would have as wide a function as possible. On 15 October he argued to Wilson that the corporation should fulfil two distinct functions: 'one would be principally to rationalise and re-organise ... [where] existing units are too small. The other would be to undertake various activities (many of which would probably incur losses) in the interests of national growth, efficiency and exports'.³² In order to achieve the first aim, the corporation should be prepared to 'buy out' firms in their entirety if this was the only way in which reorganisation could take place. Elaborating on the second function of the corporation, he asserted that 'the new IRFC [sic.] could force the pace ... in appropriate cases by establishing a new industrial unit of suitable size with or without private finance, thus forcing inefficient privately owned companies in the industry to merge and specialise or go under'.³³

Balogh's ability to influence the scheme came mostly from the unique position he occupied with regard to this particular measure. Nonetheless, he was not able to dictate the terms of the Bill, demonstrating that his alleged influence over economic policy making, and that of his fellow 'Hungarian economist' Kaldor,³⁴ should not be

³²CAB 147/100, Balogh to Wilson (15/10/65).

³³*Ibid.*

³⁴Kaldor served the government in a part-time capacity as Special Advisor to the Chancellor of the Exchequer.

exaggerated.³⁵ The frustrations that Balogh felt over the development of the IRC Bill are only too evident in his memoranda to Wilson.³⁶ On 21 December 1965 he raised objections to the draft measure (submitted on 17 December by the preparatory group of officials responsible for producing the bill).³⁷ He argued that ‘... there are still two respects in which I think the approach [being taken by the preparatory group] is inadequate’. Firstly, he feared that the group placed too little emphasis on the role the IRC could play in the export drive. He thought that it should be prepared to ‘play a major role in setting up or enlarging factories ... [or] reducing the price of the capital equipment used by industries with a good export/import saving potential’. He even argued that ‘it might be possible to go further than this ... and subsidise certain kinds of machinery’ which could help exporters. Balogh’s second objection was to the proposed ‘size of the Corporation’, by which he essentially meant the decision to limit the total financial resources available to the corporation to £150 million. In his view this was ‘erring on the low side’.³⁸

However, as Balogh noted in a final memorandum on 8 September 1966 ‘none of the suggestions which I have made at various times to make the institution fit to carry out the tasks originally contemplated for it have been accepted’.³⁹ The IRC’s financial resources remained ‘too small’, while ‘the possibilities of intervening directly in export promotion and import saving are severely constrained by the clause

³⁵Cairncross has argued that Balogh ‘negotiated endlessly, but usually unsuccessful’. Cairncross is generally critical of the role played by Balogh and Kaldor, arguing that ‘what I learned in 1964-69 was that too many senior economists spoil the broth of economic policy-making’: Cairncross, ‘Economic advisors in the United Kingdom’, pp. 236-7. Balogh was, however, able to persuade Wilson to transfer control over monopoly policy from the Board of Trade to the DEA: see PREM 13/1536, especially Balogh to Wilson (18 Jan. 1967) and Wilson to Balogh and Stewart (20 Feb. 1967).

³⁶According to Benn, Balogh was often ‘full of colourful and obscene abuse of Ministers who he thinks are obstructing imaginative policies’: Benn, *Diaries 1963-67*, p. 317 (8 Sept. 1965).

³⁷CAB 147/100, Balogh to the Prime Minister (21 Dec. 1965).

³⁸*Ibid.*

³⁹PRO, CAB 147/100, Balogh to R. Allan, Sir Burke Trend, Hall and Crossman (8 Sept. 1966).

[Section 9, (3) of the Bill] on profitability'.⁴⁰ Finally, he complained, the IRC was restricted by 'the special and onerous and biased requirement for the Corporation to disclose every item of its holdings and of its securities at the time of acquisition'. In Balogh's opinion this requirement 'largely destroy[ed] ... the possibility of building up a profitable public sector or even taking full benefit of the financial advantages of reorganisation'. The failure to address these points was 'quite comprehensible' before the 1966 general election, but was 'less easy to understand' thereafter.⁴¹ Yet while Balogh was mystified by the decisions taken by ministers and officials, they are readily explicable if consideration is given to the detail of ministers' statements during and after the passage of the bill, and the actions of the IRC thereafter.

III

Publicly, ministers were adamant that the IRC would be capable of meeting the aims set for it on a long-term basis.⁴² When asked specifically 'how long does the Right Honourable Gentleman think that the £150 million will last?', Brown stated that he was confident that 'the money will last for a very long time'.⁴³ This confidence was based on Brown's analysis of how the corporation would function. Calming fears that the IRC would be a tool for the constant expansion of the public sector, he argued that 'the more that the Corporation can use its funds, withdraw them and turn them over again, the better job it will be able to do. Its purpose is not to acquire majority

⁴⁰*Ibid.*

⁴¹*Ibid.*

⁴²Although in private they were prepared to admit that they gave some importance to its ability to achieve certain short-term objectives: in particular, to 'provide a means of quickly encouraging exports and thus relieving the balance of payments problems': CAB 130/243, Official Working Group on Industrial Reorganisation Corporation, para. 2 (21 Sept. 1965).

⁴³*HC Deb.*, (723), col. 58 (25 Jan. 1966).

holdings and to hang on to them', since such a policy would very rapidly exhaust the financial reserves of the Corporation.⁴⁴

This explanation for the limitation of the IRC's funds to only £150 million is to some extent a logical refutation of Balogh's objections, but it also indicates that ministers had a narrower conception of the Corporation's role than he had. Although, as Brown indicated, by recycling its funds the IRC could operate over a sustained period of time, the financial limit would ensure that at any one time it could support only a relatively small number of projects.⁴⁵ Moreover, the Corporation would have to avoid becoming involved in too large a number of projects requiring long-term reorganisation support. Balogh, like Cant, believed that there was a general need for industrial reorganisation. In contrast, the way the government established the IRC shows that ministers judged the need for reorganisation to be much less general. Reorganisation would only be apparent in a few particular cases at any one time, and given this, the IRC would be more than capable of acting – either at the instigation of the industry or on its own initiative - with the financial resources it had.

The actions of the IRC, once established, confirm that this assessment of a limited need for industrial reorganisation underpinned its creation. It did not take upon itself the role of achieving a general change in the organisation of industry after industry. Nor did it attempt to shake up industries by the establishment of its own productive facilities, as it was empowered to do. Rather its main achievements were to assist a few specific company mergers, amalgamations, and restructuring

⁴⁴*Ibid.*, cols. 57-8 (25 Jan 1966).

⁴⁵The IRC itself objected to the financial limits that were placed on it, both in respect of the quantity of capital available, and the demands made by the Treasury for close scrutiny of the terms of loans: see EW 2/9, especially memoranda from the IRC to the DEA (28 Mar. 1968) and (29 Apr. 1968).

operations.⁴⁶ It was instrumental, for example, in bringing together General Electric, AEI Enterprises and English Electric into GEC, a single giant electricals grouping capable of challenging American producers such as General Electric Inc.⁴⁷

It was not simply in this area that the IRC acted. For example, when the Rootes Motor Corporation was faced with closure, the IRC strongly supported its take over by the Chrysler Corporation which already had a minority holding in the British firm.⁴⁸ These activities show that the IRC acted very much in the way Brown had indicated. It involved itself in individual schemes – mostly, it should be noted, in ‘high-technology’ industries – where the need for changes was particularly self-evident and support necessary. In terms of more general questions of industrial organisation, however, the IRC was much less active. It is true that it investigated various industries or sections of industries (for example, telecommunications), mostly at the request of the government. These reports, however, were not seen by the IRC as preludes to active involvement in industry-wide reorganisation schemes: rather the reports were seen as providing expert advice for others, either in government or industry, to instigate any proposed changes.

The Corporation’s record therefore indicates that it acted in a more narrow way than might have been possible given its powers. This narrowness was seized upon by opposition MPs to argue that the government had been disingenuous in establishing the IRC. Was the IRC, they asked, ‘to become [merely] the industrial consultant of the government?’, pointing to the Corporation’s investigation of the

⁴⁶As Coopey notes, the IRC was involved in only 50 of the 3,400 mergers that took place during the time of its existence: Coopey, ‘Industrial policy in the white heat’, p. 106. Even here, ‘its record at picking winning companies was mixed’: ‘Kearton’s whizz-kids’, *The Economist*, 302, (28/2/87), p.87.

⁴⁷See Robert Jones and Oliver Marriot, *Anatomy of a merger: A history of GEC, AEI and English Electric* (1970).

⁴⁸See CAB 128/41, CC (66) 67, 5 (20 Dec. 1966) and CC (66) 68, 2 (22 Dec. 1966). See also Benn, *Diaries 1963-67*, pp. 483-4 (15 Dec. 1966).

telecommunications industry – undertaken at the direction of the Secretary of State under Section 2 (1,b) of the Act – as evidence of this.⁴⁹ Moreover, the IRC's intervention in the Rootes take over – once again at the direction of the Secretary of State – was seen as further evidence of a difference between the rhetoric and reality of the Corporation.⁵⁰ Since the two companies already had close links – financial and managerial – the Conservatives wondered whether the IRC's purpose was merely to be a lender to companies such as Chrysler at cheaper rates than might otherwise be obtained from market sources.⁵¹

In the government's defence, Lever (Under-Secretary of State at the DEA) re-asserted that the IRC had been created to achieve the broad aim of taking a 'lead in the modernisation of industry, to promote the export competitiveness of private firms and import substitution by private enterprise'.⁵² Moreover, its aims were 'not to encourage socialism to creep but to encourage private enterprise to gallop'.⁵³ The insistence on these two points is significant. If they were expressions of the government's true intent, then it is clear that ministers did take a contrary view to Balogh, if not on the need for industrial reorganisation, then at least on the necessary scale of reorganisation. The support for the Chrysler take-over of Rootes, and the similar schemes that were to follow,⁵⁴ were sufficient to obtain structural changes in British industry. Moreover, even if industries were felt to be in sufficient difficulties to warrant general investigation (as with telecommunications), the intention was to isolate the few areas where problems were probably acute, and to act there, rather than

⁴⁹D. Price (Eastleigh), *HC Deb.*, (740), col. 648 (1 Feb. 1967).

⁵⁰*Ibid.*

⁵¹*Ibid.*, col. 649.

⁵²Lever, *ibid.*, cols. 660-1.

⁵³*Ibid.*, col. 659 (1 Feb. 1967).

⁵⁴For example, the proposed take over of Pye Ltd. by Philips Electrical Holdings (part of the Dutch Philips electricals group): see CAB 128/42, CC (67) 1, 5 (12 Jan. 1967).

seeking to intervene in a more general fashion. The re-emphasis that the IRC's purpose was not to 'encourage socialism' is further confirmation. While clearly intended primarily to dampen the fears of those who considered the IRC as an agency for 'back-door nationalisation', behind the statement lies the clear conclusion that most of private industry was not in particularly bad shape, and that with some assistance at the edges, it could be made to 'gallop.'

If this view of the government's intentions is correct, then the IRC's lack of any radical change in industrial organisation need not lead to any conclusion that the Corporation 'failed'. With the ministerial *intention* of a narrower remit of supporting the fringes of private enterprise, the IRC's actions were more successful than they appear if assessed solely by the *language* of the Act and ministers' rhetoric. However, before this conclusion is reached, it must be recognised that the savage programme of cuts in public expenditure implemented in July 1966 limited the finance available to the IRC. Moreover, the evident desire to avoid the Corporation being seen as an agency for nationalisation made it still more imperative to limit its financial powers.

Balogh certainly considered these factors to be significant, but other evidence does not necessarily demonstrate that they were critical in shaping the nature of the IRC. Most telling is the lack of any other voice within government pressing for the extension of the IRC's planned financial limits. If it had merely been the Treasury which was restricting the potential financial powers of the IRC in order to defend sterling parity, it might be expected that Cabinet opposition would manifest itself. Yet while Crosland and Brown were vociferous in arguing that the Callaghan's deflationary measures were undermining many other aspects of economic policy, they were silent on the impact on the IRC. Given that the IRC's financial limits was never

even deemed controversial enough to be debated by the Cabinet, it must be the case that ministers accepted the role of the IRC as limited.

IV

It terms of its broad potential powers, and narrower focus of actual operations, the Industrial Expansion Bill was remarkably similar to the IRC. Certainly the preamble to the Industrial Expansion Bill was, if anything, still more ambitious than that for the IRC. The measure sought

... to authorise the provision of financial support, pursuant to schemes laid before Parliament, for industrial projects calculated to improve efficiency, create, expand or sustain productive capacity or promote or support technological developments, and in that connection to extend the powers of the National Research Development Corporation and the Industrial Reorganisation Corporation ...⁵⁵

So broad are these intentions that it is difficult to envisage any industrial intervention that might not be justified by them. Like the IRC, the Industrial Expansion Act was intended to deal not with an individual industry, but rather with a perceived more general economic weakness – in this case the lack of efficient productive capacity in the British economy.

As with the IRC Act, there were few restrictions to the powers granted. Rather than creating a public corporation, the Industrial Expansion Act was specifically designed to give to ministers power to expand the capacity of the British economy. Almost all ministers, from the Minister of Technology to the Minister of Health, were deemed by the Act to be ‘competent authorities’ capable of deciding that an ‘industrial investment scheme’ was necessary.⁵⁶ A scheme need only be felt ‘in the opinion of that authority’ to meet the stated aims, and could apply to an industry in its entirety, or

⁵⁵*Industrial Expansion Act* (1968), Ch. 32, preamble.

⁵⁶*Ibid.*, Section 1, (3).

only a small section thereof.⁵⁷ The chief proviso was that they must be of a nature that 'would not be undertaken without such financial support as is authorised by this section', indicating that the Act was not intended to enable the government to act as a source of cheap investment capital for companies and industries.⁵⁸

Like the IRC, the government was empowered to finance the industrial schemes through a wide range of methods, including the issue of loans and grants; a guarantee of repayment on moneys borrowed by the relevant concerns; underwriting of 'the whole or part of any loss which may be incurred by such bodies in connection with the production of goods or the provision of services'; and 'subscri[ption] for or purchase by agreement shares in any company specified or described in the scheme or to be formed pursuant thereto; [or] to purchase by agreement the undertaking or any part of the undertaking of any such company'.⁵⁹ So while excluding the possibility of compulsory purchase the Act left the door open for expansion of the public sector through the sort of voluntary agreement reached in the case of the Fairfields shipyard.

The Act also authorised the creation, where 'appropriate ... to the conditions prevailing in any industry or section of an industry', of an 'industry board' which would serve, firstly, 'to make recommendations to the competent authority ... for the provision of financial support [for the industry]', and, secondly, 'to undertake at the request and on behalf of the competent authority any administrative functions of that authority ...in relation to the relevant industry or section'.⁶⁰ It is clear that this provision was intended to enable the establishment of boards similar to the

⁵⁷*Ibid.*, Section 2, (1).

⁵⁸*Ibid.*

⁵⁹*Ibid.*, Section 2, (2).

⁶⁰*Ibid.*, Section 3.

Shipbuilding Industry Board,⁶¹ but without the ‘delay’ of a Royal Commission that the shipbuilding industry had gone through.⁶²

The terms of the Act were, therefore, similar to the Industrial Reorganisation Corporation Act. The Act even provided a financial limit to its activities similar to that governing the IRC; the ‘aggregate of the amounts’ to be outstanding on industrial schemes at any one time could not exceed £100 million, though this could be extended by resolution of the House of Commons to match the £150 million available to the IRC.⁶³ The Industrial Expansion Act might well be seen as being, in essence, an extension of the terms of the IRC Act into a broader field. Having established the IRC to deal with the perceived problem of poor industrial organisation, the government now sought to deal with the further problem of a lack of efficient, technologically advanced capacity within industries, reorganised or otherwise, which was holding back the economy. Once more, the government was seeking to establish a framework for supporting private industry, without resort to nationalisation but with public funds and the possibility of partial or total public ownership in those instances where all sides deemed it appropriate.

This interpretation of the Industrial Expansion Act’s purpose – a pragmatic, revisionist, approach – was certainly one the government itself was keen to stress. In proposing the measure to Parliament, the Minister of Technology, Benn, described the Bill as ‘leav[ing] the Government with a general capability to help any industry in

⁶¹The existence of the Shipbuilding Industry Board required the Industrial Expansion Act to specifically exclude support for that industry from its terms until such time as the SIB had ceased to operate: *Ibid.*, Section 2, (3).

⁶²Benn: *HC Deb.* (757) col. 1572 (1 Feb. 1968).

⁶³*Industrial Expansion Act*, Section 4; CAB 129/134, C (67) 195, memorandum on ‘Industrial Expansion Bill: Draft white paper’ by Shore, para. 2 (15 Dec. 1967).

accordance with clearly defined rules'.⁶⁴ The pre-existing NRDC and IRC could not be asked to perform the duties laid out in the Bill because of the 'clear terms of reference' limiting their potential activities. In the case of the NRDC, the requirement of technological content to its interventions meant that 'projects which are rich in export potential but which are not technologically interesting ... fall outside the terms of reference of [the] NRDC'. Similarly, Benn indicated that the government would use the powers of the Industrial Expansion Act in 'some sectors of industry' where 'what needs to be done ... may well go beyond rationalisation ... [and] may involve the evolution of a policy that does not require rationalisation at all'. In such instances, the IRC would be powerless to act.⁶⁵

While outlining the need for new powers Benn was determined to resist suggestions that the Bill was 'nationalisation by the back door'. He emphasised repeatedly that 'there is no compulsory power in the Bill', and attempted to reassure parliament that if he or the government judged it 'right to nationalise an industry or a firm, it seems to me that this ought to go through the full machinery of an Act of Parliament and it would be quite wrong to attempt it as a by-product of a Bill which has quite different objectives'.⁶⁶ Those objectives, essentially, were to 'make possible stimulation without subsidy through a partnership of enterprise, private and public'.⁶⁷ As an expression of a revisionist framework for industrial intervention, this could hardly be bettered. However, the difficulty in accepting Benn's statements is that they neither match the origins of the Bill, nor the evidence of how it was used.

⁶⁴*HC Deb.*, (757), col. 1577 (1 Feb. 1968). When first proposing the Bill to fellow ministers, he stressed this need for 'general powers' to provide 'positive support' for industries: CAB 134/2736, Ministerial Committee on Economic Policy, EN (67) 16, 1 (20 June 1967).

⁶⁵*HC Deb.*, (757), cols. 1579-81 (1 Feb. 1968).

⁶⁶*Ibid.*, cols. 1584, 1586-7 (1 Feb. 1968).

⁶⁷*Ibid.*, col. 1592 (1 Feb. 1968).

V

This can be seen most clearly in the terms of the Bill itself. Benn's speech on the bill's Second Reading occupies some twenty-two columns of *Hansard*, and for the first eighteen of these columns, he described the need for the bill and its functions as outlined above.⁶⁸ Towards the end of his speech, however, Benn indicated that several clauses of the Bill were special, in that they referred not so much to how the government intended to go about introducing new schemes, but rather dealt with numerous pre-existing projects.⁶⁹ These sections allowed for the allocation of loans to the Concorde project of up to £125 million (Section 8); for the loan of £24 million to Cunard to enable the luxury liner the Queen Elizabeth II to be completed (Section 9); to allow an additional £20 million of finance to be made available to the Shipbuilding Industry Board (Section 10); to raise the limit on loans of the NRDC from £25 to £50 million (Section 11); and to modify Section 1, (1) of the 1949 Civil Aviation Act in order to allow the Ministry of Technology to take over the Beagle Aircraft Company (Section 12).

Benn was keen to stress that these 'separate self-contained Clause[s]', should be treated in effect as 'one-Clause Bills within the Bill itself'.⁷⁰ They were 'absolutely categorical and specific', and the expenditure authorised by them was completely separate from that allocated for the purposes of the Bill in general.⁷¹ While these specific projects clearly fitted in with the general tenor of the Bill, Benn presented them as separate from it in the sense that they were unfinished business which the Bill's introduction merely gave an opportunity to tidy up. He insisted that

⁶⁸Benn's speech is encompassed in *ibid.*, cols. 1571-92 (1 Feb. 1968).

⁶⁹*Ibid.*, cols. 1589-91 (1 Feb. 1968).

⁷⁰*Ibid.*, cols. 1590-1 (1 Feb. 1968).

⁷¹*Ibid.*, col. 1591 (1 Feb. 1968).

the main purpose of the Bill was not these Sections, but those which preceded it creating the more general interventionist framework.

However, a quite different interpretation of the primary intention behind the Bill is offered by Richard Crossman, Leader of the House of Commons while the Bill was being prepared. His diary indicates that far from the Bill having its origins in the government's general desire to advance industrial regeneration, its true origins lay in the 'special provisions' of Sections Eight to Twelve.⁷² Crossman explains that Benn came to him seeking parliamentary time to introduce a series of 'small Bills'.⁷³ Crossman, however, made it clear that it was 'impossible' to allocate the necessary parliamentary time without upsetting the government's entire legislative timetable.⁷⁴

Faced with a conflict between the unavoidable need for items of legislation with the unavailability of time for them, Crossman and Benn together came to the idea of introducing a Bill consolidating all of the required measures into one.⁷⁵ Crossman is adamant that this need to avoid the congestion of parliamentary time alone explains the origins of the Industrial Expansion Act.⁷⁶ As Benn himself concluded in Cabinet, 'the proposal for a general enabling Bill, of the kind now proposed, appeared to be a

⁷²In his own diary, Benn makes no reference to the origins of the Bill (beyond the factual statement that 'I introduced the Industrial Expansion Bill, which was a great struggle': *Diaries 1963-67*, p. 516 (31 Dec. 1967)). This is surprising given the detail usually given (although it should be noted that the diary entries for the period from October to December 1967 are sparse, due to the pressure of work Benn was under: see *Diaries 1963-67*, p. 478).

⁷³Crossman, *Diaries*, ii, p. 243 (17 Feb. 1967).

⁷⁴*Ibid.*

⁷⁵Crossman records telling Benn "for God's sake work out with your Permanent Secretary a streamlined enabling Bill where only an Affirmative Order would be required for each policy": *ibid.*

⁷⁶*Ibid.*, p. 455 (3 Aug. 1967). At the Ministerial Committee on Economic Policy, Benn admitted that 'delays in getting legislative authority for state intervention', relating particularly to the 'immediate need' to deal with three aircraft projects (the Beagle take-over, the airframe merger, and Concord financing), provided the true inspiration for the measure. The 'previous autumn', he reported, he had 'identified a number of projects to assist industry to increase exports and to save imports'. He had 'been advised that each project would require separate legislation.': CAB 134/2736, Ministerial Committee on Economic Policy, EN (67) 16, 1 (20 June 1967); CAB 128/42, CC (67) 52, 3 (25 July 1967).

progressive solution to the Parliamentary problems involved'.⁷⁷ What does seem inexplicable is that the Bill, both as initially presented to Cabinet by Stewart (the First Secretary),⁷⁸ and thereafter to parliament by Benn, revealed so little of its true origins. However, having decided upon producing a Bill to cover a series of individual measures, it made logical sense to expand the terms of that Bill in order that a repetition of the same situation might not arise in the near future. Indeed, given that the government was demonstrating a willingness to intervene in Fairfields, Beagle and Cunard, the likelihood of a further legislative 'backlog' developing was fairly high. The broad terms of the Act as eventually produced, therefore, resulted from a determination to avoid any narrowness of scope which might prevent the government from being able to use the powers of the Act when the next Beagle or Fairfields came along.

The Industrial Expansion Act therefore demonstrates that the Wilson government was committed to an interventionist industrial policy. The government was determined not to allow itself to be overly restricted from intervening when considered necessary. At the time of its passage, the only cases requiring government support were laid out in Sections Eight to Twelve of the Act. However, the Act would be used as and when other industrial problems arose. Its passage would make intervention easier to undertake in future, suggesting perhaps that Fairfields and Beagle were not intended to remain exceptional stage projects.

This conclusion is supported by the determination with which Benn, and particularly Wilson, forced the measure in its more general form past the opposition it

⁷⁷CAB 128/42, CC (67) 52, 3 (25 July 1967).

⁷⁸See *ibid.*

faced.⁷⁹ At the Cabinet meeting of 29 September 1967, for example, Wilson reported that the CBI, with whom the government had been discussing the Bill, 'had unfortunately chosen to take a doctrinaire line in opposition to the government's proposals ... claiming that even the more moderate elements were completely opposed to the government's plans.'⁸⁰ It was recognised that the CBI was objecting 'on ideological grounds to the government taking powers to purchase equity shares [even if] by agreement with the firms concerned.' Given that the CBI objected on these grounds, if the government's sole intention was simply to pass an enabling Act for a few specific projects, it would have been easier to drop the sections of the Bill which allowing for future equity holdings, and so reduce the level of opposition to the Bill. That Wilson was determined 'not to be deterred' from introducing the full measure is indicative of the intent to pass a more general enabling measure.⁸¹

Crossman, indeed, records that Benn and Wilson were absolutely determined to brush aside all opposition, even in the Cabinet.⁸² He claims that the development of the Bill from its original, limited form to the more general, was the work of these

⁷⁹Wilson's enthusiasm for the Bill was substantial. When it was first proposed, Wilson noted to Stewart that 'this is ... an important part of the policies which we are pursuing', and urged Stewart to give the proposals 'sympathetic consideration': PREM 13/1576, Wilson to Stewart (16 June 1967). Crossman noted that, despite the opposition of almost all other ministers, 'Wedgy [i.e. Benn] has the Prime Minister's solid support and they are going to shove it onto the Statute Book': Crossman, *Diaries*, ii, p. 495 (26 Sept. 1967).

⁸⁰CAB 128/42, CC (67) 57, 4 (29 Sept. 1967); PREM 13/1576, record of a meeting with the CBI (27 Sept. 1967). A private memorandum from Stewart was even more explicit. 'The CBI's reaction', he recorded, 'was hostile and negative. They refused to be drawn into a reasoned discussion ... [they] would almost certainly oppose the Bill root and branch': PREM 13/1576, memorandum from Stewart to Wilson (28 July 1967); Coopey, 'Industrial policy in the white heat', p. 118. It should be noted that not all industrialists were wholly opposed to the measure: see Benn, *Diaries 1968-72*, p. 28 (5 Feb. 1968).

⁸¹CAB 128/42, CC (67) 57, 4 (28 Sept. 1967); Benn, *Diaries 1968-72*, p. 64 (6 May 1968).

⁸²Including his Chancellor. Callaghan argued that 'there is a continuing suspicion of us among businessmen ... which can only be damped down ... provided they are convinced that we will let them get on with their job'. The clear implication of his memorandum was that the Industrial Expansion Bill as proposed by Benn would not convince them of this, and, as he concluded, 'if it became generally believed that we could use the powers of the Bill to institute general controls over the private sector, the effect on industrial confidence would be disastrous': PREM, 13/1576, memorandum from Callaghan to Wilson (31 July 1967).

two men, and they became quite obsessed with ensuring its passage.⁸³ This fits well with previous evidence that Wilson, when aroused in favour of a certain proposal, was not prepared to countenance defeat on it. In this instance, it seems that the ability to present the measure as getting the government back to its 'white heat' message fired Wilson's imagination, although how, after four years of silence, he expected to rekindle that rhetoric is not clear. He told the CBI that 'no government could allow itself to be dictated to by industry', warning them that 'if the partnership which they all desired could not be developed, then other arrangements would clearly have to come to the fore' (presumably including nationalisation without consent).⁸⁴

Given this determination to introduce the Bill, it hardly seems conceivable that the government failed to use its provisions simply through a lack of political will or ability. Certainly Wilson's enthusiasm seemed to fade, as other issues came along to seize his attention, but Benn and other ministers might have been expected to use the powers in the Act if they so wished. Even the threat of 'back-door nationalisation' should not be over-played. It was undoubtedly of some significance, for during the passage of the Bill the Conservatives constantly attacked the measure as exactly such a proposal,⁸⁵ and the government was vehement in its defence. Nonetheless, the Cabinet felt confident enough to take over Beagle, and with a huge parliamentary majority at its back it is difficult to see that they would have been overly inhibited from taking over another enterprise or even industry in a similar situation.

⁸³Crossman, *Diaries*, ii, pp. 495, 515-16, 518-19 (26 Sept., 12 Oct., 15 Oct. 1967). This conclusion is certainly supported by their memoranda on the subject. Benn argued that since the government's proposals had already stirred up the CBI, it might as well proceed, regardless of the likelihood 'of harming the confidence that ought to exist between government and industry': PREM 13/1576, memorandum from Benn to Wilson (28 July 1967). See also CAB 130/348, Ad-hoc Ministerial Committee on the Industrial Expansion Bill, especially paras. 1-5 (12 Dec. 1967).

⁸⁴PREM 13/1576, meeting between Wilson, Stewart and representatives of the CBI (2 Aug. 1967).

⁸⁵A Conservative party press release argued that 'however it is couched, it is nationalisation by the back-door'. PREM 13/1576, report for Wilson by Prime Minister's Office (2 Sept. 1967).

It appears, therefore, that the true explanation for lack of use of the powers of the Industrial Expansion Act beyond the specific cases contained within it does not lie in any government misrepresentation or failure. The reason is simple: situations did not arise that required their use. The lack of government 'action' is not evidence of a failure to establish an active framework for industrial intervention, but quite the contrary. It is evidence that the government was adopting an essentially pragmatic approach to questions of industrial support, rather than any ideological one. Intervention in a direct, ownership-altering, fashion had been suitable for Fairfields, and then Beagle, because of the particular circumstances faced in those instances. With the Industrial Expansion Act the government gave itself the power to intervene substantially quicker if cases such as these arose in the future. That they did not indicates not a failure of the policy, but rather that between the passage of the Act and the government's election defeat in 1970, no companies or industries found themselves in such dire straits. If they had done then the government would presumably have used the power it now had to intervene, though it seems likely that many of the same arguments would have been played out, and doubts produced, as had accompanied the interventions in Fairfields and Beagle.

Conclusion

Within days of becoming Prime Minister in October 1964, Harold Wilson ruled out the devaluation of sterling as a means of bringing the economy into balance. Thereafter he and Callaghan repeatedly refused to reconsider this initial decision, arguing that to do so would be to devalue not just the currency but the worth of their own words, and so fatally undermine the credibility of themselves and the government. Although they failed in their attempt to defend the value of sterling and misjudged the consequences for the economy of its defence, they were proved substantially correct in their estimation of the political consequences of devaluation. Wilson's attempts in November 1967 to reassure the electorate that 'there has been no devaluation of the pound in your pocket' fell on deaf ears.¹ He and Callaghan were unable to persuade the public that devaluation had been anything other than a defeat for the government and its economic strategies – hardly surprising given that in private they were only too prepared to admit that it had indeed been just such a defeat.

This image of failure has predominated assessments of the Wilson government ever since.² On so crucial an issue as economic management, the government has been judged as failing in almost every goal that it had set itself.³ There had been no discernible breakthrough in the field of high – “white heat” – technology. Those targets for growth set out in the National Plan had proved unobtainable. The attempts

¹ A phrase used by Wilson in a television and radio broadcast of 20 November 1967. Benn dismissed it as 'absurd' and even today the speech is considered to have been a significant misjudgement by Wilson: Benn, *Diaries 1963-67*, p. 513 (18 Nov. 1967); Hamish McRae in *The Independent* (5 May 2000).

² As *The Economist* argued in 1991, 'for many years Lord Wilson has been a byword for blurry politics, disillusionment, failure': *The Economist (US)*, 319, p. 60 (1 June 1991).

made to provide positive state intervention in industrial relations and to fix wage and price levels had all collapsed. The sterling issue, however, was the most damaging, in part because it was substantially the cause of the other difficulties.⁴ While Bale is right to argue that the defence of sterling was more logical than many authors have recognised, it remains the case that the commitment to sterling relegated many aspects of economic policy to the back of the minds of Wilson and Callaghan, and distorted the implementation of others – prices and incomes being a prime example. Ultimately, sterling has become the cornerstone of judgements because the government itself made the currency so central to its own economic strategy. The only way out of their predicament would have been to pursue policies of growth – as the National Plan called for – to achieve a fundamental strengthening of the economy, and hence of sterling. Yet the implementation of such policies was undermined by the need to defend sterling, trapping the government in an inescapable vicious circle.

This thesis has not set out either to prove or disprove the validity of the many criticisms of the government's performance. Its primary aim has been to analyse the government's policy on public ownership and control in industry, and to place it in the context of the historical development of the Labour party's commitment to nationalisation. Nonetheless, it is impossible to consider any aspect of the government's policies without reference to the largely negative analysis that has been made of it, and nationalisation and public ownership policy is no exception. There is

³As one of the government's own economic advisors, Cairncross, has put it, 'the figures of growth were abominable after 1964, [and] between 1964 and 1970 there was virtually no improvement in productivity': Cairncross in 'Witness seminar: The DEA', p. 137

⁴A 1996 article in the *New Statesman*, entitled 'Devaluation and downfall', summarises the impression of the government which has held ever since 1967. In the article, numerous ex-ministers, Labour party MPs, and officials repeatedly attempt to distance themselves from the legacy of the government by blaming Wilson and his sterling policy for all the difficulties encountered (the list includes Benn, Castle, Shore, Rodgers (Under-Secretary, DEA, 1964-7), Chalfont (Minister of State, Foreign Affairs, 1964-70), and Taverne (Under-Secretary, Home Office, 1966-68; Minister of State, Treasury, 1968-9)): Austin Mitchell, 'Devaluation and downfall', *New Statesman*, 126, pp. 24-7 (21 Feb. 1997).

little doubt that the government's concentration on the value of the currency became less and less defensible from the summer of 1965 onwards. By July 1966 a substantial body of opinion, both within Cabinet and outside, was arguing that the defence of sterling parity was undermining the performance of the economy to a greater extent than might be caused by devaluation itself. Wilson's and Callaghan's refusal to allow discussion on such issues was to some extent imposed by fear of the reaction in the financial markets. However, their stubbornness indicates certain personality traits of Wilson, and to some extent of Callaghan and Jenkins too, which made it more likely than not that the government might find itself embroiled in just such an inescapable tangle.

During the period of the government, Wilson developed a series of policy 'obsessions': his desperate determination to defend sterling was matched by his over-commitment to other issues, especially in foreign policy – Rhodesia and Vietnam being the most striking examples. These were, of course, issues to which any Prime Minister would have found himself obliged to spend a considerable time and effort. In both cases, however, Wilson appeared determined not merely to be involved in seeking a solution, but to become so greatly involved that his personal prestige was tied up in finding solutions. He was convinced, and made public his conviction, that he could be the man to broker a peace deal between the Americans and the North Vietnamese, despite the evidence that neither side really desired peace except on their own terms.⁵ Similarly, he repeatedly attempted to reach agreement with the Smith regime in Rhodesia, even when officials and other ministers saw no prospect of any acceptable settlement being reached, and he exposed himself to needless criticism when talks broke down.

⁵Young, 'The Wilson government and the Davies peace mission', p. 562.

The potential political gains that Wilson might have received had he been successful in these endeavours, or, for example, in his attempts to join the European Economic Community, would have been significant. Yet the risks involved were substantial and success depended more on luck than anything else. To gamble so much personal prestige on the success of ventures so little within his own influence, was reckless. Even in the case of sterling, the government's ability to determine the level of the currency was limited by the scope for independent action by foreign bankers and nations, as well as by the money markets. This was demonstrated by the continued difficulties sterling experienced in March 1968, when the lack of international liquidity threatened to force another devaluation and to split the government apart.

The political misjudgement of Wilson and Callaghan lies at the heart of any explanation of the government's unpopularity. However, its impact on the conduct of specific policy areas, such as industrial policy is less certain. Clearly it limited the scope for industrial intervention throughout the lifetime of the government. At no time did the government's economic position give it substantial freedom of movement to pursue expensive nationalisation schemes or other forms of industrial intervention. On occasions Callaghan even considered that the manifesto commitment to nationalisation of the iron and steel industry involved an expense that could not be afforded without compromising sterling. However, it was not merely financial resources that were scarce: time too was in short supply among leading ministers. The domination of debate at the highest levels of the government by a few 'pet projects' limited the likelihood that new and controversial proposals – as any nationalisation schemes would almost inevitably be – could be given substantial attention from the Prime Minister or his Chancellor of the Exchequer.

The requirement for nationalisation projects to be forced upon the attention of the key ministers had not been an issue with the previous Labour government. In 1945, the Attlee administration had come to power with a predetermined programme of industrial nationalisation that individual ministers and the Cabinet Committee on the Socialisation of Industry had been able to implement without the need for substantial input from the full Cabinet, let alone the Prime Minister. Not until attention turned to iron and steel and road haulage was the Attlee Cabinet called upon to formulate, rather than simply approve, nationalisation policy. The contrast with the Wilson government could not be greater. With the exception of iron and steel renationalisation, the government came into power with no specific proposals for intervention or nationalisation, only the broad outlines of when such policies might be pursued. Impetus therefore had to come from within the government if action was to occur, and approval given by Wilson if substantial progress was to be made.

This suggests that the applicability of Millward's thesis on the 1940s nationalisation to later periods is limited. Millward proposed five related explanations for the Attlee government's nationalisation programme: the 'infrastructure industries' displayed conditions of 'natural monopoly'; the interwar failure of 'arm's length regulation' in these cases; industries and services not tending towards monopoly were left alone; in coalmining, nationalisation was intended to cure the industrial relations problems; and the election of the Labour government was responsible for the particular method of nationalisation adopted.⁶ Extending this model to the 1960s is problematic. There were few industries left which were close to 'natural monopoly'; nor any obviously suffering dire industrial relations difficulties. However, it certainly remained true that there was no intention to extend the public sector substantially into

⁶Millward, 'The 1940s nationalizations in Britain', p. 215.

manufacturing or commerce. More importantly, the case offered for renationalising iron and steel relied heavily on the argument that the industry had suffered a failure of 'arm's length' 'regulation'. The establishment of the Iron and Steel Board by the Conservatives in 1953 was deemed to provide insufficient control,⁷ and hence the Wilson government argued that only reorganisation under public ownership could cure its ills. Finally, it remained true that the method of take over was directly affected by the policies of the Labour government.

Yet fundamental differences remain between the 1940s and 1960s which Millward's thesis cannot explain. Any extension of public ownership and control in the 1960s had to be far more political in inspiration than those of the 1940s. There were none of the 'obvious cases' which had existed in the earlier decade. Nationalisation required impetus from the government, and this places substantially greater importance on the Labour government's relationship to the party's ideological stance than Millward's thesis allows.⁸ In this respect, the evidence in this thesis on industries such as aircraft manufacture and shipbuilding indicates that Wilson and other Cabinet ministers were loathe to take decisive action, 'revisionist' or otherwise, to advance the public sector, or to use nationalisation as a method of restructuring industries. The aircraft industry has demonstrated this quite clearly. The Plowden Report recommended numerous changes in the structure of large civilian aircraft manufacture, and concluded that the industry could not exist independently of the state, as the primary source both of finance and orders. While Plowden argued against nationalisation of the two main companies involved, the likelihood that they would not merge voluntarily made some form of government intervention inevitable.

⁷A conclusion with which most historians have not taken serious issue: see, for example, Dudley and Richardson, *Politics and steel in Britain*, pp. 26-7.

⁸Although this should not be taken as a negative judgement on the validity of the thesis for the 1940s – at which it is of course directed.

Despite this the government shied away from direct intervention, fearing that such action risked driving experienced management from the industry.

Such reluctance to intervene demonstrates the influence on the government of the performance of the nationalised sectors since 1946. The coal industry, for example, had been blighted by an exodus of skilled management after its nationalisation in 1947, while the experiences of the Attlee government with the iron and steel industry showed the dangers of nationalising an industry which opposed the measure – though it must be noted that this did not stop the Wilson government renationalising the industry. However, nationalisation of iron and steel had been a long-standing commitment explicitly recorded in the manifesto, and to have reneged on it would have risked a revolt among the party's left-wing. By contrast, no commitment to intervention in the aircraft industry had been made, and the Wilson government was prepared to see the merger of the two airframe companies founder rather than force nationalisation upon them. The agonising witnessed in the Cabinet on those occasions when the take over of industrial concerns was considered essential reinforces the impression that the government was aware of the limitations of public ownership.

In the case of iron and steel, Wilson was prepared to give serious consideration to alternatives to outright nationalisation, even when the government appeared committed to the latter policy. To some extent he was obliged to give consideration to the ideas of Woodrow Wyatt and others by the parliamentary position before March 1966, since the passage of any nationalisation Bill depended on the votes of such waverers. However, Wilson's correspondence demonstrates that he was genuinely interested in exploring alternative proposals to nationalisation within the framework of public control. His eventual conclusion that only public ownership

could bring such control was not inevitable. It was a decision based on the merits of the two cases, not on any expressed ideological belief that public ownership was, *per se*, a superior form of ownership to all others (although this is not to say that he was uninfluenced by the strength of feeling in this direction from the left-wing of the party).

The cases of Fairfields and Beagle reinforce the impression of a government directed by a degree of realism on the problems of nationalisation, and by a determination that it could not be seen simply as a method of rescuing industries or companies which found themselves in trouble. In both instances, strong voices were heard at Cabinet expressing the view that the two companies were basically bad businesses whose financial futures were uncertain, and that the government should not involve itself in loss-making concerns. Indeed, the desire to avoid saddling the state with financial millstones appears to have been the primary objection to intervention: in the minds of some ministers, notably Callaghan, it over-rode the potential damage to the industrial infrastructure that their closure risked. It is important to note, however, that such arguments were not put forward merely because members of the government wished to avoid burdening an already stretched Treasury – although this may well have been the case with Callaghan. It also appears that members of the government were conscious of the need to protect the image of public ownership: to prevent it being regarded as a refuge for companies and industries incapable of adequate financial management or productivity performance, as a safety-net which removed the risks of enterprise.

The existence of such attitudes are of great interest since they match at least in part the position of the Conservative party in the 1970 election, when they campaigned on the basis of a commitment not to support industrial 'lame ducks',

instead arguing that the market should be allowed to judge the success or failure of industries and companies. The significance of the Conservative stance is, of course, the fact that they rapidly abandoned it when faced with the prospect of world-renowned British companies, especially Rolls Royce, going bankrupt.⁹ Thereafter, both the Conservative and the Labour governments of the 1970s used nationalisation precisely in the manner which the Conservatives had argued that it should not be used. The propaganda of the governments cannot disguise the reality that the interventions undertaken in the aerospace, motor manufacture and shipbuilding industries were essentially rescue operations, designed to shield the industries from the ravages of international competition which threatened to destroy them.

Given that struggling industries were supported in the 1970s, it must be asked why similar policies were not implemented by the Wilson government in the 1960s. After all, the aerospace and shipbuilding industries were hardly in the best of competitive positions, as the appointment of the Geddes and Plowden Commissions recognised. A plausible case for their rescue through public ownership and control could undoubtedly have been made if the government had so desired, and from the 1966 election onwards the government possessed suitable parliamentary strength to have forced through their take-over – as iron and steel showed. A similar case could have been made out for other industries, especially computing which was suffering in the face of American competition. Yet the government never decided upon such a path, nor as a collective whole gave serious consideration to such a policy direction.

The explanation for this goes to the heart of understanding the government's position on industrial ownership and control. It lies in two inter-linked directions. On the one hand there was the ideological position of the party at this time, on the other

⁹See Haywood, *Government and British civil aerospace*, pp. 3, 87-9, 99-121.

the underlying optimism among the party leadership and ministers on the government's ability to achieve an acceleration in the growth rate of the British economy. To address this second aspect first, the government's policy towards industries such as shipbuilding, computers or aircraft manufacture demonstrates that nationalisation was not used as a method of industrial rescue because there was no appreciation of a need for such rescue. In all cases it was considered that other, less dramatic, policies would lead to substantial increases in their productivity and competitive strength, and thus render any change of ownership unnecessary. For example, support for the domestic computer industry through procurement policy, or the financing of shipyard amalgamation through the Shipbuilding Industry Board, were judged to be measures that would themselves place these industries on a sound footing for the future. This reflected the government's belief that, in spite of the difficulties experienced with sterling, it was capable of putting the economy on the path to greater growth.

This supports arguments recently put forward that the ideological content of the 1964 election manifesto and campaign cannot simply be dismissed as empty rhetoric.¹⁰ The policies of the government towards these industries demonstrates that it seriously believed that the plans and policies it had proclaimed itself 'impatient' to implement in 1964, would work and rejuvenate the British economy. Moreover, it is clear that the rhetoric of the technological breakthrough was also sincerely held. The policy towards the computer industry indicate that the government was committed to supporting its development. However, since those aspects which were perceived as being fundamentally wrong with the industry did not resolve themselves into

¹⁰See, for example, Coopey, 'Industrial policy in the white heat'; Edgerton, 'The 'White Heat' revisited'.

questions of ownership, then nothing so drastic that nationalisation was necessary to cure them.

The policy towards the computer industry indicates a recognition that nationalisation was not necessarily the cure-all for industries as had long been perceived by the Labour party. The government was open in its recognition that no change in ownership could itself change the fundamental situation facing the computer industry: that of the dominance of huge American companies. Government industrial intervention had thus to be pursued in a quite different direction from nationalisation, attempting to shield the industry from the worst of that dominance, through its own procurement policy and through other encouragements, financial or otherwise, to the industry. This is indicative of the Labour party's shift in ideology and policy from the mid-1950s onwards. The revision of its stance on public ownership and control had not been towards an abandonment of that policy. Even in the aftermath of the 1959 election defeat and the clause IV controversy, there were few who perceived of no use for nationalisation. However, there was a recognition that nationalisation would have to become only a *part* of the party's policies on industrial intervention, not its heart and soul.

Although Wilson may have presented himself as more of a centrist than a revisionist, there is no doubt from the evidence of the government's actions that he was deeply influenced by such thinking. Government industrial intervention was to involve a much broader range of policies than the nationalisation of the 1940s. The Industrial Reorganisation Corporation is evidence of this broad approach in action, indicating that intervention was perceived as being active as well as essentially reactive – as nationalisation often was. The success of the government's industrial policies is a quite different matter from the intentions behind it. There is little doubt

that many of the government's initiatives were hampered by its failure to get to grips with macroeconomic management, and also by the lack of time devoted to questions of industrial policy by those at the very head of the government. However, the lack of success does not indicate a lack of desire to pursue particular policies.

The primary difficulty with a 'revisionist' industrial policy is that it was an essentially optimistic framework. It had been formulated in the mid to late 1950s when the difficulty for the Labour party appeared to be in coming to terms with the rising affluence of society. By the 1960s, however, there was a growing awareness that, impressive as Britain's economic performance was from an historical perspective, its rate of growth was falling behind that of comparable economies. The emphasis on the 'white heat' technological breakthrough and the National Plan in Labour's 1964 electioneering were reflections of the need to redress this relative decline, and demonstrate that Wilson was aware of the economic challenges facing the country. Underpinning even the Wilsonian developments of revisionist thinking, however, was an underlying optimism that the problems were readily surmountable. The problems could be put down to 'thirteen wasted years' of Conservative government that a new Labour government would rapidly overcome, with its commitment to sweep away existing practices with a technocratic revolution.

However, this optimism substantially over-estimated the real strength of the British economy and British industry. As the failure to save sterling parity demonstrated, a fundamental weakening of the British economy's comparative strength had occurred during the 1950s. A failure to recognise this, from both a practical and ideological perspective, lies at the heart of an understanding of the limited use made by the Wilson government of nationalisation and other forms of public ownership and control. The revision undergone by the party's programme in

the mid 1950s had been based on a belief that the existing socialist interpretations of contemporary capitalism were out of date. Yet within a few years a similar charge can be levelled against the new ideological interpretation of capitalism produced by Strachey, Crosland, Gaitskell and others. Had Labour won the 1959 election, as the revisionists and other Labour party members assumed it would, then their analysis would have been of more relevance. As it was, the party came to power believing that it could 'manage' the British economy when more radical solutions were needed.

It is from this perspective that the sterling issue is of such relevance. For the belief that the strength of sterling had to be and could be defended, given Britain's standing in the world, was demonstrated to be an outdated notion. However, by so acting, the government emasculated the very policies – the National Plan and the prices and incomes policy in particular – which offered the possibility of producing an acceleration of the growth rate through an interventionist policy. By the time of the 1970 election, it was clear that Britain's economic decline was serious and was beginning to manifest itself in industrial collapse. Two different paths were then available to politicians. They could, on the one hand, attempt to maintain the post-war 'miracle' of full, or almost full, employment, using state ownership to rescue those concerns that the market threatened to destroy. On the other hand, they could allow the market to do its worst, and accept the inevitable increases in unemployment. The Heath government pledged to do the latter, but ended up doing the former when the political costs of industrial decline proved unpalatable. The 1974-79 Labour government under Wilson and Callaghan continued to attempt to rescue industry through nationalisation, but found that such actions did nothing to alter the fundamental competitive strength of British industry. Only with the rise to power of Margaret Thatcher in 1979 was the decision taken to leave industry to face

international competition alone: she argued that it was impossible in the long-term to 'buck the markets'.

From the present perspective, after more than two decades of both Conservative and Labour governments in which the emphasis has been on allowing the market to dictate the fortunes of industrial development, the 1970s are often seen as a decade in which politicians took the wrong decision in returning to nationalisation, shying away from the 'inevitable truth' that only the market can judge the worth of industrial concerns. Whether or not such a critical judgement can be accepted is not at issue here, but it is of great relevance to an understanding of the 1960s Wilson government. For the years of that government were in many ways six more 'wasted years' to follow those of the Conservative governments between 1951 and 1964.

The government came to power with an analysis of capitalism that was rapidly becoming obsolete, and proceeded to become fixated with policies which undermined its main economic purposes. In the midst of such macroeconomic failure lay an industrial policy broad in nature, but lacking any coherent direction. It contained within it elements both of the past – the nationalisation of iron and steel – and of the future – the rescue of Fairfields. It also contained elements of the dynamic revisionism that had been proposed in the 1950s: the IRC and the Industrial Expansion Act; the support for the computer industry; the Shipbuilding Industry Board. Yet in the end it was rendered ineffective by the government's inability to gain control over the economy. As macroeconomic crisis followed crisis, there was little attention left to be focused on the microeconomic. Only in the 1970s, when a down-turn in the international economic position pushed industries and companies to the verge of bankruptcy, did governments once again turn to nationalisation.

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