4 Industrial modernisation

The historiography of the 1945–51 Labour governments' economic policies is dominated by three interconnected themes. First, the pre-eminence of macroeconomic issues: Cairncross' magisterial work, for example, omits 'any extended discussion of regional, commercial and industrial policy', and he 'recoiled from giving to microeconomic policy . . . the extended treatment that I have given to macroeconomic policy'.[1] Second, this focus on macro policy, whilst coupled to a recognition of the importance of planning and controls in early post-war policy, emphasises the movement away from such methods towards the dominance of the fiscal policies of the 1950s and 1960s.[2] Third, the effect of all this is to concentrate attention on economic policies concerned with stabilisation rather than modernisation.[3]

Against the picture sketched above, this chapter emphasises the centrality of microeconomic or supply-side policy to the government's programme. Second, and linked to this first point, is the place of planning

[1] Cairncross, *Years of Recovery*, pp. xi, xiii; Dow (*Management*) also focuses on management of the economy in a macroeconomic sense (pp. 2–3), though he has one chapter on controls. G. D. N. Worswick and P. H. Ady (eds.), *The British Economy 1945–50* (Oxford, 1952), give a much broader picture of the government's policies, but obviously suffer from the lack of access to the public records. A. Robinson ('The Economic Problems of the Transition from War to Peace, 1945–9', *Cambridge Journal of Economics* 10 (1986), pp. 165–85) has criticised this focus.

[2] Cairncross, *Years of Recovery*: 'Macroeconomic policy was born in the years after the war and survived more or less unchanged for at least two more decades' (p. 19); 'Economic planning was increasingly seen in terms of measures to maintain full employment, check inflation and maintain external balance. Demand management, rather than intervention to control the use of resources directly or improve their efficiency, was the order of the day' (p. 328). He suggested that '*From one point of view* the history of those years is the writing of the emergence of demand management' (p. 501). This point of view has become the prevalent one, e.g. G. Foote, *The Labour Party's Political Thought: A History* (Beckenham, 1985), p. 191: 'After 1947, Labour economic policy shifted away from the direct intervention of controls to the Keynesian techniques of "fine-tuning" the economy through fiscal and monetary policy.'

[3] Cairncross' treatment highlights the balance of payments problem and the crises which flowed from this problem (p. xii). He notes the emphasis on raising productivity (pp. 499–500), but does not set out to discuss the policies that flowed from this.

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and tripartism as integral to those policies.[4] Third, it is argued that these policies, whilst certainly affected by the compelling needs of economic stabilisation, embodied a significant project of modernisation. The argument is not that this project wholly succeeded, but it is important to know that it was tried and what limited its achievements.

Overall, the chapter argues that there was a much more distinctive and significant notion of democratic socialist economic policy than the existing literature implies. More generally, the argument is that Labour's policies are radically misunderstood unless we recognise that the old adage that historically Labour has been a party concerned with redistribution not production is quite misplaced. The important issue is why it was so difficult to make that concern with modernisation of production fully effective.[5]

Production and modernisation

The pre-eminence of concern with the balance of payments under the Attlee government has been discussed in previous chapters. A key policy response to this concern was a campaign to increase output, given that the immediate problem was seen to be a supply constraint, not the uncompetitiveness of British goods. This led to a government 'prosperity' campaign, launched at the beginning of 1946. The initial focus of this was on how to 'man-up' certain industries to expand their output, but it quickly became apparent that with an almost fixed supply of labour, and constraints on the expansion of the capital stock (returned to below), most of the expansion could only come from increased productivity. By late 1946 this was explicitly recognised, Herbert Morrison proclaiming in October that he 'would put this problem of increased productivity first among the current problems to which planning must help to find the answer'. From then on raising productivity was to be at the centre of Labour's policies, as shown, for example, in the *Economic Surveys* of 1947 to 1950.[6]

This immediate macroeconomic crisis undoubtedly gave a weight to the concern with productivity which it would have otherwise lacked. But it was far from being the origin point. Ministers like Dalton and Cripps had acquired from their wartime experience as ministers (at the Board of Trade and Aircraft Production respectively) a good insight

[4] The more general issue of the meaning and significance of planning under Labour is taken up in chapter 6.

[5] This point would also apply to the 1964–70 Labour government.

[6] PRO CAB134/189, H. Morrison, 'Address to Institute of Public Administration', 17 Oct. 1946.

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into the shortcomings of British industry and a desire to seek remedies for those shortcomings.[7]

Some of the remedies they tried to apply drew directly on their wartime ministerial experience. Cripps recreated in the Board of Trade the Production Efficiency Service with almost exactly the same personnel as the Production Efficiency Board in the MAP, though its focus seems to have widened from 'motion study' to broader management issues. The PES aimed at providing a free consultancy service, especially to small firms. The stated aims of the PES were both short and long-term: 'In the short-term it endeavours to bring about an increase in the productivity of the individual firm or group of firms which seek its end. In the long term: it aims at making industry aware of the possibility of increasing its efficiency by the study and application of up-to-date methods.'[8]

Similarly, Cripps created the Special Research Unit in the Board of Trade to deploy the OR techniques which were perceived to have been so successful in the wartime RAF. The SRU focused most of its attention on the issue of standardisation of production, and the relationship between standardisation, productivity and consumer needs.[9]

Cripps and Dalton, worried about the quality of British management, together pushed for public money for the creation of the British Institute of Management, an issue on which they had been defeated in the coalition government. Despite tussles with the Treasury over the scale of finance the BIM became a body whose existence is owed to the Labour government.[10]

Management education was also a subject of concern, and the government set up a committee (chaired by L. F. Urwick) on Education for Management.[11] However, this initiative was largely lost in the complexities of the politics of higher education in Britain, and a similar fate befell the attempts to expand higher technical education, as pressed by

[7] On the wartime debate on British industrial efficiency in which they both participated, see especially PRO CAB87/63, 'General Support of Trade', 15 Oct. 1948; K. Middlemas, *Power, Competition and the State*, vol. 1, *1940–61: Britain in Search of Balance* (1986), pp. 53–7.

[8] PRO BT64/2324, Board of Trade, 'The Production Efficiency Service', 30 Nov. 1945.

[9] PRO BT64/2314–20, Board of Trade SRU, 'Standardisation and Productivity Research Projects 1946–8'; J. Rosenhead, 'Operational Research at the Crossroads: Cecil Gordon and the Development of Postwar OR', *Journal of the Operational Research Society* 40 (1989), pp. 9–15.

[10] PRO T228/624, Treasury, 'Advisory Bureau of Industrial Management'.

[11] On the approach to management education in this Report see P. Armstrong, *The Abandonment of Productive Intervention in Management Teaching Syllabi: An Historical Analysis* (Coventry, 1987).

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the Percy and Barlow Committees.[12] However, lower level part-time technical education continued its rapid wartime expansion, the numbers involved rising from about 40,000 pre-war to 200,000 by 1948/9. The emphasis on technical education is illustrated by the high priority it was given in the claims made by the Ministry of Education for building resources – claims resisted by the Treasury on the somewhat ironic grounds that education spending was considered part of social services which had to be cut to free resources for fuel, transport and industry.[13] Parallel to this was the perceived success of Training Within Industry (TWI), aimed at foremen and expanded significantly in the late 1940s to cover 270,000 workers and 2,724 firms by 1950.[14]

On the quality of capital inputs, Labour expanded the Department of Scientific and Industrial Research and its sponsorship of the Research Associations. Total government expenditure on civil R & D rose by around 5 times in real terms between 1945/6 and 1950/1,[15] though much more was spent on atomic and other defence research. A specific initiative of Labour was the creation in 1948 of the National Research and Development Council to provide aid for the exploitation of inventions.[16]

One theme which unified a lot of Labour's effort to improve efficiency in British industry was that of standardisation, the belief that substantial economies of scale could be attained by reducing the variety and number of goods produced. Such concern with standardisation is evident in the work of the SRU and the PES. It was a major concern of the Ministry of Supply, which established a committee on Standardisation in the Engineering Industry and pursued the issue with some vigour with employers in the industry generally, and with car producers, who also fell under its aegis.[17]

[12] R. Locke, *Management and Higher Education since 1940* (Cambridge, 1989), pp. 155–6; M. Sanderson, *The Universities and British Industry, 1850–1970* (1972), ch. 7; *Report of Percy Committee on Higher Technological Education* (1945); *Report of Barlow Committee on Scientific Manpower* (1946).

[13] G. Lowndes, *The Silent Social Revolution* (2nd edn, 1969), pp. 326–7; PEP, *Technological Education* (1952), pp. 61–80; PRO T229/492, Investment Programmes Committee, 1947–9: Ministry of Education, esp. Vinter to Strath, 20 Oct. 1949.

[14] Ministry of Labour, *Report for the Year 1950* (1950), pp. 86–7; PEP, *Manpower* (1951), pp. 20–5. Foremen were commonly seen as a key group in the enterprise in this period.

[15] N. J. Vig, *Science and Technology in British Politics* (Oxford, 1968), pp. 14–17; P. Gummett, *Scientists in Whitehall* (Manchester, 1980), p. 39; D. Edgerton, 'Whatever Happened to the British Warfare State? The Ministry of Supply, 1945–51' in Mercer et al., *Labour Governments*, pp. 91–116.

[16] PRO CAB134/648, 1st Report of NRDC, 8 Nov. 1950.

[17] PRO CAB134/639, Ministry of Supply, 'Standardising and Simplifying Engineering Products', 8 Sept. 1948; PRO SUPP14/333 Standardisation of Engineering Products – Publication and Consideration 1950/51; PRO SUPP14/151, National Advisory Council

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Standardisation and the idea of unexploited economies of scale is also evident in the proposals for Development Councils. In many ways these councils were Labour's most distinctive policy proposal, drawing on the inter-war rationalisation movement and wartime Industrial Board proposals, but including a trade union as well as an expert element. The government saw them as sponsoring amalgamations and technical change, especially in fragmented consumer goods industries. Government hopes for their success rested in part on the support of many of the Board of Trade working parties, which seemed in many cases a possible tripartite route to industrial reorganisation. Eventually only four Development Councils were established, and only one of these – in cotton – in a significant industry, largely because of employer resistance.[18] Standardisation was also a theme of many of the reports of the Anglo-American Council on Productivity, probably Labour's best known activity on the supply-side. However, the message of these reports was highly ambiguous. Much space was taken up with vague and dubious extolling of the American Way of Life, often based on a narrow range of experience in the USA. Serious discussion of the relevance of US technologies to British circumstances was usually absent. In addition many of the reports were clear that the prime responsibility for Britain's lag in productivity lay with management, which did not encourage the FBI in particular to make more than a minimalist response to the reports.[19]

In Labour's 1945 manifesto, *Let Us Face the Future*, a great deal of weight was put upon anti-monopoly policy. This concern eventually led to the 1948 Monopolies and Mergers Act, but this Act was very much a damp squib, above all because of the way in which the Board of Trade was 'nobbled' by industry, both in its referrals to the Monopolies Commission and action upon the commission's reports. There was also undoubtedly an ambiguity in Labour's thinking about competition – many saw nationalisation rather than a revival of competition as the appropriate solution to monopoly.[20]

for Motor Manufacturing Industry, 1946–54. The ministry pursued a general policy of using its purchasing power to encourage standardisation. PRO CAB134/591, Productivity (Official) Committee, 17 Nov. 1948. On the role of the Ministry of Supply in this period see Edgerton, 'Whatever Happened'.

[18] H. Mercer, 'The Labour Governments and Private Industry, 1945–51' in Tiratsoo, *The Attlee Years*.

[19] J. Tomlinson, 'The Failure of the Anglo-American Council on Productivity', *Business History* 33 (1991), pp. 82–92. For a rather different view see A. Carew, *Labour under the Marshall Plan* (Manchester, 1987).

[20] H. Mercer, *Constructing a Competitive Order: The Hidden History of British Anti-Trust* (Cambridge, 1995); Mercer, 'Anti-Monopoly Policy' in Mercer et al., *Labour Governments*, pp. 55–73.

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An even more prominent theme in Labour's approach to the supply-side of the economy was that of 'human relations'. This approach started from the assumption that the key element in enterprise efficiency was the co-operation of labour, and this co-operation was to be secured by recognising the social significance of work to the individual. Whilst not a unified field, the approach drew a great deal on the psychological and especially psychoanalytic approach to work of the Tavistock Centre, work about which Cripps was well informed.[21] The centrality of human relations to Labour's approach to the enterprise is evident in the central role given to 'human factors' in the setting up of the Committee on Industrial Productivity.[22] It is also evident in the campaign by the Labour government to revive workplace Joint Production Committees on the model of those widespread during the war. The JPC campaign was seen by the government not as a drive for 'industrial democracy' in the sense of, say, the guild socialism of the early twentieth century or the Bullock Report thirty years later, but as part of a programme to encourage workers' co-operation and involvement without infringing managerial prerogatives. Whilst this campaign was not entirely unsuccessful, it was constrained both by a large measure of employer hostility and by a lack of enthusiasm amongst many rank-and-file trade unionists, though union leaderships were almost unanimously supportive.[23] Human relations ideology is perhaps most obviously apparent in the drive by the Ministry of Labour, continued from the war period, to encourage the extension of factory welfare, with particular emphasis on personnel management.[24]

Human relations gained pre-eminence in part from the widespread perception that the coming of full employment had fundamentally shifted the balance of power in the workplace, and that work discipline could no longer be maintained by the threat of the sack. This is a major theme of ministerial speeches, TUC resolutions and managerial writings

[21] PRO CAB124/1093, Committee on Industrial Productivity, 1947.

[22] PRO CAB132/31–5, Committee on Industrial Productivity, Human Factors Panel, 1948–50. A classic spin-off from the Human Factors Panel's work is E. Jaques, *The Changing Culture of a Factory* (1951).

[23] J. Tomlinson, 'Productivity, Joint Consultation and Human Relations: The Attlee Government and the Workplace' in A. McKinlay and J. Melling (eds.), *Management, Labour and Production in Twentieth Century Europe* (1996), pp. 25–43; J. Hinton, *Shop Floor Citizens: Engineering Democracy in 1940s Britain* (1995); H. A. Clegg and T. E. Chester, 'Joint Consultation' in A. Flanders and H. A. Clegg (eds.), *The System of Industrial Relations in Great Britain* (Oxford, 1964), pp. 338–46; National Institute of Industrial Psychology, *Joint Consultation* (1952); W. A. Brown and N. Howell-Everson, *Industrial Democracy at Work* (1950); W. H. Scott, *Industrial Leadership and Joint Consultation* (Liverpool, 1952).

[24] Ministry of Labour, *Handbook of Industrial Relations* (1953 edn), ch. 7.

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in this period.[25] Plainly such a humanistic approach to the workplace had its appeal to social democrats, though in other ways it was highly problematic from the point of view of traditional socialist views. It rested on belief in the enterprise as a unitary entity in which there was no fundamental conflict of interest, and in which therefore trade unions would seem to have no clear role.[26]

All the above efforts give the lie to any crude notion that Labour was solely concerned with welfare and neglected production.[27] As Douglas Jay put the point in his memoirs: 'A myth has grown up since then that the Attlee Government after 1945 plunged into vast expensive welfare schemes and ignored the hard economic base of production and exports which could alone support them. This is almost the reverse of the truth.'[28]

At the macroeconomic level this priority for production is clearly shown in Cairncross' account of the allocation of output in this period.

> Few governments also have held back consumption more assiduously so as to let the pace be set by exports and investment, as recommended by a later generation of experts on growth. They were successful in a fast growth in exports, eliminating in turn the external deficit and then the dollar deficit and sustaining a high level of industrial investment in spite of the virtual cessation of personal savings.

Between 1946 and 1952, whilst GNP expanded by 15.3 per cent, consumption rose by 5.9 per cent, exports by 77.3 per cent and investment (GDFCF) by 57.9 per cent.[29]

Within this overall picture of priorities,[30] there is a range of issues about the microeconomic aspect of resource allocation, especially of investment. The best known is the question of housing – how far did the undoubted political emphasis on the housing programme inhibit industrial investment?[31] First, it must be said that whilst housing investment was high relative to other European belligerents as a share of GNP it was no higher than 1925–37, and the relative costs of housing had

[25] e.g. PRO LAB10/655, TUC, 'Production under Full Employment', 5 Nov. 1946.
[26] J. Child, *British Management Thought* (1969), pp. 117–36.
[27] Barnett, *Audit of War*, chs. 1, 12–14.
[28] Jay, *Change and Fortune*, p. 152.
[29] Cairncross, *Years of Recovery*, pp. 24, 500.
[30] This chapter ignores the external dimension covered in chapters 2 and 3.
[31] Barnett, *Audit of War* pp. 242–7; M. Chick, 'Economic Planning, Managerial Decision-Making and the Role of Fixed Capital Investment in the Economic Recovery of the UK 1945–55' (Ph.D. thesis, London School of Economics, 1986), pp. 38–43; S. Gilliat, 'The Management of Reconstruction with Special Reference to the Housebuilding Programme' (Ph.D. thesis, University of Sussex, 1982), chs. 7, 8. For a very useful discussion of this in one key region, see N. Tiratsoo, *Reconstruction, Affluence and Labour Politics: Coventry 1945–60* (1990).

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Table 4.1 *Distribution of steel in 1948*

(000 tons)

Home investment	
Coal	568
Coke ovens	12
Electricity	530
Gas	155
Petrol	427
Railways	876
Other transport	96
Agriculture and fish	73
Iron and steel	209
Shipbuilding	537
Industrial building	292
Housing	106
Education and health	115
Defence, public administration	94
Other	
Building and civil engineering	304
Plant, machinery and vehicles	1,920
Total investment	6,314
Home, non-investment	785
Exports	3,200
Nuts, bolts, etc.	1,028
	11,327

Source: PRO CAB134/191, 'Capital Investment in 1949: Report by Investment Programmes Committee', 20 July 1948, para. 30.

risen sharply.[32] Second, the trend in housing investment both in absolute terms and relative to other investment was clearly downwards from 1947.[33] In so far as there was crowding out of industrial investment in this period this primarily operated through the allocation of steel, but housing was not a major consumer of steel – the crowding out which undoubtedly did take place was in favour of exports (see table 4.1).[34]

Housing was undoubtedly a significant consumer of timber, though this is often exaggerated (see table 4.2). It was also a big user of labour (table 4.3) at a time when labour shortages were endemic. However, whilst timber and labour resources were clearly significant, it is far from

[32] Milward, *Reconstruction*, pp. 479–80; R. C. O. Matthews, C. H. Feinstein and J. Odling-Smee, *British Economic Growth 1856–1973* (Oxford, 1982), pp. 332, 413–14.
[33] Cairncross, *Years of Recovery*, p. 456.
[34] Ibid.

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Table 4.2 *Timber allocations for 1947*

	Total supply	Housing allocations	Proportion (%)
Softwood	192,500 standards	43,665 standards	22.7
Hardwood	249,000 cu. ft.	11,000,000 cu. ft.	2.2
Plywood	80,000,000 sq. ft.	7,360,000 cu. ft.	9.2

Source: PRO CAB134/478, Material Allocations Committee, 'Timber Allocations in 1947', 13 Nov. 1947.

Table 4.3 *Distribution of industrial population, 1947*

(000s)

Coal	758
Public utilities	270
Transport and ships	1,438
Agriculture	1,055
Building and civil engineering	1,364[1]
Engineering	2,876
Clothing and textiles	1,483
Distribution	2,351
Consumer services	2,120
Civil service	692
Local government	1,105
Total	18,887

[1] Of whom approximately 600,000 in housing.
Source: Economic Survey for 1947, Table XXI.

obvious that they could have been readily transferred into the shortage areas. While they could no doubt have been transferred fairly readily into industrial building, the scale of this was much more limited by steel than anything else. Secondly, it is not at all clear that the investment that was required at this time was primarily in buildings; it was rather in plant and machinery, where labour or timber from housing could have done little to help. As Plowden wrote to Cripps:

> It is still true that we do not have enough factory space for all our workers. One of the problems is that the workers are in the wrong places. This is because the housing shortage means a considerable immobility of labour. So it can be argued with some truth that more houses will ease our industrial problems appreciably in 1948.[35]

[35] PRO T229/66, Plowden to Cripps, 10 Dec. 1947.

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Finally, it is worth noting at least the possibility that the government's commitment to housing (by stressing its commitment to expansion at a time when a slump was widely feared), 'crowded in' industrial investment.[36]

Arguably more important than the debate about housing is the issue of how far the pattern of investment reflected too great a priority for immediate, macroeconomic concerns at the expense of long-run efficiency gains for the economy. Did the priorities established, however compelling at the time, distort the economy from a path that would have yielded greater returns in the long run?

This is a very difficult question to answer. We can begin with the stated priorities of the government. The 1947 *Economic Survey* set out six priority sectors – agriculture, building, coal, electricity, textiles, and iron and steel.[37]

One question to be asked is whether a benign dictator, with the knowledge available at the time, and concerned to maximise the long-run growth of the British economy would have accorded these industries priority. Coal, iron and steel and electricity perhaps yes – at that time these three industries looked crucial to any industrial expansion. Building also would appear sensible, as this was increasingly the building of infrastructure and factories rather than housing. Agriculture is much more problematic – here the compelling desire to save dollars is apparent, and whatever the technical efficiency of British agriculture, its overall efficiency was low.[38] Textiles presents more of a conundrum. Again, the emphasis derived very much from the industry's capacity to sell exports, but what was its long-term potential? Plainly, all European textile producers had before the war come under increasing pressure from Asian producers, and this was bound to re-emerge post-war. But was the collapse of the British industry in the 1950s inescapable? Many have argued so, on the basis of a product-cycle form of analysis in which textiles could not be profitably produced in high-wage European countries.[39] However, it may be argued that certainly the extreme scale of collapse in the 1950s was avoidable, if the opportunity of high profits, government incentives and little competition of the late 1940s had been grasped.[40]

[36] Milward, *Reconstruction*, p. 484.
[37] *Economic Survey* for 1947, pp. 82–117.
[38] B. Holderness, *British Agriculture since 1945* (1985), ch. 6.
[39] J. Singleton, 'Planning for Cotton 1945–51', *Economic History Review* 43 (1990), pp. 62–78; J. Singleton, 'Showing the White Flag: The Lancashire Cotton Industry 1945–65', *Business History* 32 (1990), pp. 129–49.
[40] J. Tomlinson, 'Planning for Cotton 1945–51: A Comment', *Economic History Review* 44 (1991), pp. 522–5; J. Singleton, 'Planning for Cotton: A Reply', *Economic History Review* 44 (1991), pp. 526–30.

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If the priorities in the desired direction of investment appear on the whole not unreasonable, what of the quality of investment? Was too much spent on 'patch and mend' to maximise immediate output at the expense of long-run efficiency?

For coal the answer would seem to be clearly a negative – mechanisation was slow, but this does not seem primarily a consequence of a 'patch and mend' investment policy.[41]

For electricity the picture is a mixed one. Tight controls on investment may have contributed to the sub-optimal scale of generating sets, but this outcome was also powerfully affected by the engineering conservatism of the industry and that of the generator producers, although some progress was made towards standardisation under Ministry of Supply pressure.[42] Technical development in railways was slowed in this period, but this also reflected as much engineering conservatism as investment constraints.[43]

Iron and steel remains a highly controversial sector, in this as in other regards. The plan for the industry produced in 1946 did envisage a much more ambitious investment strategy, including more plant closures and development on greenfield sites than did eventually take place. But it is far from clear that this strategy was viable in view of the shortage of the new plant it would have required. In any event many firms in the industry were resistant to such a strategy, given the strong demand for steel in the period: 'What happened resembled the normal pattern of boom development, which made it desirable to keep all existing plant in use and tempting to expand it all' and 'the proposals in 1947/8 to concentrate for a short time on relatively minor but quickly rewarding jobs at the expense of radical change were essentially wise'.[44]

In the non-nationalised industries there seems little evidence of modernising investment strategies being crucially undermined by governmental 'short-termism'. In the case of Courtaulds the main constraints seem to have been inadequate R & D and shifts in market demand.[45] At ICI investment constraints did not prevent the construction of the new plant at Wilton or significantly impede other expansion plans.[46] In

[41] W. Ashworth, *The History of the British Coal Industry*, vol. v: *The Nationalized Industry* (Oxford, 1986), ch. 3.

[42] L. Hannah, *Engineers, Managers and Politicians: The First Fifteen Years of Nationalised Electricity Supply in Britain* (1982), chs. 3, 4, 8.

[43] T. Gourvish, *British Railways 1948–1973: A Business History* (Cambridge, 1986), ch. 3, esp. pp. 85–90.

[44] D. Burn, *The Steel Industry 1939–1959* (Cambridge, 1961), pp. 252, 267; cf. M. Chick, 'Economic Planning', ch. 6; P. Payne, *Colvilles and the Scottish Steel Industry* (Oxford, 1979), ch. 11.

[45] D. Coleman, *Courtaulds: An Economic and Social History* (Oxford, 1980), vol. II, ch. 3.

[46] W. J. Reader, *ICI: A History* (1975), vol. II, pp. 407–8, 461–2.

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textiles we have a clear picture of the industry resisting the blandishments of government to go for a more radical reconstruction of the industry.[47]

Planning and production

The pattern of investment which did emerge has to be seen in the context of Labour's whole approach to economic management, and especially planning.[48] The general issue of Labour and planning is dealt with in detail in chapter 6. The key point for the current discussion is that all the debates on this concept in the 1930s and 1940s failed to produce a clearly articulated doctrine of planning tied to the range of objectives that socialists might want to pursue. Too often it was grounded in little more than an instinctive dislike of the 'anarchy' of the market and a subordination of all economic issues to questions of ownership, with nationalisation thus emerging as the key economic policy.[49]

Labour's inheritance in 1945 was, of course, much more than an ideology of planning. The wartime coalition had erected a comprehensive set of controls over the economy, over investment, consumption and prices, manpower, trade and foreign exchange, which meant that the market mechanism had been supplanted over large parts of the economy, and that the economy was already substantially planned or at least controlled. It was widely agreed that most of these controls would have to be retained in the period of transition to a peacetime economy.[50] For Labour the issue was how far these controls were what should be meant by plans, and what their role should therefore be beyond the transition period.

In *Let Us Face the Future* the emphasis was on controls as a means of securing an egalitarian distribution of limited supplies of goods, and as an instrument to help offset the expected slump. The implication was that the controls would be maintained for a long time, but this extended time horizon was most explicit in relation to investment, where a National Investment Board was to be established for both microecon-

[47] R. Streat, *Lancashire and Whitehall: The Diary of Sir Raymond Streat*, ed. M. Duprée (1987), e.g. pp. 383–5.

[48] Planning was not, of course, just an 'economic issue', but related to the characteristic Labour world view in which rational organisation was seen as the central feature of the desirable society.

[49] Durbin, *New Jerusalems*.

[50] Cairncross, *Years of Recovery*; Addison, *Road to 1945*, ch. 9; the need to retain controls was the basis of a famous article by R. H. Tawney, 'The Abolition of Economic Controls 1918–21', *Economic History Review* 13 (1943), pp. 1–13.

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Table 4.4 *Controls, 1946–51*

(%)

	1946	1948	1951
Proportion of consumers' expenditure subject to rationing	28	31	10
Proportion of imports controlled	96	91	54
Proportion of industrial raw material controlled	94	81	41
Price-controlled goods as proportion of consumer expenditure	48	49[1]	40

[1] = 1949

Source: Dow, *Management*, tables 6.3, 6.4, 6.5, 6.6.

omic and macroeconomic purposes 'to determine social priorities and promote better timing in private investment'.[51]

The logic of controls intended to deal with a supply-constrained economy was that they would disappear as the supply constraint lessened. To a significant degree this happened after 1945 (table 4.4). The picture is complicated by the Korean War, which reversed the trend towards decontrol in some areas. This trend, even if uninterrupted, would still have left a significant part of the economy subject to control by the time Labour left office. Partly it reflected the continuing constraint of the balance of payments, but it also reflected a profound ambiguity in Labour's thinking about the role of controls in economic policy.

Wilson's 'bonfire of controls' of 1948 fitted in with the belief, general in the government, that many of the controls had outlived their purpose and were an unnecessary electoral liability. However, this was by no means the same as a general commitment to abolish all controls. The long-term future of controls was very much a live issue in the later years of the Labour government. The dominant line which emerged from these debates was that of Gaitskell, who argued that some of the controls, previously based on wartime emergency powers, should be put on a permanent basis for reasons which were largely macroeconomic. He argued that to combine full employment (including in the Development Areas) and balance of payments equilibrium, and to avoid inflation a variety of controls would be required – controls over prices, building activity, imports and exports, over consumer goods and materials.[52]

[51] Labour Party, *Let Us Face the Future*.

[52] Rollings, 'The Reichstag Method of Governing?', pp. 15–36, Cairncross, *Years of Recovery*, pp. 329–32, 352–3.

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It is important, therefore, not to exaggerate either the scale of decontrol under Labour or the extent to which the idea of controls as part of economic policy had been given up. On the other hand, the permanent controls envisaged by Gaitskell were for purposes of economic stabilisation rather than modernisation, and were consequently negative rather than positive – aimed at stopping certain kinds of economic activity, not making things happen. This conflict between a view of controls as negative instruments, essentially concerned with macroeconomic objectives, and planning as a modernising, microeconomic instrument, can be seen clearly in Labour's policies on investment.

As will be discussed in detail in chapter 7, the most explicit commitment to planning in 1945 was to the planning of investment via the National Investment Board. The proposal for a NIB presupposed that effective control of investment could be secured by financial mechanisms, yet the conditions for such control to be effective were entirely absent. On the one hand, the government was committed to cheap money, so control via interest rates was ruled out. On the other hand, companies generally were cash-rich in 1945 (for example, Courtaulds had £40m., Vickers £12.5m. in liquid assets)[53] and also saw a very rapid profit revival after 1945, so they were generally little constrained in their investment behaviour by finance.[54] This situation also meant that the wartime Capital Issues Committee, whilst it continued in peace, had little impact on investment. The burden of controlling investment fell, then, almost entirely on physical controls.

In wartime controls over investment had operated via a combination of building licensing, machinery licensing and raw material allocations. The second of these largely ended in early 1946, and from then on the other two were the main instruments used.[55] In the initial post-war period investment boomed with seemingly little control, the level in 1946 being 150 per cent above the previous year (table 4.5), encouraged by high levels of consumer demand, wartime backlogs, and the encouragement of increased investment allowances.[56] Only in 1947 did a serious attempt get under way to control this tide of investment, which was

[53] Coleman, *Courtaulds*, vol. II, p. 11; J. D. Scott, *Vickers: A History* (1962), p. 301.

[54] T. Barna, 'Those "Frightfully High" Profits', *Oxford University Bulletin of Statistics* 11 (1949), pp. 213–26. On the whole physical versus financial control of investment, N. Rollings, 'The Control of Inflation in the Managed Economy: Britain 1945–58' (1990).

[55] PRO CAB134/63, Committee on Control of Investment, Report, 23 July 1949.

[56] PRO CAB134/63. Initial allowances were introduced in 1932 at 12%, and increased to 20% in 1945, and for plant and machinery 40% in 1949 (20% for buildings). Committee on Control of Investment, Report, 23 July 1949, para. 6; Dow, *Management*, pp. 205–6.

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Table 4.5 *Investment and its distribution at 1958 prices*

(£m.)

	1946	1947	1948	1949	1950	1951
Dwellings		523	486	476	465	456
Other new buildings and works	930	446	480	588	661	640
Plant and machinery	452	626	765	845	942	1,026
Vehicles, ships, aircraft	331	404	404	424	397	347
Total	1,713	2,000	2,135	2,333	2,459	2,469
Manufacturing and construction	n.a.	n.a.	554	626	714	768
Gas, water and electricity			206	252	282	284
Transport and communication			344	355	334	292
Distribution, road haulage			187	231	251	250
Social and public services			123	151	182	201
Agriculture and mining			181	189	179	164
Total	1,713	2,000	2,135	2,333	2,459	2,469

Source: Cairncross, *Years of Recovery*, p. 456.

much beyond the capacity of the economy to complete. The key body in this attempt was the Investment Programmes Committee, a subcommittee of the Steering Committee on Economic Development, the main economic committee of officials, which worked in close collaboration in the Central Economic Planning Staff, also created in the middle of 1947. This committee quickly produced a report which was widely welcomed in government circles, and a slightly amended version appeared as a White Paper.[57]

The year 1947 is commonly seen as one in which the Labour government turned decisively towards Keynesian economic policies, and certainly the second budget of that year did introduce a much tougher and more explicit fiscal policy (see chapter 10). But the events of 1947 can be given a different colour. As Cairncross notes, Dalton responded to the Investment Programmes Committee Report by welcoming it as 'a real start to central planning'.[58] Cripps saw it in a similar light – rather than fiscal policy replacing planning, a tighter fiscal policy was perceived as necessary to make planning effective.[59] But effective at what? Here it would seem the advisers of government were largely consistent – the

[57] PRO T229/66, 'White Paper on Investment Programmes 1948', 16 Oct. 1947; *Capital Investment in 1948*, Parliamentary Papers 1947, vol. IX.

[58] Cairncross, *Years of Recovery*, p. 452.

[59] Cripps, 'almost appeared to regard budgetary policy as no more than the background to planning proper' (Dow, *Management*, p. 36).

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aim was to get as quickly as possible back to a 'normal' economy where planning (including of investment) would be unnecessary. This was the view of Plowden, the Chief Planning Officer, who agreed with Austen Robinson that 'the main aim of planning should be to make planning unnecessary'.[60] This view has recently been reiterated by Robinson.[61] It also seems to have been the view of the key advisers in the Economic Section, which acted as a major source of anti-microeconomic planning views in the late 1940s (see chapter 6).

Parallel to this was a lack of interest and concern with issues of industrial modernisation. Economists in general knew little and had little helpful to say on such issues – for example, the Economic Section's role in the productivity debate seems to have been largely restricted to advocacy of anti-monopoly policy and the need for more incentives. Whilst some members of the Central Economic Planning Staff tended more towards dirigistic planning ideas, these were not taken up at the highest levels.[62]

Cairncross thus rightly points to a conflict in notions of planning between 'a liberal, Keynesian, approach which saw planning as a corrective to the operation of market force and dwelt particularly on the need for a level of effective demand adequate to maintain full employment' and socialist planning. However his characterisation of that socialist planning as an 'egalitarian approach which saw planning as a purely organisational activity akin to the planning that goes on within a productive enterprise', whilst accurate as far as it goes, leaves out the modernising aspect of planning as perceived by people like Cripps.[63] Undoubtedly planning in that sense was ill thought out and not the dominant approach (especially amongst the economists) but it clearly links to Cripps' and to a degree Dalton's modernising cast of mind. Planning was not just about restoring an economic equilibrium but also about giving investment and other kinds of priority to sectors considered vital for the foreseeable future.

This duality in the role of investment controls is reflected in the work of the committee set up to look at the long-term aspects of investment

[60] E. Plowden, *An Industrialist in the Treasury* (1989), p. 46; this phrase comes from PRO T229/47, 'Comments on Economic Section's Survey for 1948–51' by E. A. G. Robinson, 23 June 1947. Also PRO T229/29, 'Note by CEPS on Economic Survey 1948–51', 1 Aug. 1947.

[61] A. Robinson, 'Economic Problems', pp. 177–80: 'We consciously used controls and more generally the resources of government in many cases not to change a destination but to save time in reaching the same destination' (p. 177).

[62] Cairncross and Watts, *Economic Section*; for example, PRO T229/166, 'Level of Industry Planning', undated, but 1948.

[63] Cairncross' distinction perhaps reflects the traditional economists' analysis of planning versus the price mechanism as essentially an issue of allocative efficiency.

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control. The two objectives of control were argued to be to 'ensure that important investment was not swamped by less essential work, secondly, to lessen the danger that an excessive concentration of resources on investment would damage other sections of the economy, particularly exports, or render the inflation problems insoluble'.[64]

The draft report spelt out that the only effective control over investment in plant and machinery was the steel allocation, and assumed that as steel supplies increased this would disappear. It went on to argue that the only effective control would then be via depreciation allowances, which it accepted would be used to control the volume but not the direction of investment. This view was based partly on discussions with the Inland Revenue, who had opposed any 'discriminatory' aspect being given to the tax system. Finally, the draft report looked forward to the continuation of building licences for the foreseeable future, but made clear its conclusion that 'So far as the investment by private firms and individuals is concerned, the methods of influence will inevitably be through general fiscal and financial measures'.[65]

The final version of the report tried to be more optimistic on the effects of government, invoking hopes of continued consultation with big firms even as controls were being reduced, and similarly hopes that financial institutions would conform to government policy on investment. But there was a clear acceptance that at best government could only 'influence' not 'control' investment.[66] This report probably reflected the predominant view of senior civil servants, advisers and ministers by this time. Clearly, with highly liquid companies on the one hand, and a largely uncontrolled financial sector on the other, control of investment decisions by financial mechanisms would have required radical policy initiatives which never surfaced in this period. Discontent with Labour's incapacity to influence, let alone control, the decisions of private sector industrial firms is certainly evident, most especially in a widely discussed paper by Harold Wilson.[67] But he did not link his discussion to financial mechanisms or to the wider aspects of the possible reforms of Britain's financial system (see chapter 7). Overall, Labour failed to evolve any mechanisms of long-term investment planning in the private sector. Financial mechanisms able to discriminate between sectors were not developed, and direct controls, in this area at least, came to be seen as purely transitional. Manpower planning, which

[64] PRO CAB134/63, Committee on Control of Investment, Draft Report, 23 July 1949, para. 2.
[65] Ibid., para. 18.
[66] Final version of Report, 5 Sept. 1949.
[67] PRO, PREM8/1183, H. Wilson, 'The State and Private Industry', 4 May 1950.

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also figured highly in Labour's discussions, also came to very little (see chapter 8).

In sum, Labour's concept of planning was underdeveloped, and thus became easily conflated with the issue of controls seen as being basically about macroeconomic stabilisation. Concern with industrial modernisation was widespread in the government but ways of making this the prime objective of economic planning were difficult to develop, especially as it became apparent that the newly nationalised industries would be very difficult to control and could not therefore act as spearheads of economic policy, as many had envisaged before 1945.[68] In all this the economists were of little help – even the broadly sympathetic figures like Meade and Hall were to some extent like generals fighting the last war, concerned with macroeconomic stabilisation rather than economic modernisation.

Tripartism

The story of planning under Labour is not just one of the failure to find mechanisms to make industrial modernisation the centrepiece of economic planning. Labour was strongly committed to what was called democratic as opposed to totalitarian planning, 'planning from the ground up'.[69] This emphasis led to two kinds of policy responses. On the one hand, it led to great campaigns of propaganda and exhortation as a way of trying to persuade people to fall in with the economic policy priorities of the government – campaigns with variable levels of success.[70] On the other hand, it led to the revival or creation of a whole range of tripartite bodies – bodies with trade union and employer representatives sitting alongside government representatives. Much has been made, especially by Middlemas, of the significance of the higher level of such bodies, like the National Joint Advisory Council (covering broadly wages and conditions), the National Production Advisory Council on Industry (covering production issues) and the Economic

[68] TUC, *Interim Report on Postwar Reconstruction* (1944).

[69] *Economic Survey* for 1947, para. 8; *Let Us Face the Future*.

[70] W. Crofts, *Coercion or Persuasion? Economic Propaganda 1945–51* (1989); S. Carruthers, 'Manning the Factories: Propaganda and Policy on the Employment of Women', *History* 75 (1990), pp. 232–56. On the populace's understanding of economic issues stressed by the government, see, for example, PRO RG23/103, *Survey of Knowledge and Opinion about the Economic Situation*, Nov. 1948. This found that, despite intense publicity on the topic in recent weeks, only 18 per cent of respondents understood the notion of productivity, 22 per cent confused it with production, 10 per cent gave totally wrong answers, 50 per cent said they did not know and didn't try to define it.

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Planning Board (covering the broad issues of economic policy). For Middlemas such bodies represent a significant corporatist element in British politics.[71]

However, a number of points can be made to qualify any picture of a drawing in of the main interest groups into a consensual policy-making framework. First, any reading of the above records suggests they were not arenas where crucial economic policy issues were hammered out. Rather they acted as sounding boards for government ideas or places for transmitting information to the non-governmental participants. Rarely did key issues get resolved in such arenas. The Labour government was very strongly committed to notions of parliamentary sovereignty, which plainly militated against any real power-sharing, though the government certainly listened to what the FBI and TUC had to say.[72] Secondly, whilst employers went along with such tripartism in national bodies, at lower levels they were much more resistant. They strongly and largely successfully resisted Development Councils, perhaps Labour's most central proposal for new institutions in industry.[73] They also resisted strong trade union representation on other industrial bodies, like the Advisory Councils in engineering and cars.[74] More generally, whilst reluctantly accepting the government's idea of promoting the revival of factory-level Joint Production Committees, the employers made sure these remained purely consultative in character, and in particular resisted any idea that they should have any inter-factory role, for example by links to the Regional Industrial Boards. Any such links were rejected by employers on both the NJAC and NPACI, despite the support of Cripps.[75] As so often, the employers' resistance was abetted by the conservatism of the Ministry of Labour, and its notion that JPCs should be seen as just good industrial relations policies, not as part of any experiment in involving workers and unions in production issues.[76]

Popular involvement in production could never substitute for adequate economic mechanisms for giving priority in resources to certain industrial sectors. Nevertheless, this 'democratic planning' was an important and unduly neglected part of Labour's policies, especially at

[71] Middlemas, *Power*.

[72] NJAC records are at PRO LAB10/652, 655–8; NPACI at BT190/2, 4–7; EPB at T229/28–42 and CAB124/210–14. This point is taken up in chapter 13, below.

[73] Mercer, 'Labour Governments'.

[74] PRO SUPP14/137, 'Ministry of Supply: Proposals for an Engineering Industries Advisory Board', 1946; SUPP14/151, 'National Advisory Council for the Motor Manufacturing Industry', 1946.

[75] PRO BT190/2, NPACI Minutes, 8 Aug. 1947; CAB124/351, 'Investigation by Postmaster General of Regional Boards and District Committees', Sept. 1947; CAB124/349. Minutes of Midlands Regional Board for Industry, 15 Oct. 1947.

[76] PRO LAB10/721 'Ministry of Labour, JPCs: Report to NJAC', 26 Jan. 1949.

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the factory and regional levels as opposed to central government. Labour was strongly committed to a consensual industrial policy, aimed at engaging the support of employers and unions for its policy goals. How did this approach help or hinder its concern to modernise British industry?

On the union side the government was strikingly successful in engaging the support of trade union leaderships for its productivity drive. How far this leadership enthusiasm was translated into support at shop-floor level is much less clear. James Hinton argues for a widespread 'productionist' enthusiasm amongst workers and especially shop stewards in the 1940s, though he accepts this was at its peak in 1941/2, rather than in the post-war period.[77] Employers, as they always do, sounded off about union restrictive practices, but hard evidence on their prevalence, let alone their effects, is difficult to come by. In cotton, for example, long-standing 'restrictionist' union policies were changed when the Weavers' Amalgamation accepted more looms per worker, but the spinning unions were more resistant to change.[78]

Even in the 'notorious' home of restrictive practices, shipbuilding, an official report of 1950 said that 'In general, although the unions in the shipbuilding and ship-repairing industry maintain that workers displaced should have preference and that machines should not be operated by "cheap labour" they have not resisted the introduction of new machines or processes'. Overall, it is difficult to accept the recently expressed view that restrictive practices were the major obstacle to productivity increase in this period.[79]

On the employers' side the picture is somewhat clearer, at least as regards the FBI. Contrary to the assertions of writers like Blank, the federation seems to have encouraged and co-ordinated a fairly hostile response to many government initiatives, including those which might be seen as part of the modernisation programme. For example, it co-ordinated opposition to Development Councils and made only a mini-

[77] Hinton, *Shop Floor Citizens*; J. Tomlinson, 'The 1945 Labour Government and the Trade Unions' in Tiratsoo, *The Attlee Years*. On TUC official acceptance of the centrality of increased productivity see TUC, 'Productivity: Report of the General Council to the Special Conference of TU Executive Committees', 14 Nov. 1948.

[78] H. A. Turner, *Trade Union Growth, Structure and Policy: A Comparative Study of the Cotton Unions* (1962) pp. 5–6, 332; PRO BT195/4, 'Notes from P.M.s Meeting with Cotton Industry', 22 March 1948; F. Zweig, *Productivity and the Trade Unions* (Oxford, 1952), p. 157; compare Crofts, *Coercion*, pp. 150–2.

[79] PRO LAB10/932, 'Restrictive Practices in Shipbuilding and Ship-repairing', 16 Jan. 1950; S. Broadberry and N. Crafts, 'Explaining Anglo-American Productivity Differences in the Mid-Twentieth Century', *Bulletin of the Oxford University Institute of Statistics* 52 (1990), pp. 375–402.

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malist response to the government's productivity drive on such bodies as the AACP and the Committee on Industrial Productivity.[80]

At a lower level, trade associations seem to have played a more equivocal role. As already noted, engineering and car employer associations wanted very much to limit the role of trade unions, which were taking an aggressively 'productionist' line on the role of industrial advisory bodies. On the other hand, some TAs, in engineering for example, do seem to have been active to a degree in encouraging standardisation, an important part of the modernisation process.[81] Overall, however, it is likely that the TAs remained predominantly restrictionist bodies, involved primarily in price-fixing and other defensive procedures rather than being agencies of economic change.[82]

The general picture would seem to be that the government found trade unions much more corrigible than employers in their attempts to reform British industry. The problem was that, of course, employers for most purposes mattered much more – they held the major levers of power. The issue that remains is whether a different strategy towards private sector employers could have yielded richer dividends. This is a vast and complex issue, but one possibility it does raise is whether Labour could have pushed much harder the role of industrial managers at the expense of owners of private industry.

Management of industry was not traditionally an area of great concern to the Labour Party. The commitment to free collective bargaining on the one hand, and on the other to changes in the ownership of industry, tended to squeeze out any serious discussion of management either as a social category or as a functional entity in the economy. To a degree this attitude was shifted by the experience of the wartime ministers like Dalton and Cripps (himself an industrial manager in the First World War) who were drawn willy-nilly into issues of management. At roughly the same time Labour backbenchers like Albu and Mikardo tried to get the left to take a more positive view on both the social and political role and economic functions of management.

This movement in Labour views was not entirely without its effects. There is evidence that some sectors of management (along with other sections of the middle class) became more sympathetic to Labour during the war period. Cripps, for example, seems to have been a popu-

[80] S. Blank, *Government and Industry in Britain: The FBI in Politics 1945–65* (Farnborough, 1973), ch. 4; Mercer, 'Labour Governments'; Tomlinson, 'Failure'.

[81] PRO SUPP14/333, 'Standardisation of Engineering Products', 2nd Review, Dec. 1950; PRO BT195/1, 'Standardisation in Industry', Engineering Advisory Council (49) 14th, 3 March 1949.

[82] Mercer, *Constructing a Competitive Order*, pp. 23–7.

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lar figure, at least amongst some managerial echelons. Attlee and other ministers had established links with sympathetic businessmen through the 1944 Association, which acted not only as a 'dining club' but provided memoranda to the government on major policy issues.[83]

However, one of the obstacles to a more 'managerialist' stance by Labour was its commitment to tripartism. Management lacked the representational institutions to challenge the political role of the 'peak associations' of the FBI and BEC. These bodies in turn used their representation on the advisory bodies to resist a larger role for management and other professional bodies.[84]

This problem was discussed in the civil service when the issue of the structure of various advisory bodies was raised. For example, in the formation of the Committee on Industrial Productivity there was resistance by civil servants to giving the British Institute of Management a place alongside the TUC and FBI, a representation itself regarded as 'one of the unfortunate political necessities of the day'.[85] This particular issue raised the general problem of management wanting to be a 'third estate'. It was argued that if the BIM claim to be on this committee were accepted it would open the door to others. In fact, every two-sided body might well become triangular in future, and the role of the independent or government member to ensure that the work got done with the maximum reconciliation of the employers and trade unionists would tend to disappear in the claims of the non-elected manager to speak in effect for the public interest in efficiency. This would be the 'managerial revolution' with a vengeance'.[86] Ministers seem to have followed this line of thinking, and the FBI, BEC and the TUC were unchallenged in their domination of the various 'representative' bodies established by Labour. This led to a loss of faith by some management opinion in the Labour government.[87]

[83] For example, editorial in *Industry*, 21 April 1948, where the creation of the BIM is credited to the 'indomitable resolve' of Cripps. Records of (some of) the meetings of the 1944 Association are in the Labour Party archives.

[84] e.g. the attempt by the Institute of Production Engineers to play a larger role as, effectively, management consultants. PRO SUPP14/140, 'Engineering Advisory Council, Memo by Institute of Production Engineers for Increased Productivity', Feb. 1949.

[85] PRO BT64/2360, Committee on Industrial Productivity, S. A. Dakin to B. M. Nowell, 16 April 1948.

[86] Ibid., Dakin to Nowell, 6 May 1948. Reference to the managerial revolution reflects the wide impact of the book of that title by James Burnham, first published in 1941. The Board of Trade resisted pressures from Ian Mikardo to get management represented on various bodies, (PRO BT64/2360 Minutes of Meeting with BIM, 6 May 1948).

[87] *Industry Illustrated*, Editorials, October 1945, December 1945. The latter lamented that 'One would have thought this government would have been the most ready to listen, to recognise and appreciate Industry's *tiers état*' (p. 11). Management is, of course, an ambiguous category. The BIM probably came to represent middle management, whilst

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Of course, this representation problem was not the only obstacle to Labour becoming much more of a party of industrial management. Management presumably was also affected by the general shift of middle-class opinion back to the Tories in the late 1940s.[88] Nevertheless, for a government which put such weight on formal mechanisms of interest representation it was a serious blow to (some) management hopes when the FBI/BEC and TUC retained their stronghold on representative bodies. Equally, that management did not become a political 'player' and possible ally is a not insignificant part of the limits of the government's 'modernising' role.

Production: the bridge to socialism

Strategy is an overused word today, and to suggest Labour had a strategy of modernisation is to exaggerate the coherence and strength of its policies in that regard. Nevertheless, it did pursue a number of policy initiatives which were aimed at improvement in the long-term efficiency as well as the short-term output of British industry, and these needed rescuing from their neglect by most historians of the Attlee government. These initiatives, in summary, included the encouragement and financing of higher investment, the establishing of the BIM, a much expanded DSIR and other means of support for R & D, and encouragement of the processes of standardisation of products and rationalisation of industrial structure.

In all this the constraints were formidable. Primary, perhaps, was the necessity for more output now rather than competitiveness in the future, which post-war macroeconomic and political circumstances made unavoidable. Second, whilst enthusiasm for increased efficiency embraced most of the major Labour figures in this period, it is clear that Cripps, followed perhaps by Morrison, were particularly important in this issue. One of the problems that flowed from this was that much of the efficiency effort was initiated by Cripps when he was at the Board of Trade in 1945–7, and continued by Harold Wilson at the Board thereafter. But the Board of Trade's direct responsibilities were largely limited to consumer goods industries, and in particular it had little direct role in the key area of engineering, which was the responsibility of the Ministry of Supply. This ministry had much weaker ministers than the

the FBI mainly represented the executive groups who might or might not also be major shareholders. These were also the kind of people ministers met informally at such bodies as the 1944 Association.

[88] H. G. Nicholas, *The British General Election of 1950* (Oxford, 1951), p. 296.

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Board of Trade, seems to have had much less drive to change the industries with which it was involved, and generally seems to have been characterised by a rather 'cosy' relationship with those industries. Certainly it lacked the high-profile emphasis on productivity and efficiency of the Board of Trade.[89]

It may also be noted that the Ministry of Supply successfully resisted the pressures for tripartism so strongly pursued by Cripps, so that, for example, there was never a realistic likelihood of a Development Council in the car industry, despite union and political pressure. Here the hostility of the employers to a strong union role led to the establishment of an Advisory Council with a very limited union role. Arguably, the absence of such tripartite structures could have facilitated a more discriminatory industrial policy, as tripartism may inhibit policies which favour some firms or sectors at the expense of others because of the desire to maintain consensus.[90] But what was also important in the case of the Ministry of Supply was the greater reliance of its industries on government purchasing than most British industries, and though the use of this power to change the practices of the firms concerned seems to have been limited, as has already been noted, the policy of standardisation was pursued by this route.[91]

Another major problem for the government was the difficulty of dealing with a suspicious and largely hostile private sector which at the same time lacked the incentive for radical change in a world of easy markets and high profits. But the problem also stemmed in part from Labour's own weaknesses. Without help from the economists, Labour's conception of economic policy was often fragmented, usually unified by reference to 'planning', which was a rhetorical device as often as a coherent programme of action. A negative capacity for preventing things from happening too often substituted for more positive instruments that would shape events. A rather unreflective *dirigisme* too often stood in place of a more subtle understanding of state capacities in the emergent 'mixed economy'.

The success of the Labour government's drive to raise production and efficiency is the source of some controversy. Partly this relates to differing views about what generates efficiency – for example, it is clear that few in Labour circles at this time believed that competition was

[89] Edgerton, 'Whatever Happened?'

[90] L. Kenworthy, 'Are Industrial Policy and Corporatism Compatible?' *Journal of Public Policy* 10 (1990), pp. 233–65.

[91] T. Balogh, 'Britain's Economic Problem', *Quarterly Journal of Economics* 58 (1949), pp. 32–67.

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crucial to efficiency, so those who do believe in the importance of this factor tend to look sceptically on Labour's claims in this area.[92] Judgement is also difficult because of the impossibility of ascribing any proportion of whatever productivity performance did occur to the role of government. Plainly, in the late 1940s the economy was undergoing a 'natural' recovery from the war period which would presumably have occurred whatever was done by government.

With these problems in mind, what do quantitative studies suggest about productivity at the time of the Attlee governments? Cairncross, the author of the most authoritative macroeconomic survey of the period, accepts Feinstein's conclusion that GDP per head rose 1.6 per cent per annum between 1945 and 1951, and 2.5 per cent per annum in the three years 1948–51. Labour productivity in manufacturing apparently followed a similar pattern, rising at an average rate of 2.6 per cent per annum across the six years, but accelerating to 3.5 per cent per annum between 1948 and 1951.[93]

These recent calculations may be compared to those made at earlier dates. Rostas, writing in 1952, focused on labour productivity and measured output in physical terms. Using 1948 as a base year with value 100, he demonstrated that performance in large industries had been very variable, so that the index of output per head in 1951 ranged from 99 for cotton to 129 for steel tubes, with the (unweighted) average being 118.[94] Such estimates are broadly in line with those calculated by Nicholson and Gupta, who focused on the period 1948–54.[95] Finally, there is the pioneering study of what would later be called total factory productivity, published by Reddaway and Smith in 1960. These authors suggest that (allowing for increased labour and capital inputs) the rate of productivity increase changed positively between 1948 and 1951, allowing an average of 3.3 per cent per annum. This performance compared well with that achieved over the following four years, when the comparative figure was only 1.1 per cent per annum.[96]

Taken together, therefore, the figures do at least imply that productivity was tending to improve appreciably in the late 1940s. Indeed,

[92] N. Crafts, 'Adjusting from War to Peace in 1940s' Britain', *The Economic and Social Review* 25 (1993), pp. 1–20.

[93] Cairncross, *Years of Recovery*, pp. 18–19, based on C. H. Feinstein, *National Income, Expenditure and Output of the UK, 1855–1965* (Cambridge, 1972).

[94] L. Rostas, 'Changes in the Productivity of British Industry, 1945–50', *Economic Journal* 62 (1952), pp. 15–24.

[95] R. J. Nicholson and S. Gupta, 'Output and Productivity Changes in British Manufacturing 1948–52' *Journal of the Royal Statistical Society* 23 (1960), pp. 427–59.

[96] W. B. Reddaway and A. B. Smith, 'Progress in British Manufacturing Industries 1948–54', *Economic Journal* 70 (1960), pp. 17–31.

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Rostas referred to a 'general favourable development' during this period, while Reddaway and Smith noted that their data might appear 'too good to be true'. But had this pattern been shaped in any way by government policies? The latter authors felt that the acceleration of 1948–51 had reflected 'recovery from wartime organisation' and would prove unsustainable.[97] Rostas accepted there was some force in this point, but argued that an enhanced 'productivity consciousness' had also been important: 'This meant that the large potentialities for an immediate improvement of productivity were realised, that ways and means to improve productivity were expected and that positive measures were adopted in many factories and workshops for this purpose.'[98]

This material is sufficient, at least, to suggest that the Attlee governments' efforts in this direction deserve rather more positive assessments than they have often been given, though no one would suggest they resulted in extraordinary success. The constraints they faced are put in a broader context in the concluding chapter.

Production: The Bridge to Socialism was the title of a pamphlet produced by the Labour Party in 1948. It called on all 'active public-spirited citizens' to make every effort to raise production. And in particular it urged Labour Party members to give a lead in campaigning for more output and increased efficiency.[99] Party political rhetoric is, to say the least, to be treated with some caution when its significance is being considered. But the idea that raising output and efficiency provided the route out of the dilemmas of economic policy in the late 1940s is too prevalent to be dismissed as a passing propaganda stunt. As this chapter has demonstrated, increased output and increased productivity both followed 'logically' from the focus on the balance of payments as the key issue for economic policy; in a supply-constrained economy more output, from an almost static labour force, led simply into an emphasis on (labour) productivity. Equally, the desire for increased efficiency shaped Labour's attitude to a range of policy areas, not least that of equality (see chapter 12). For both these reasons, this policy concern deserves to have a central place in our understanding of the Attlee government.

[97] Rostas, 'Changes', p. 20; Reddaway and Smith, 'Progress', pp. 29–30.
[98] Rostas, 'Changes', pp. 24–5.
[99] Labour Party, *Production: The Bridge to Socialism* (1948), p. 11.

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