5 Nationalisation

Nationalisation was at the heart of Labour's economic policies in 1945. It was central to Labour's programmatic statements of the 1930s (see chapter 1), and the commitment was strengthened by the war. Nationalisation was 'out of bounds' under the wartime coalition; whilst Labour's commitment to controls over the economy matched both the demands and political possibilities of war, the Conservatives would not stomach public ownership. Hence the war contrived to 'make public ownership a cherished icon. Labour's distinctive vision of economic change centred more and more on what was being denied it during the war.'[1]

Nationalisation – before, during or after the war – never had a simple justification. In the 1930s the emphasis tended to be on the monopolistic and inefficient character of the specific industries concerned; in the war period the view that the role of nationalisation was part of a more general picture of a hierarchy of economic controls, aimed especially at securing full employment, gained ground.[2] After 1945 both these objectives were central to the argument, though they were coupled to broader aims of depriving private capital of power and enhancing democracy. Nationalising was a means of increasing efficiency, a means of planning the economy, but for some an end in itself, as representing the appropriate form of ownership for a socialist economy.

In the context of the late 1940s' desire for output and efficiency (see chapter 4), along with the existence of other instruments of economic control (both physical and fiscal), and the lack of any immediate threat of mass unemployment, the debate on nationalisation tended to shift towards 'efficiency' issues. The other aspects of nationalisation did not go away, and indeed the important debate about *future* nationalisation

[1] Brooke, *Labour's War*, p. 241.

[2] These different arguments are well illustrated in the TUC *Interim Report on Post-War Reconstruction* (1944), though it also makes clear we should note the continuity between the approaches of the 1930s and 1940s as well as the differences. See also J. Tomlinson, *Government and the Enterprise since 1900: The Changing Problem of Efficiency* (Oxford, 1994), ch. 8.

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which began in Labour circles as early as 1947 was not just about how much to nationalise, but also about its purposes. Nevertheless, it was the efficiency aspect which tended to dominate the governmental agenda.[3]

Nationalisation and efficiency

In 1945 *Let Us Face the Future* set out the nationalisation programme in terms of 'service to the nation', and argued for priority to be accorded to the nationalisation of fuel and power industries, inland transport and iron and steel. The efficiency case for nationalisation of coal was spelt out in typical fashion:

> For a quarter of a century the coal industry, producing Britain's most precious national raw material, has been floundering chaotically under the ownership of many hundreds of independent companies. Amalgamation under public ownership will bring great economies in operation and make it possible to modernise production methods and to raise safety standards in every colliery in the country.[4]

If efficiency derived from scale, from co-ordination rather than competition, it was hardly surprising that the entities nationalised were industries rather than companies. These industries were in some cases 'natural monopolies', in which case their nationalisation would fit with an orthodox economist's views of how such non-competitive industries might be dealt with.[5] But it should be said that a key target of nationalisation, coal, was quite clearly not a natural monopoly and that generally the role of economists' arguments in the nationalisation programme should not be exaggerated. Note that the conception of efficiency behind discussion of nationalisation was that of technical or productive efficiency, *not* allocative efficiency, which is where overwhelmingly economists have focused their attention. Equally, of course, for most economists competition is the royal road to efficiency – and in many ways nationalisation reflected a direct repudiation of that view.

Nowhere in this period was there such a direct relationship between programmatic intent and policy outcome as in nationalisation. By 1951, all the sectors proposed for public ownership in 1945 had indeed been nationalised. The scale of that massive transfer in ownership is suggested by table 5.1.

[3] The debate about the nationalisation of the Bank of England was quite separate from that of industrial nationalisation, and is dealt with in chapter 7. For the debate on which industries should be nationalised, see R. Millward and J. Singleton (eds.), *The Political Economy of Nationalisation in Britain 1920–50* (Cambridge, 1994).

[4] *Let Us Face the Future*, p. 5.

[5] e.g. PRO CAB124/915, 'Socialisation of Industries: Note by the Economic Section', 6 Nov. 1945.

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Table 5.1 *Major state-owned enterprises in 1951*

	Turnover (£m.)	Employment (000s)
Inland transport	617	888
(of which, railways)	385	600
Coal	541	780
Iron and steel	502	292
Electricity	269	182
Gas	241	148
Airways	44	25
Total	2,214	2,315

Source: T. Gourvish, 'The Rise (and Fall?) of State-Owned Enterprise' in T. Gourvish and A. O'Day (eds.), *Britain since 1945*, p. 113.

Debate about the organisation of nationalisation before the war had largely focused on the desirability of control of the industries by interest groups or by boards appointed for their competence and expertise. This debate went back to the origins of the Labour Party before the First World War, but was formally resolved in the early 1930s by Labour's agreement to what was to become known as the Morrisonian corporation. This name derived from the role of Herbert Morrison in designing what was deemed to be one of most successful of the inter-war nationalisations, the London Passenger Transport Board. In Morrison's view this body combined 'public ownership, public accountability, and business management for public ends'.[6] The board would be appointed by the relevant ministry as an autonomous body, made up of experts, not of representatives of the industry. It would be subject to only general control by the government, explicitly different from the direct control embodied in the Postmaster General's control of the Post Office.

This public corporation model drew wide support across the political spectrum in the 1930s, the Conservatives and the Liberals welcoming it as 'taking business out of politics' and allowing space for private sector-style management prerogatives. For Labour the model was more problematic because, whilst involving a clear repudiation of 'workers' control' approaches to nationalisation, it left vague the extent to which the role of workers would be enhanced and changed under public ownership.

[6] Morrison, *Socialisation and Transport*, p. 149.

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The repudiation of workers' control came only after passionate debates at Labour Party and TUC conferences in the early 1930s.[7] The reasons have been well summarised as follows:

> Two features of the Fabian conception of the state and government led inevitably to the rejection of workers' control. The first was the acceptance of parliamentary supremacy as an expression of the majority will . . . all attempts to impinge on the Supremacy of Parliament or to weaken Parliament as a majoritarian institution were consistently opposed by the Fabians . . . To have any public official ultimately responsible to some agency other than Parliament was a denial of the whole meaning of the British constitution . . . The other determining feature of the Fabian conception of government was an uncommon respect for the expert.[8]

The official resolution of the debate about workers' control determined that after 1945 public ownership meant the public corporation. This did not end the debate. There remained many on the left who still believed in some form of workers' control, and who persistently raised the issue, albeit without success, in the late 1940s.[9]

The repudiation of workers' control still left the question of the workers' role in the new public enterprises unresolved. One aspect of Labour's enthusiasm for the public corporation model was undoubtedly a growing view in influential Labour circles that management was a technical expertise, which public ownership would free from the shackles of restrictive and nepotistic private ownership, thus allowing modern managerial methods to be applied. This attitude is evident in, for example, the interest in ICI or General Motors as having developed models of management in the private sector which could be applied to the newly nationalised enterprises.[10] But alongside such 'technocratic' approaches was a strong commitment, even by the most enthusiastic supporters of the Morrisonian corporation (including Morrison himself), to a greater role for workers in the nationalised sector.

Whilst Fabian conceptions of democracy as equivalent to parliamentary sovereignty were very important in gaining support for the Morrisonian corporation, Labour was also committed to the idea that

[7] R. Dahl, 'Workers' Control of Industry and the British Labour Party', *American Political Science Review* 41 (1947), pp. 875–900; G. N. Ostergaard, 'Labour and the Development of the Public Corporation', *Manchester School* 22 (1954), pp. 192–216; J. Tomlinson, *The Unequal Struggle?: British Socialism and the Capitalist Enterprise* (1982), ch. 4.

[8] Dahl, 'Workers' Control', pp. 877–8.

[9] For example, the Union of Post Office Workers consistently supported joint (government/union) management of the Post Office.

[10] PR CAB134/688, H. Morrison, 'Taking Stock', 18 July 1947; and ibid., 'Decentralised Administration in an American Business', 15 Dec. 1947.

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democracy required a greater day-to-day role for the worker in the enterprise. A major policy statement in 1950 argued that 'Democracy is developing in the publicly owned enterprises. The task in the next few years is to aid and train workers to take their place as full partners, so that the public industries become models of industrial democracy.'[11]

Alongside this notion of democracy was a very strong belief that human relationships thrive in the nationalised industries better than in the private sector. The emphasis on human relations was, as already suggested in chapter 4, a striking feature of Labour's ideology of the late 1940s. Partly it flowed from the perception that the arrival of full employment made it not only undesirable but impossible to use the 'stick' of the sack as a major way of maintaining work effort and discipline. Partly also it came from the belief that social science research, such as the Hawthorne experiments, had shown the capacity of good human relations to raise productivity. In addition, human relations ideology, for some at least, embodied the idea that as a political principle the worker could and should have a positive input into the production process.

Other aspects of the same design in the nationalised sector were the appointment of trade unionists to many posts of labour director or similar jobs responsible for industrial relations, an emphasis on personnel management as a function to be expanded in the new corporations, and the need for properly trained supervisory and managerial staff, fitted to treat labour with proper respect and not just as 'hands'.[12]

Also important was the idea that nationalised industries would offer a ladder of opportunity, whereby even those in the humblest of jobs would have the chance, if they merited it, of advancing up the hierarchy of public corporations, including to the board level. This idea of a 'career open to talents' was pursued via the provision of training facilities by the nationalised corporations, so that those already in their employment would be able to acquire the skills needed for such advancement.

The precise impact of all this is returned to below when the experience of coal nationalisation is looked at in some detail, but two general points may be emphasised at this stage. First, the rejection of 'workers' control' by the Labour leadership did not mean that the workers' role was settled. Opinion amongst Labour figures was divided, but none espoused a simple philosophy of letting the nationalised boards do as they wanted in relation to the role of workers. Views on the capacity of

[11] Labour Party, *Labour and the New Society* (1950), p. 36.
[12] D. N. Chester, *The Nationalisation of British Industry, 1945–51* (1975), pp. 786–96 (pp. 844–64 give an overview of this issue).

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workers, and hence the scope of the role they could play in the enterprises, varied, but for no one was managerialism so strong as to preclude some hope of an increased involvement by workers.

Second, the commitment to this involvement was the product of intertwined concerns. On the one hand, it was linked with what may be called social democratic aims of the 'humanisation' of work and the enhancement of the status of the worker. On the other, there was the striking contemporary concern with efficiency and productivity. Many in the Labour ranks implicitly believed in a happy coincidence between the desired character of the organisation of work and the type of organisation which would yield most output. The happy worker would also be a productive worker.

The happiness of the workforce provided one link between nationalisation and efficiency. Set alongside this link was the idea that nationalisation would make possible a rationalisation of industry in order to yield economies of scale and opportunities for greatly enhanced investment, which together would greatly increase productivity. Labour in this regard shared the common view of informed opinion in inter-war Britain. Industrial efficiency in this period was seen as having been blocked by the fragmented, small-scale structure of British industry, which market forces had failed to change significantly. Equally, attempts by the 1930s Conservative government to promote, if only implicitly, cartels and monopolies to give a breathing space for industrial reorganisation, were seen as having failed.[13] Hence Labour's policies on nationalisation could be seen as aimed at rationalisation by new means, giving a 'socialist' twist to a well-established consensual agenda.

This interpretation of Labour's position serves to emphasise the conception of efficiency that underlay most of the nationalisation debate. Leaving aside the human relations aspect, this conception depended upon what may be called an 'engineering' approach, where efficiency is a function of the scale of activity and the extent of mechanisation of its various parts. Economies of scale are assumed to be generally available once the impediments of private ownership are removed, and the state makes available the necessary funds for mechanisation. This kind of approach, it may be noted, was parallel to that of the dominant conception of productive efficiency amongst economists at this time, with their notion of downward-sloping long-run supply curves, with the division of labour and capital accumulation as the key routes to enhanced efficiency.[14] Whether espoused by politicians or economists, this was

[13] Tomlinson, *Government and the Enterprise*, ch. 5.

[14] M. Chick, 'Competition, Competitiveness and Nationalisation, 1945–51' in G. Jones and M. Kirby (eds.), *Competitiveness and the State* (Manchester, 1991), pp. 62–3.

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rapidly to prove an excessively simple view of the sources of industrial efficiency in the nationalised industries.

Nationalisation and the national economy

If the efficiency aspect of nationalisation dominated much of Labour's agenda in the 1945–51 period, the idea of using nationalisation as a tool to plan or manage the economy had by no means disappeared. In some respects this aspect was diminished compared with the 1930s by the availability of other instruments – physical and fiscal – but nevertheless it remained important.

The relationship between the nationalised industries and the rest of the economy was partly an issue of full employment. In the 1930s it had been assumed that these industries could and should play a significant role in contra-cyclical investment policies, and this remained the view in the 1940s, though one which, because of the pressure of full employment, did not require much action by the government.[15]

The nationalised industries were important microeconomically because of their large role as purchasers of private sector outputs. When the government was trying to change the practices of many private sector companies in the name of efficiency, the leverage provided by this purchaser role was potentially powerful. For example, in the pursuit of standardisation, nationalised industries did affect the output and hence production processes in some private sector companies – e.g. the producers of electricity generator sets.[16] In this case the policy was pursued because of perceived benefits to the Electricity Generating Board rather than because of government persuasion, so there was an unproblematic coincidence of governmental and nationalised board interests here, not always evident in other policy areas.

But, given the nature of the industries nationalised in 1945–51, their most important link with the rest of the economy was as suppliers of inputs – inputs of fuel, power and transport to the private industrial (as well as consumer) sector. As suppliers of such inputs to most of the rest of the economy, at a time when excess demand characterised the economy, the nationalised industries were at the forefront of the drive to increase output. Indeed, it would be a reasonable generalisation to say

[15] Though even planning for the eventuality of unemployment caused problems for government/nationalised industry relations, as will be detailed in the final section of this chapter.

[16] Hannah, *Engineers, Managers and Politicians*, pp. 23–8, 101–10. More generally on this issue N. Tiratsoo and J. Tomlinson, *Industrial Efficiency and State Intervention: Labour 1939–51* (1993).

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that in this period at least that was what government above all wanted from the nationalised industries – more of whatever it was that they produced. This meant that the concern with 'efficiency' was of a particular kind – it meant getting more total output in a supply-constrained economy. Expansion took precedence over nicely weighted issues of comparative costs. To put the point slightly differently, the long-standing economists' debate about the appropriate pricing policy for nationalised enterprises, an issue of allocative efficiency, whilst continuing to be a live issue amongst economists,[17] had rather little impact on nationalised industries policies. In the case of electricity, for example, the public corporation did its best to sabotage the policy of marginal cost-pricing imposed upon it.[18]

This 'output maximisation' approach was not greatly constrained by the well-known injunction to the industries to balance costs and revenues over a series of years. Within a general context of excess demand, cost increases could usually be passed on into prices. The rise in nationalised industry prices worried the government, especially when they were trying to check increases in the cost of living to lever down wage inflation, but they didn't stop the industries from raising prices faster than the general rate of inflation over the period.[19] Hopes that the efficiency gains in the nationalised industries would be such that the output would continually increase and prices at the same time decrease appear in retrospect naive, though of course the price inflation reflected macro- as well as microeconomic forces.

The lack of much concern with the allocative role of prices was compatible with the belief in planning and co-ordination of economic activity rather than competition. Thus in the discussion of transport, where different nationalised modes competed for traffic, ministers generally saw the proper method of allocation between modes as one of administrative decision rather than response to market demand. This was just another part of the view that nationalisation was a (superior) alternative to competition in generating efficiency.[20]

Questions about the use of the nationalised sector to plan or manage the economy raised broad questions about the respective responsibilities of the ministries and the nationalised boards. The Morrisonian corporation clearly embodied the idea of day-to-day autonomy for the boards,

[17] e.g. T. Wilson, 'Price and Outlay of State Enterprise', *Economic Journal* 55 (1945), pp. 454–61.
[18] M. Chick, 'Marginal Cost Pricing and the Post-War Demand for Electricity 1945–51' in M. Chick (ed.), *Governments, Industries and Markets* (Aldershot, 1991), pp. 110–26.
[19] PRO CAB21/2327, A. Johnston to H. Morrison, 8 July 1949.
[20] Chick, 'Competition'.

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whilst giving ministries power of general direction. Such formulations left enormous scope for interpretation and disagreement, which in turn raised questions about the Morrisonian corporation. By the end of the 1940s its status as the preferred form of nationalisation was being increasingly questioned.

Coal nationalisation

The industries nationalised in the 1945–51 period were in many respects extremely diverse, with widely varying histories, structures and market positions. Nevertheless, to focus on coal as an example of some of the issues raised by nationalisation in its early stages is helpful. Most of those issues were discussed and addressed in relation to coal, and much of the general debate on nationalisation treated coal as a primary reference point. Coal was the first 'big' nationalisation (after the Bank of England and Cable and Wireless) and thus reflected both its economic and political centrality for the government. As a strong supporter of nationalisation wrote in 1948: 'Thus the coal problem is, in every sense, a test case for Britain. Economically, because without a strong coal industry we cannot stand on our own feet as a prosperous nation. Politically, because the success of nationalisation would speed up and strengthen the nationalisation of other key industries, such as iron and steel.'[21]

The nationalisation of the industry had, of course, long been part of Labour's programme, but by the end of the war it appealed to many outside the traditional public ownership camp, if only because no other means seemed to have any chance of encouraging improved industrial relations and technical reorganisation.[22] This sense of the lack of alternative to nationalisation was enhanced by the combination of growing state involvement in the industry, evident since 1916 but greatly expanded in the war, and recognition that its productive performance could only be improved by the support of workers, which meant only in conditions of public ownership.[23] The extensive state intervention in the war had been far from a success story. Coal output fell in every year of the war and productivity continued its long-run decline. Net investment in the wartime industry was negative, its conditions of work unattractive. In the words of the historian of the wartime industry: 'the

[21] M. Heinemann, *Coal Must Come First* (1948), p. 16.
[22] B. Supple, *The History of the British Coal Industry*, vol. IV, *1913–1946: The Political Economy of Decline* (Oxford, 1987); D. Greasley, 'The Coal Industry: Images and Realities on the Road to Nationalisation' in Millward and Singleton, *Political Economy*, pp. 37–64.
[23] Supple, *History*, ch. 13, pp. 667–8, 624–7.

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war aggravated rather than improved the condition of the industry. No other major industry carried so many unsolved problems into the war; none brought more out.'[24]

In the second reading debate on the Bill to nationalise coal in early 1946 the Labour spokesmen based their case around three major points: first, that the quantity and price of coal was a vital national interest, given coal's role as a 'common service' industry supplying others; second, that this requirement necessitated a thoroughgoing modernisation of the industry which could not be secured under private ownership: 'Lack of planning, the use of out-of-date technical equipment, and the fratricidal competition amongst the owners themselves has brought the industry to its present position'; third, only public ownership could secure both the means of such technical modernisation and the necessary reform of human relations in the industry: 'The Board must conform to the standard of a model employer, and interpret this obligation in a fashion that will speedily remove the strained atmosphere that has surrounded the industry.'[25]

The argument that only nationalisation could provide the means to ensure the technical modernisation of the industry drew heavily on the Reid Report, published early in 1945.[26] Reid did not advocate public ownership, but it did advocate 'nationalisation' in the sense of the imperative need for the industry to be run on a national basis, with a powerful central authority to drive through the mechanisation and investment needed. The Reid Committee clearly regarded the existing pattern of dispersed ownership and localised management as obstacles to modernisation. Unsurprisingly, Labour regarded the report as an endorsement of its proposals for public ownership: 'Without public ownership and state control it is not possible to put the Reid Report into effect.'[27]

In many ways Reid made a powerful case in support of a 'technocratic' argument for public ownership of the mines. Most compelling, it stressed the links between the structure and organisation of the industry and the possibilities of technical modernisation. Radical restructuring of the former was a precondition for the achievement of the latter.

However, Reid was not a simplistic endorsement of economies of scale in mining. For example, it emphasised that the poor output per

[24] W. H. B. Court, *Coal* (1951), p. 391.
[25] *Hansard* (Commons) vol. 418, 30 Jan. 1946, H. Morrison, cols. 960–72; W. Foster, col. 894; 29 Jan. 1946, E. Shinwell, col. 706.
[26] *Coal Mining. Report of the Technical Advisory Committee* (1945). It is summarised in Supple, *Coal Industry*, pp. 615–19.
[27] *Hansard* (Commons), vol. 418 (30 Jan. 1946), col. 885.

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man shift (OMS) in the industry was not just a problem of the low level of mechanised coal-cutting, but above all a problem of underground haulage (both of coal and miners) where complex layouts and antiquated methods were major constraints. The implication of this was that raising productivity was going to be a long job, requiring both large investment and good management to co-ordinate changes in the different aspects of coal mining. This prospect of change taking a long time was, in the event, also accurate because of the compelling need to get coal from almost any source in the immediate post-war years, which obviously militated against concentration and rapid closure of low-productivity pits. This focus on immediate output was strengthened by the 1947 coal crisis, when the vulnerability of Britain to coal shortage was so starkly demonstrated.[28] Here there was an obvious conflict between output maximisation and modernisation of production.

The 'technocratic' case for coal nationalisation usually assumed that private owners would be unable to finance the level of investment necessary for the industry's modernisation – especially given the run-down state of the mines at the end of the war. The 1950 *Plan for Coal* put the capital costs of needed development at £635m. (at 1949 prices), where the private owners in 1945 had thought £100m. would suffice.[29] In practice, in the early years of the nationalised industry finance was not the constraint on investment, but, as with all other capital projects, the problem was the availability of physical resources. The pattern seems to have been that the NCB had almost complete autonomy in drawing up investment proposals, the Ministry of Fuel and Power checking only the conformity of these proposals with the Investment Programmes Committee allocation of physical resources.[30]

This non-interventionist attitude of the ministry towards the NCB's investment plans was not complete. For example, the ministry wanted the board to press ahead with a large coke oven programme to supply the steel industry, but this was resisted. The NCB emphasised its duty to break even and therefore not to engage in projects it didn't think would pay.[31] Whilst not a major issue at the time, this disagreement

[28] Ashworth, *Coal*, pp. 13–16, 159–62, 138. When the miners' leaders met Attlee in 1947 they attacked reorganisation in the mines as 'too leisurely' and argued that the 500 uneconomic pits were pulling down the OMS to an unacceptable degree. They pressed for faster reorganisation (PRO POWE37/77, 'Note on NUM Meeting with Attlee', 18 April 1947).

[29] Ashworth, *Coal*, p. 16.

[30] PRO CAB21/2327, ' Socialisation of Industries: Relations of Boards with Ministers and Government Departments', 1949–51; CAB134/642, Investment Programmes Committee, 'Report on Capital Investment in 1950–52', 24 May 1949.

[31] Chester, *Nationalisation*, pp. 982–3; PRO CAB134/690, Ministry of Fuel and Power, 'Comment on Ministers' Powers to Direct Capital Investment', 30 May 1949.

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illustrated the general problem of the extent to which the government could and should regulate investment by the nationalised industries organised on a 'Morrisonian' basis. Whilst the source of considerable debate (see further below) in coal, as elsewhere, this issue was effectively shelved because in conditions of macroeconomic excess demand, the major controls over investment through the Attlee period were physical and part of a national 'plan', rather than specifically related to the nationalised industries.

In other areas ministers did use the compelling macroeconomic circumstances to justify small interventions in the commercial policies of the industries. For example, the NCB was persuaded to export coal to Canada to gain dollar receipts, despite the price being 25s per ton lower than in European markets.[32] But again, the sense of compelling short-term economic problems being used to justify an *ad hoc* measure was evident.

The price of coal

In terms of the commercial aspects of the NCB's operations, nowhere was this issue of the extent of government control more problematic than in the case of prices. There were two pricing issues. One concerned the relative prices of different types of coal and how these should be determined. The second was the question of the overall, average price to be charged for coal.

The first issue was notable mainly for the debate between the NCB and the ministry on the one hand and the economists of the Economic Section on the other. The latter, true to their calling, proposed marginal cost pricing, to be used not only for current pricing but also as the basis for investment decisions. In contrast, the ministry and NCB wanted a system of prices reflecting the heat output of the coal when burnt. This debate dominated the proceedings of the Working Party on Prices Policy of Nationalised Industries, which met from 1948 to 1951 but failed to submit a report.[33] The NCB views seem to have been dominated by the idea of (a) covering average costs, and (b) fixing relative prices by reference to the technical characteristics of the coal, not the demand and supply situation at the margin. It is clear that the economists' views were regarded as naive, because of the problem of information about marginal costs, but also because the clear implication of that approach would be extremely decentralised pricing and investment

[32] PRO CAB134/690.
[33] PRO CAB130/39, 'Working Party on Pricing Policy of Socialised Industries', 1948–51.

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decisions against the *national* policy pursued by the board and supported by the ministry.[34]

Whilst the civil service debate on relative prices meandered on without resolution, the NCB got on and adjusted its prices broadly in line with calculations of the relative calorific value of different coals. In conditions of general shortage and compulsion to produce more, the economists' advocacy of the nice adjustment of prices to marginal cost appeared as 'unworldly innocence' to be bypassed rather than heeded.[35]

If the matter of principle involved in the relative price debate – the relevance of marginal cost pricing – remained unresolved in this period, the same can also be said about the principles governing control of the general price level. The board levied prices which covered operating costs, in that sense pursuing 'average cost' pricing. On the other hand, the extent to which prices should finance investment was not resolved. As already noted, the major constraint on investment in this period was physical, and finance from the Treasury was readily available (at low interest rates) to pay for more projects than the Coal Board could actually undertake.

Whilst the Coal Board was undoubtedly charging less for coal than the market would have borne in the late 1940s, the rise in price of coal (as well as the outputs of other nationalised industries) led to much consumer discontent, exploited by the political Opposition. One response by the government was to set up a committee on the control of nationalised industries prices.[36] This committee brought out the extent to which, except in the case of transport tribunals, the prices of the industries were out of the formal control of the government, and conformity with government wishes relied on the goodwill of the boards. No decision was taken to alter this state of affairs. The NCB undertook to consult with its ministry on the issue, but was under no legal necessity to do so.[37]

All this meant that a key issue for nationalised industries of later years, the extent to which their pricing policies should be subordinated to national macroeconomic considerations, was not resolved in this period.

[34] Ibid., 2nd Meeting, 29 Sept. 1948; PRO POWE37/29, 37/31, 'Working Party on Pricing Policy of Socialised Industries', 1948–51.

[35] Ashworth, *Coal*, p. 177; for a contemporary statement of the economists' argument see S. R. Dennison, 'The Price Policy of the NCB', *Lloyds Bank Review* 26 (1952), pp. 17–34.

[36] PRO CAB134/692, 'Report by Official Committee on Control of Prices and Charges of Nationalised Industries', 12 July 1951; see also CAB130/39, 'Working Party', 1948–51; Chester, *Nationalisation*, pp. 738–43.

[37] PRO CAB124/945, H. Morrison, 'Some Current Problems in Socialised Industries', 9 April 1948.

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It was agreed that their prices must be set so as not to lead to operating losses, and this meant an explicit rejection of marginal cost pricing if this involved such losses.[38] But in this period of excess demand operating losses were not an issue for most of the nationalised industries. The major exception was transport, but here the government did have a clear statutory role via the transport tribunals, and was able to influence that agency in the regulation of rail fares. This set up a lengthy debate about the extent to which the threat of financial losses by the railways should be accepted in order to keep charges down, especially given the knock-on effects on other sectors of the economy. No resolution of this general problem had been found by the time the Attlee government lost office.[39]

In the case of coal, the board made an operating loss in 1947 but offset this by surpluses in succeeding years, though the paying off of the deficit created in 1947 was slower than the board wanted because of government pressure to limit price increases in 1948 and 1949. The operating loss in 1947 was £9.2m., with surpluses of £1.7m., £9.5m. and £8.3m. respectively in the following three years.[40]

Human relations and coal

The claim that nationalisation was necessary to improve the efficiency of the industries involved rested as much on the idea that public ownership would revolutionise human relations in the industry as on the argument that it was a precondition for radical reform of the techniques of production. Nowhere was this truer than in coal. The lamentable state of industrial relations in coal had of course been widely felt in the previous decades, not least in the general strike of 1926. But more narrowly, coal was a labour-intensive industry where output was still heavily dependent on the number of workers and the amount of worker effort.

[38] PRO CAB134/687, Ministerial Committee on Socialisation of Industries Minutes, 14 May 1946. This decision involved a rejection of the view put forward by the Economic Section that 'covering costs' should involve only marginal costs, and not include depreciation and debt changes. This position was strongly advocated by Meade, but rejected on the grounds that any legitimising loss making by a nationalised industry (not covering *average* costs) would fatally weaken managerial discipline (Chester, *Nationalisation*, pp. 564–9).

Meade anticipated that *on average* nationalised industries would have a surplus including capital charges, but marginal cost rules would mean some would have losses. He had proposed to Keynes a 'new rule of financial orthodoxy', that revenues of nationalised industries should be paid into an extra-budgetary fund and that this fund should be for socialised industries *as a whole*, and must on an average of years be self-supporting (PRO CAB124/916, J. E. Meade to J. M. Keynes, 17 Jan. 1946).

[39] Chester, *Nationalisation*, pp. 735–7.

[40] NCB, *Annual Reports and Statements of Account* 1947, 1948, 1949, 1950.

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Poor human relations would be likely to reduce both recruitment to the industry and the productivity of the existing workforce. This was likely to be especially so when full employment offered alternative job opportunities to potential miners, opportunities obviously not nearly so prevalent in the pre-war years.

In this context, the Coal Board, like other nationalised corporations, was expected to be a model employer, an expectation embedded, albeit in general terms, in the nationalisation statutes. To act as a model employer nationalised industries were obliged to participate in and encourage collective bargaining with trade unions. By and large, in coal this involved no obvious problems, not least because the NUM was one of Britain's few industrial unions, representing an overwhelming proportion of the industry's manual workers. Much more problematic for the coal industry, and broadly for the nationalisation programme as a whole, was the issue of joint consultation. All the nationalised industries (except the Bank of England) had a statutory requirement to set up consultative structures, though the form such structures were to take was left to the individual boards. In fact, from the beginning the form of consultation was regarded as a matter of high policy not to be left entirely to the boards. The Ministerial Socialisation of Industries Committee discussed the issue at length, especially in relation to coal. Eventually a structure was devised in which (against the preferences of the Ministry of Labour) the machinery of joint consultation would be clearly separate from that used for collective bargaining, and would broadly mirror the structure of the Coal Board. In coal, unlike other nationalised industries, nominees for miners' representatives on the consultative committees would have to be NUM members, but initially all miners would have the right to nomination and voting. This pattern reflected the clear ministerial view that, whilst joint consultation should build on union structures, it should try not to reproduce the adversarial positions intrinsic to collective bargaining.[41]

Ministers took joint consultation extremely seriously. Its scale and results were to be a persistent issue for discussion at the highest level throughout the Attlee government. It is important to emphasise this, as it might be imagined that, given the acceptance of the Morrisonian model of nationalisation, worker involvement in the management of the industries was to be minimised. But this was definitely not the case. Ministers like Morrison emphasised that the boards were to retain ultimate responsibility for the management of the industries, but they were

[41] PRO CAB134/687, Ministerial Committee on Socialisation of Industries, esp. Minutes, 29 March 1946, 14 May 1946, 8 July 1946. There were consultative committees at national, divisional, area and colliery levels.

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adamant that consultation should be pursued seriously. Indeed, ministers seem to have been quite Utopian in their hopes of nationalisation coupled to joint consultation, expecting them to engender a rapid improvement in industrial and human relations, and a consequent significant improvement in productivity.[42]

In addition to formal structures of consultation, improvement in human relations was pursued by the appointment of trade unionists to board level in the nationalised industries. Two trade unionists – the General Secretaries of the NUM and TUC – were appointed to the NCB, along with others at lower levels in the organisation, with a remit to cover industrial relations issues whilst not 'representing' the workers in the industry.

Another important parallel initiative was to try and build up a managerial cadre from within the industry. Shinwell had emphasised this point in the debate on the coal nationalisation Bill, and it was a continuing theme of statements on coal and other industries. Internal promotion was seen as the way of squaring the need for expertise with the desire to be seen as not drawing management entirely from the old privately owned industry.[43]

Finally, as well as shifting the social base of management, the Coal Board was pressed to alter management practices. In line with the emphasis on human relations, the government was keen on training managers in personnel issues, and pressed for the appointment of specialist personnel managers.[44]

What was desired by ministers was not necessarily delivered by the nationalised boards. But in this broad area of human relations there seems little doubt that the top echelons of the boards, at least, did take the issue seriously.

On joint consultation, the principle seems to have been accepted without question by the NCB. The precise form of such machinery was much debated by the board, and issues such as the amount of information to be supplied to union representatives were the subject of disagreement, but the structures were quickly established.[45]

[42] These views on nationalisation should be seen as part of a broader attempt by Labour to 'build communities', as persuasively argued by S. Fielding, S. Thompson and N. Tiratsoo, *England Arise! The Labour Party and Popular Politics in the 1940s* (Manchester, 1995), ch. 5.

[43] Chester, *Nationalisation*, pp. 539–47; *Hansard* (Commons), vol. 418 (29 Jan. 1946), col. 708; PRO CAB134/691, 'Speech by Ernest Davies MP', Nov. 1950.

[44] PRO POWE37/81, NCB Personnel Management, Meeting of Minister of Labour and NCB, 26 Jan. 1951.

[45] PRO COAL26/68, 26/69, 'NCB Industrial Relations Dept.: Consultative Machinery', 1946–8. The arrangements were spelt out in NCB, National Consultative Committee, *Joint Consultation in Coal* (1948).

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Equally elaborate mechanisms for training of Coal Board personnel, from face workers upwards, were established. Scholarships, apprenticeships, part-time release, weekend and summer schools proliferated. Typical of the approach was the 'Ladder Plan' presented by the NCB in 1950, which aimed to give every recruit a chance of systematic training for a career whilst improving the standard of technical knowledge and skill in the industry. Whilst it was accepted the process would take a long time, the idea that eventually most management in the coal industry would be recruited internally was accepted as both desirable and plausible by the board.[46]

The appointment of personnel managers was more problematic for the NCB. Whilst the need for radical improvements in human relations in the industry was acknowledged, the obvious place for personnel managers was at colliery level. But colliery managers were appointed for their certificated technical competence (unlike managers in most of British industry) and so the imposition of a separate management functionary would cut across the tradition of pit management. The Coal Board's response was to appoint personnel managers at divisional and area level to advise colliery managers, and to encourage technically qualified colliery managers to broaden their competence.[47]

Quite quickly the attempt at radical reform of human relations in coal by this range of methods was regarded as having failed. It was registered in a number of ways. With coal production and productivity crucial to Britain's overall industrial prospects, performance in these areas was soon regarded by ministers as falling well short of what had been hoped. Numbers of workers in the mines rose in 1947 and 1948, then fell back. Output per man shift rose consistently, but only from 1.09 tons in 1947 to 1.24 tons in 1951. Total output in consequence rose, but only slowly, from 187.5m. tons in 1947 to 212.9m. tons in 1951.[48]

The evidence that better human relations failed to manifest themselves in increased production needs to be treated with some care. The nationalised coal industry inherited an ageing and in many respects demoralised workforce, working worn-out capital equipment. Similar conditions elsewhere in Europe produced similar problems in raising productivity.[49] Equally, buoyant general employment offered job oppor-

[46] NCB, *Annual Report* 1948; Acton Society Trust, *Training and Promotion in Nationalised Industry* (1951), ch. 3.

[47] PRO POWE37/81, 'Ministry of Power: Relations between Management and Men', 1948–51.

[48] Ashworth, *Coal*, appendix tables A1, A2.

[49] Heinemann, *Coal*, pp. 14–15; D. Burn ('The National Coal Board', *Lloyds Bank Review* 19 (1951), p. 37) shows OMS in coal in Britain in 1950 much higher relative to 1937 than other European countries, though rising generally more slowly over the period 1946–50.

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tunities which short-run improvements in 'human relations' in coal were unlikely to counteract quickly. The negative attitudes of the miners were greatly exaggerated at the time, as illustrated in, for example, the figures of absenteeism. Nationalisation did coincide with a cut in absenteeism, though this proved a once-and-for-all change.[50] Overall, as contemporary commentators noted, the performances of coal and other nationalised industries in this period 'justify the view that no very obvious Stakhanovite movement seems to have swept the nationalised enterprises', but perhaps it was Utopian to expect it would.[51]

Disillusion was not just restricted to those concerned with the hoped-for economic benefits from improved human relations. That improvement itself was often alleged to have proved largely a mirage. At the most basic level, industrial relations did not show the expected improvement after nationalisation. Unofficial strikes still took place with some frequency, most famously at Grimethorpe in 1947, where the miners did not accept the NCB's view about what could be expected from them in terms of increased output in return for the establishment of the five-day week. However, it has been persuasively argued that industrial relations in coal are determined largely by local colliery conditions, and therefore are generally little affected by nationalisation.[52]

Unrest in the late 1940s partly reflected the complexities of some radical changes in the pattern of wage determination in the pits, where an effort was made to rationalise the extremely diverse patterns inherited from private ownership. But there seems little doubt that it also reflected a continuing distrust of management and its motives by many miners, even after the abolition of private ownership. As a report by the Action Society Trust argued of the nationalised boards in general, 'they have not succeeded to any marked extent in dispelling the traditional suspicion of employees and in opening up that new era of harmonious co-operation for which some had hoped'.[53]

As the same report noted, one reason for this continued suspicion was the belief that nationalisation had not changed the managerial per-

[50] Ashworth, *Coal*, pp. 165–6; on the unattractive perception of coal mining as a job see PRO RG23/129A, 'Men and Mining', 1948, pp. 9–13; RG23/85, 'The Recruitment of Boys to the Mining Industry', 1947. Most of the boys surveyed thought mining 'unhealthy, dangerous and that the work is too hard and the prospects poor' (p. 9).

[51] S. Florence and G. Walker, 'Efficiency under Nationalisation and its Measurement', *Political Quarterly* 21 (1950), p. 201.

[52] Ashworth, *Coal*, pp. 166–70; PRO POWE20/115, 'Strikes and Disputes: Grimethorpe 1947'. This file brings out the extent to which the Grimethorpe episode was a failure of NCB management, an aspect glossed over entirely in the NCB, *Annual Report* (1947), paras. 74–8. I. M. Zweiniger-Bargielowska, 'Miners' Militancy: A Study of Four South Wales Collieries during the Middle of the Twentieth Century', *Welsh History Review* 16 (1993), pp. 356–89.

[53] Acton Society Trust, *The Men on the Board* (1951), pp. 14–15.

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sonnel of the industries significantly, that the 'old gang' was still in power. This attitude had a grounding in the facts. Most of the board members in nationalised industries (about 80 per cent of full-timers) were inherited from its private predecessors. And in coal in particular, a large degree of continuity was evident at the managerial level the typical miner had most contact with – the colliery manager. In both cases the reason lay not so much in a 'jobs for the boys' approach, but was simply a problem of competence, especially in the case of colliery managers, where technical certification was a necessary qualification for the job.[54]

As had been pointed out in the second reading of the Coal Nationalisation Bill such lack of change in the short run was largely inescapable. After nationalisation the miner 'will go to the same pit and get the same lamp from the same man; he will go into the same cage and will probably be lowered by the same man . . . he will see the same manager, the same deputy, the old roadway, the same coalface and, on Friday, he will probably be paid by the same man'.[55]

This problem was addressed by the policies on internal promotion, about which the Coal Board were particularly keen. However, their efforts, in any event medium- and long-term in character, faced substantial constraints. On the one hand, the idea of a 'career open to talent' conflicted with the idea of promotion by seniority, a principle strongly supported by many managers and workers, though perhaps particularly prevalent on the railways, rather than in coal. Second, undoubtedly, was the ingrained suspicion of the miners in particular about anyone, regardless of background, who achieved managerial status. Survey evidence at the time found 'a deep suspicion of all those in authority, who are thought to be idle or venal, when not cruel or malicious'.[56] Although it was understandable, given the history of the industry, such an attitude meant that any attempt to promote social mobility in the industry faced great obstacles. As a result, training opportunities and scholarships seem to have faced serious problems of lack of interest on the part of miners.[57]

Attempts to promote effective joint consultation also faced considerable problems. Partly they related to the kind of information available

[54] Ibid., p. 11. Precise figures on the level of continuity among colliery managers do not seem to have been calculated. PRO CAB134/691, 'Speech by Ernest Davies MP', Dec. 1950.
[55] Major Lloyd George, *Hansard* (Commons) vol. 418, col. 879, 30 Jan. 1946.
[56] Acton Society Trust, *Problems of Promotions Policy* (1951); Acton Society Trust, *The Workers' Point of View* (1952), p. 11.
[57] Acton Society Trust, *Training and Promotion*, p. 31.

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at the individual colliery level. For example, neither managers nor workers were given information about the performance of individual pits, yet for most miners this was the crucial unit they were concerned with. Survey evidence found that, unsurprisingly, joint consultation was dominated by local issues, and yet managers themselves often lacked information about important factors affecting such local concerns.[58]

In this respect undoubtedly the NCB was at fault. But equally, joint consultation had to be conducted in the general climate of suspicion already noted. As the Action Society survey insisted, the difficulties for effective joint consultation were not just lack of information, but the framework ('prejudices') within which information was interpreted. In that context it was naive to believe more information would have a magical effect in inspiring more co-operative attitudes at pit level.[59]

This is not to say joint consultation was an entire failure. It plainly was very uneven in the extent to which it was taken seriously and how it performed. The NCB pointed proudly to examples where such consultation had smoothed the path to changes in the organisation of pits.[60] It certainly wasn't generally true that joint consultation was ignored by the miners: one survey, for example, found a 62 per cent turn out in elections to a colliery consultative committee, hardly suggestive of apathy. But the same study also identified major problems in maintaining interest, partly because of the poor levels of reporting back from the committees to their electorate. Interestingly, however, output issues did dominate the agendas of the committees – they did not get bogged down in the 'tea and toilets' welfare issues which seem to have often dominated joint production committees in the private sector.[61]

The NUM seems to have had ambiguous feelings about pit consultative committees. The initial acceptance that the elected members should not require union nomination was later reversed, because of fears of the 'irresponsibility' of some of the worker representatives, and this kind of emphasis on a 'single channel' of representation was strongly supported by the Ministry of Labour.[62] The problem was, as G. D. H. Cole put it: 'The miners in many cases do not know what to do with Joint Consultation now that they have got it, and know still less how to solve the

[58] Acton Society Trust, *Workers' Point of View*, p. 8; PRO COAL26/69, NCB Minutes, 9 Dec. 1946.
[59] Acton Society Trust, *Workers' Point of View*, p. 21; M. Benney, *Charity Main* (1948).
[60] NCB, *Annual Report* (1949), paras. 341–3.
[61] Acton Society Trust, *Workers' Point of View*, pp. 16–18.
[62] PRO BT64/2416, 'Socialisation of Industries: Workers' Role in Management', 1946–51; CAB124/928, 'Wing Commander Cooper: Workers' Assistance in the Management of Socialised Industries', 1946.

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problem of adjusting the respective responsibilities of the pit or colliery consultative committee and the miners lodge.'[63]

But not all the problems were on the miners' side. One contemporary analysis noted the continuation of adversarial attitudes amongst both management and workers, and the apprehension shown by many managers in discussing issues traditionally their prerogative. In addition, the failings of consultation at colliery level often seem to have been linked to a desire to maintain national standards and procedures, and so the unions in particular tended to push issues up the consultative hierarchy, rather than settling them at the local level.[64]

Coal and centralisation

The question of what levels of decisions were to be taken in the Coal Board had wider ramifications than the workings of the consultative machinery. Partly because of perceived failures in the coal industry to bring about the climate in human relations that had been hoped for and anticipated prior to nationalisation, 'decentralisation' was put forward as a means of reversing this failure. Decentralisation therefore came to be seen as almost a panacea for the industry's ills. Apart from the belief that over-centralisation was inhibiting the improvement in human relations, it was widely alleged that the industry was 'top-heavy' with too many 'non-productive' personnel in offices away from the pit. Such allegations of excessive 'bureaucracy' seem to have gained support from a number of points of view. For the Conservative opposition, it fitted in with a general focus on criticising the government for over-centralising power in monolithic bureaucracies.[65]

Second, it probably reflected the colliery manager's (correct) perception that under nationalisation he was losing some of his powers to the area and divisional level, where many specialists were concentrated. However, this trend had begun before nationalisation, and in part reflected the desire of the NCB to economise on scarce trained manpower. Colliery managers were also losing authority *vis-à-vis* the miners because of the tight labour market of the 1940s.[66]

Finally, the miners themselves tended to reinforce this attitude of scepticism about the role of white-collar workers because of a wide-

[63] G. D. H. Cole, 'Labour and Staff Problems under Nationalisation', *Political Quarterly* 21 (1950), p. 164.
[64] Acton Society Trust, *The Framework of Joint Consultation* (1952), pp. 16–21, 26; PRO POWE37/77, 'NCB: Relations between Management and Men', 1948–9.
[65] Acton Society Trust, *The Extent of Centralisation* (1951), pp. 33–6.
[66] Ibid., pp. 25–6; I. M. Zweiniger-Bargielowska, 'Colliery Managers and Nationalisation: The Experience in South Wales', *Business History* 34 (1992), pp. 59–78.

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spread suspicion of managers *per se*, as well as the feeling that away from the pit the NCB was providing 'jobs for the boys'.[67]

The idea of decentralisation as a solution to coal's problems was taken seriously in ministerial circles.[68] However, it was in many ways a simplistic approach. It ignored the fact that the logic of the nationalisation of coal lay in the need to correct its excessive fragmentation, and to drive through as rapidly as possible an increase in output with a shortage of competent technical staff. This meant that a considerable degree of centralisation was unavoidable.[69] Equally, to propose decentralisation as a response to problems in human relations did not necessarily make sense. As Michael Young (then Research Officer for the Labour Party) pointed out, if decentralisation meant delegating more from national to area levels without increasing democracy, this would risk putting more authority 'in the hands of area general managers which would vest power in the hands of irresponsible despots of a particularly reactionary type'. As Young suggested, decentralisation was not necessarily the road to improved human relations. And arguably, the easy slogan of decentralisation may have inhibited the development of an adequate central management, so that, for example, inadequate control was exercised over investment projects.[70]

The issue of centralisation and decentralisation was not just about the best internal form of organisation for nationalised industries, but was also linked to the wider political status of nationalised corporations. The high degree of centralisation of the coal industry reflected views about the sovereign role of Parliament and these corporations:

> The first consideration was, of course, to make these industries responsible to the public through Parliament. But there can be no responsibility without power; if the Coal Board (for instance) is to be held responsible for mistakes committed in the pits, it must have power to rectify these mistakes. As long as this is regarded as necessary, no exhaustive de-centralisation is possible. The Coal Board must have all-embracing powers, the only issue is how much restraint it should display in using them.[71]

[67] Eventually in 1953 an NUM inquiry accepted that these allegations were largely without foundation (PRO POWE37/7 NCB, 'Number of Non-Industrial Staff', 1953).

[68] e.g. PRO CAB134/688, Socialisation of Industries Committee, H. Morrison S1(M) (47) 11th, 19 Nov. 1947; ibid., Ministry of Labour, 'Taking Stock', 12 Nov. 1947.

[69] PRO CAB134/688, H. Gaitskell, 'Taking Stock', 13 Nov. 1947; CAB134/689, H. Gaitskell, 'Decentralisation in the Coal Industry', Jan. 1948; Acton Society Trust, *Extent of Centralisation*, p. 31.

[70] PRO CAB21/2759, M. Young to H. Morrison, 17 May 1950. It is of note that one of the problems at Grimethorpe in 1947 was the poor decisions made by local managers in the human relations field (PRO POWE20/115, 'Inquest on Grimethorpe', 16 Dec. 1947); NCB Advisory Committee on Organisation (Fleck) (1955) paras. 306–11, 341.

[71] Acton Society Trust, *Extent of Centralisation*, pp. 3–4.

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In all the intensive debate about the coal nationalisation in the earliest days after the formation of the NCB, the question of the respective powers of the board and the minister, and the related one of the extent of parliamentary accountability of the boards, were always contentious. As already noted, Shinwell, the first Minister of Fuel and Power under Attlee, did persuade the industry to go against its perceived interests on the question of exports, but failed to do so on the issue of building more coke ovens. What gradually emerged from this kind of tension was that, whilst ministers in law had substantial power to direct the corporations, in practice they were heavily dependent on informal channels of influence. A legal dispute between ministers and their boards was almost unthinkable, so much depended on the relations between specific ministers and their boards. Shinwell was succeeded by Gaitskell at the end of 1947, and the latter seems to have been less willing to try and interfere in the NCB than his predecessor, whilst attempting to cultivate good personal relationships.[72] Apart from this evolution from formal to more informal interaction between the politicians and the boards, the precise limits of the responsibilities of each party were not clearly defined by discussions about the coal industry.

The same may be said about the issue of parliamentary accountability. Again, the notion that ministers had a general responsibility for policy, leaving the boards to day-to-day management left many disputed areas, and this became an issue of great political importance in the coal crisis of early 1947, when the degree of responsibility of the minister, Shinwell, was much disputed, not least by Shinwell himself.[73]

Overall, the experience of coal nationalisation in the late 1940s raised a host of problems for the whole idea of nationalisation. Partly this was to do with the crucial role of coal in the expansion of the economy in this period, and the evident failure of public ownership to bring an expansion at the desired rate. However, it may be doubted whether *any* reorganisation of the coal industry could have produced the coal so desperately desired, at least in the time span of the Attlee government. The legacy of geological problems, low investment, and poor industrial and 'human' relations was too great for any short-term policies to overcome.

Because so much emphasis was put on nationalisation of coal as a route to better human relations, the evident failure of the industry to produce all that was asked of it has been commonly ascribed to miners' disillusionment with the nationalised industry. The miner, it is argued,

[72] Ashworth, *Coal*, pp. 128–9.
[73] Ibid., pp. 130–8.

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was not made a happy worker, and so also failed to become a productive worker.[74]

Yet this argument relies much too heavily on the attitudes and views of the politically active and vocal amongst miners. Ina Zweiniger-Bargielowska has persuasively argued that for the bulk of miners nationalisation did deliver what they most wanted, which was better pay and conditions, greater security, and entrenched trade union rights. In consequence there was 'generally speaking, surprisingly little disenchantment and the majority of rank and file mine workers were either never disillusioned with nationalisation or disillusioned only after the run down of the industry and colliery closures from the late 1950s or early 1960s onwards'.[75] It was mainly the miners' leaders, who had entertained such high hopes of nationalisation, who quickly became disillusioned by its results.[76] However, they were probably more influential than the rank-and-file miner in forming the attitudes of Labour leaders in this period, and helped to create a general climate of disappointment with the results of nationalisation which is evident even before the end of the 1940s.

Debate and disillusion

Nationalisation had a number of purposes – to help in the planning of the national economy, to raise the efficiency of the industries concerned, and to shift the balance of power in the economy. After 1945 the last of these was more explicitly linked to the notion of promoting 'industrial democracy', a term increasingly popular in Labour circles.[77]

In general it may be argued that these were too many purposes for one policy. In part the debate and degree of disillusion over nationalisation in both ministerial and Labour Party circles in the late 1940s may be seen as resulting from this overburden of objectives. Problems also arose from the chosen instrument of nationalisation, the public corporation. There was an obvious problem in, on the one hand, intending to use the nationalised corporations in planning the economy and, on the other, conceding the autonomy of the Morrisonian public board. But this was not just a problem in relation to government macroeconomic

[74] M. Cole, *Miners and the Board*, Fabian Research Series (1949) is a classic statement of the disillusion thesis.

[75] Ina Zweiniger-Bargielowska, 'Industrial Relationships and Nationalisation in the South Wales Coal Mining Industry' (Ph.D. thesis, Cambridge 1990), pp. 312–13.

[76] Ibid., ch. 5.

[77] Labour Party, Research Department Paper RD38, *Public Ownership: The Next Step* (by Michael Young), 20 Jan. 1947; Labour Party, *Labour Believes in Britain* (1949), p. 7.

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objectives; it extended also to the question of efficiency. If the government, as it did, put a great deal of emphasis on increasing efficiency in the economy as central to its policies, how was it to react if the boards did not seem to be pursuing this objective with sufficient enthusiasm? The same issue arose if the boards did not seem to be pursuing improved human relations to the extent desired by the government.

The Morrisonian corporation form also left open for debate the nature and extent of parliamentary accountability of the boards, which again was partly a question of how far ministers as politicians could force them to pursue objectives which they might not otherwise have done.

The final section of this chapter looks at the debates on these and related issues in both ministerial and Labour Party circles in the late 1940s, and tries to assess how the experience of 1945–51 changed Labour's approach to nationalisation by the time it left office.

With respect to the issue of using nationalised industries to help 'plan' the economy, a crucial point about the 1940s is that the government (and many others outside its ranks) expected an imminent return of a threat of mass unemployment. Planning to counteract such a threat was a major issue on which government tried to shape the behaviour of nationalised industry.

In 1946 a report to the Investment Working Party argued that the government's 'direct influence over board investment decisions' would be increased from 29 per cent in 1938 to 50 per cent by 1947 because of the extension of nationalisation. This influence should be used for employment policy: 'we recommend that socialised industries be plainly instructed to frame their programmes with employment policy in mind'.[78] The strength of this recommendation was substantially reduced in subsequent discussion, but one proposal did emerge from such approaches to the role of nationalised industries. This was for the industries to be invited to draw up a 'reserve of works', a shelf of investment projects to be activated when a slump threatened. But the industries proved reluctant to go down that path. They felt that their staff and resources for investment planning were already overstretched, and that it was no part of their job to undertake the unremunerative work involved in preparing such a 'shelf'.[79]

Such attitudes were resented by ministers, and Morrison, for example, stressed that the 1944 *Employment Policy* White Paper had envisaged that public sector investment would play a key role in regulat-

[78] PRO T161/1297/S53555/06, 'Draft Report on Preparation of Investment Projects in the Public Sector', Oct. 1946.

[79] Tomlinson, *Employment Policy* (Oxford, 1987), ch. 5.

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ing demand in the economy in pursuit of full employment. It was particularly in relation to the investment issue that he remarked that 'the Government has a wider viewpoint of the public interest than the Boards, and I am far from happy that we are in a position to exercise the control on wide issues of policy which the national economy requires'.

But important as it was, investment was not the only issue in the question of the use of the nationalised industries for national economic policy ends. During the ministerial debate on this issue in 1949 Morrison listed four areas of concern as (1) control of investment; (2) 'social' questions, such as location of industry; (3) efficiency; and (4) training, education and research.[80] It was on the third of these that, apart from investment, most conflict developed in the 1940s.

Morrison proposed in 1947 that greater efficiency in the nationalised industries might be achieved by the creation of an 'efficiency unit' covering all the nationalised industries. The motives for this proposal seem to have been a combination of genuine concern over the efficiency of nationalised industries, perhaps particularly coal, where by 1947 the problems discussed in the previous sections were beginning to appear, and worries about the need to be seen to be 'doing something' in the face of criticisms of the industries.[81]

But the chairmen of the boards were strongly resistant to this idea, as derogating from their responsibilities for the individual industries. They stuck to this opposition despite Morrison strongly suggesting that if this unit did not go ahead, Parliament would press for some other form of reassurance about the industries' efficiency, which might be even less congenial to the chairmen.[82]

This dispute rumbled on for several years and, with no progress made, in March 1950 Morrison proclaimed that 'there was a strong and growing feeling in Parliament and among the public that the Government had not exercised the degree of control which was desirable over the socialised industries, and that more effective checks upon the efficiency of their management was requested'. But such views evoked little enthusiasm in the chairmen, some of whom would have accepted *ad hoc* external inquiries at the request of the industries themselves, but

[80] PRO CAB134/690, Socialisation of Industries Committee, 'Ministerial Powers to Direct Capital Investment', 28 July 1949; 'Government Control over Socialised Industries', 26 April 1949; 'Government Control over Socialised Industries', 3 Nov. 1949.

[81] PRO CAB134/688, Socialisation of Industries Committee, 'Taking Stock' 18 July 1947 and ibid., Minutes, 19 Nov. 1947.

[82] PRO CAB134/689, Socialisation of Industries Committee, Notes of Meeting of Committee with Chairmen of Nationalised Boards, 6 May 1948; CAB134/690, Minutes, 13 Jan. 1949; ibid., 'Taking Stock', 12 Jan. 1949.

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none of whom would accept a common unit with responsibilities which undermined the role of the individual boards.[83]

Ministerial unhappiness with the behaviour of the nationalised boards is also apparent in another area which, at least in part, was concerned with efficiency – the improvement in human relations. As noted above in the discussion of coal, ministers had invested a great deal in such an improvement as a route to increased productivity. But increasingly evidence was presented to ministers suggesting how little improvement seemed to have taken place. For example, in 1950 ministers were presented with a report of a conference organised by the London Labour Party which told of widespread disillusion amongst employees of nationalised corporations, including those who supported public ownership:

> their experience from working within publicly-owned industry had caused doubts to arise in their mines as to its efficacy, and they were as ignorant as their opponents of the reasons for the difficulties encountered and for the explanation of actions taken by Boards and Management . . . Speaker after Speaker reiterated the fact that no attempt was made on the part of the management to inform the employees of what they were doing and why.[84]

A sub-committee set up to look at the evidence and reasons for such discontent accepted that unhappiness was widespread amongst employees in the industries. There was some active discontent 'but more often the attitude is more passive. It is rather that there is a widespread sense of frustration coupled with disappointment at the results of socialisation. Sometimes labour relations are good by any standards, but even where this is so there is rarely, if ever, any positive enthusiasm for the new order of things.' The conclusion was the need for ministers to press upon the boards the importance of the promotion of personnel management and joint consultation in improving human relations, a view very much in line with the arguments about the coal industry.[85]

By the end of Labour's period in office the conflict between the public corporation form of nationalisation, and its use as an instrument of economic policy, fears of which dated back to the 1930s, had become evident to many of those concerned. It was to be an issue that was to bedevil the whole history of nationalisation.[86]

[83] PRO CAB134/691, Socialisation of Industries Committee, Minutes, 21 March 1950; ibid., 1 Aug. 1950.
[84] Ibid., E. Davies MP to H. Morrison, 17 Nov. 1950.
[85] PRO CAB134/692, Socialisation of Industries Committee, 'Report of Sub-Committee on Relations with Workers in the Socialised Industries', 10 May 1951.
[86] Ostergaard, 'Labour', pp. 217–18; A. Albu, 'Ministerial and Parliamentary Control' in M. Shanks (ed.), *The Lessons of Public Enterprise* (1963), pp. 90–113; Tomlinson, *Govern-*

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This issue of 'planning' was linked to another debate of importance in the 1940s, over the scope of parliamentary scrutiny of the nationalised industries. In part this was about how far the industries should be purely commercial concerns, and how far they should respond to other politically determined desiderata. In this debate the main ideologue of the public corporation, Morrison, tried to limit severely the extent of parliamentary scrutiny. He was opposed to a Select Committee on Nationalised Industries, and indeed used this as a 'threat' to try and get the chairmen to accept his proposal for an efficiency unit. Generally ministers acted to defend the boards against outside (including parliamentary) criticism, whilst trying to persuade the industries to be more responsive to such criticism. In practice, parliamentary scrutiny of the industries in this period was intermittent, poorly informed, and usually just an avenue for party-political point-scoring. A Select Committee was not established until after Labour left office.[87]

Probably realistically, the boards seem to have regarded the question of ministerial control of their activities as rather more compelling than Parliament's role. As already noted, this depended very much on informal contacts, but many drew the conclusion that whatever the sense of avoiding legal tangles in this area, the amount of ministerial control fell below what many on the left had anticipated would result from the process of nationalisation. Morrison himself, whilst defending the process of nationalisation, clearly felt by 1949/50 that the policy was in need of review, especially because of this issue of the division of responsibility between ministers and the boards: 'In some respects, however, the Boards have not fulfilled our hopes, and there is a good deal of disillusionment even among supporters of the principles of socialisation.'[88]

Morrison's position was very much informed by ministerial experience of the 'practicalities' of nationalisation. But the debate in Labour circles over nationalisation was wider than those 'practicalities', and eventually extended to the whole status of that policy in Labour's agenda. As early as 1946 the Labour Party NEC had called for a review of nationalisation policy. A Research Department document of that year laid down the criteria against which further public ownership, beyond that set out in *Let Us Face the Future* in 1945, was to be assessed. The

ment and the Enterprise, ch. 8; W. H. Ashworth, *The State in Business, 1945 to the Mid-1980s* (1991), pp. 173–81, 186–7.

[87] PRO CAB21/2322, Meetings with Chairmen of Boards, Summer 1950; Acton Society Trust, *Accountability to Parliament* (1950); H. Morrison, 'Evidence to Select Committee on Nationalised Industries', *Reports and Minutes*, HCP 235, PP 1952/3, vol. I, Qs. 381–507.

[88] PRO CAB21/2330, 'Efficiency and Public Accountability of Socialised Industries', 13 March 1950.

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two key criteria were said to be aiding full employment, especially by regulating public investment, and raising production. The latter was to be achieved by a range of features of the nationalised bodies, from 'securing benefits of large scale organisation' to improving management.[89] This 'instrumental' attitude to nationalisation was *de facto* that largely involved in ministerial discussions, as outlined above. But by focusing on nationalisation as a means to an end, this approach tended to play down the idea of nationalisation as part of the socialist *goal*. Once this approach became established, the 'revisionist' argument about the efficacy of nationalisation as a means to Labour's goals would come to the centre of the debate on public ownership.[90]

This approach is clearly evident in a paper by Douglas Jay in 1948. He had before the war written a major 'revisionist' work, which supported nationalisation but as a secondary support to financial policy. In 1948, whilst accepting the case for the agenda of nationalisations pursued in 1945–51, he made a case for what he called 'competitive public enterprise':

> We should move in the direction of establishing efficient public enterprise, competing, if necessary, with private enterprise, rather than the old pattern – to which we have perhaps given rather dogmatic adherence – of 100 per cent compulsory purchase by legislation, together with a ban on all outside competition with the public monopoly thus set up. It might assist if we stopped talk of 'nationalisation' of an 'industry' and thought in terms of public enterprise for higher production instead.[91]

This approach to nationalisation seems to have had wide appeal in Labour Party circles, extending well beyond the 'revisionists'. For example, at the 1950 Dorking conference to discuss future strategy, the Keeping Left group argued:

> Now that the basic industries (when we have completed steel) are publicly-owned, we can dispense with nationalisation on the old pattern to the extent that we are prepared to develop, energetically and notwithstanding competition, such municipal trading, competitive public enterprise, co-operative trading, government bulk buying of manufactures, and the work of the Monopolies Commission and of Development Councils.[92]

[89] Labour Party Research Department Paper RD33, *Criteria for Nationalisation* (1946); RD38 *Public Ownership*.

[90] S. Brooke, 'Revisionists and Fundamentalists: The Labour Party and Economic Policy during the Second World War', *Historical Journal* 32 (1989), pp. 157–75.

[91] Labour Party Research Department Paper RD161, *Future Nationalisation Policy* (1948); Jay, *The Socialist Case*.

[92] Labour Party Archives, Morgan Phillips Papers, Box 24, Dorking Conference 1950, Keeping Left, 'Let Us Face the Facts', 18 May 1950.

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By that time the policy had already been expounded upon and then publicly embodied in Labour's major policy statement in 1949, *Labour Believes in Britain*. This used a phrase about such nationalisation being appropriate where private enterprise was 'failing the nation', a term which was to become ubiquitous in Labour literature in the next few years.[93]

Whilst debate continued in the Labour Party about future nationalisation, this to some extent disguises the fact that by 1951 most people in the party accepted that the programme of 1945–51 completed at least a phase of public ownership, and that, at a minimum, in future the pattern of such ownership would be different from what had occurred in the 'heroic' period. By 1951 the outcomes of that programme were widely regarded as falling short of the high expectations entertained in 1945, and this view was common across the spectrum of Labour opinion, as Crosland stressed in 1956.[94]

Ultimately, Labour in 1945–51, for understandable reasons, linked to the compelling day-to-day economic necessities, failed to evolve a clear position on public ownership: 'it has failed to provide a coherent philosophy or code of conduct for nationalised industries, or think out what they should be expected to do in the present state of our society'.[95] This failure may be seen as reflecting in part the fact that the 1945–51 programme of nationalisation was in many ways a solution to the perceived problem of the 1930s – the need to plan industry for full employment, and the need to rationalise the basic industries. The former project proved difficult to realise with the public corporation; and the latter proved problematic both because 'rationalisation', and the implication of easily realisable 'economies of scale' proved a limited guide to the sources of efficiency in industry, and because of the imperatives of immediate output expansion after 1945. In addition, as discussed above, the idea that public ownership would prove a royal road to the improvement of human relations, with beneficial effects for industrial relations, productivity and happiness at work, proved optimistic.

[93] Labour Party Research Department Paper RD300, *Competitive Public Enterprise* (1949); Labour Party, *Labour Believes in Britain*, p. 12; Labour Party, *Labour and the New Society*, p. 24; Labour Party, *Let Us Win Through Together* (1950), p. 5.

[94] *The Future of Socialism*, pp. 474–82.

[95] Shanks, *Lessons of Public Enterprise*, p. 29.

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