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BRITISH SOCIAL DEMOCRACY AND THE STATE SINCE 1945

BRITISH SOCIAL DEMOCRACY AND THE STATE
SINCE 1945: A CRITICAL APPRAISAL

By

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No study can exempt itself from the social division of labour and the collective nature of social analysis must be made explicitly clear. This applies as much to those who are intellectuals by function as it does to the millions who are unfortunate enough to suffer the more immediate effects of what Marx called "the dull compulsion of economic life".

It is impossible for me to record my debts to all those who have helped, advised and coaxed me in various ways and it goes without saying that this study would not have assumed the form it has without their influence.

In an attempt to administer some rough justice I would like to record my debts and extend my gratitude to Alex, Maurice Hookham and John Hoffman at Leicester University. At McMaster I would like to thank Derry Novak, Cyril Levitt, John Seaman, Bill Hunter, Ron Goldstein, George Breckenridge and Malcolm Punnett for reading, commentating and criticizing this thesis in its various stages.

In keeping with the materialist premises of this study I must thank Ken for his "Spadina cooking" without which this would have taken much longer than it has done.

Finally, I must record a very special debt to Lina Ksendziuk for helping me to realize the limitations of academic work and for the remarkably consistent way in which she has posed that problem which Marx raised, namely, the necessity of educating the educators.

Each advance within the framework of capitalism simultaneously involved the working class far more deeply in the status quo... Each assertion of working class influence within the bourgeois democratic State machinery simultaneously involved them as partners (even if antagonistic partners) in the running of the machine. Even the indices of working class strength -- the financial reserves of trade unions and co-ops -- were secure only within the custodianship of capitalist stability.

E.P. Thompson,
The Peculiarities of the English

...fifty years after, the lesson that still stands out most clearly in relief, is the importance for the Labour Movement to come to understand the nature of the State... And the Achilles heel, the weakest point of the political consciousness of the British working class is, precisely, the lack of understanding of the State, of political power, and the acceptance, central to the whole reformist approach, that the State is neutral, non-political, unbiased, unpartisan, above classes -- that workers and capitalists can share this same "impartial" machinery, that this State will treat them fairly (under capitalism), and even help them to build a socialist society.

J. Klugmann,
The General Strike

PREFACE

In this study we intend to focus on the forms and determinants of state intervention in the United Kingdom in the post-war period between 1945 and 1970. A full appreciation of the role and nature of the state in the present phase of monopoly capitalism is as urgent as it ever has been in the past. The overt political presence of the state in capital accumulation has the effect of politicizing what were hitherto seen as "purely" economic questions. This is most apparent with the state's role in the restructuring of capital, the deliberate creation of unemployment, and, above all, in statutory incomes legislation.

The working class movement increasingly confronts the state to the extent that more and more areas of social life become subject to state

surveillance and control. The increase in the domain covered by the political can be explained only as problems which capital confronts in the daily reproduction of its economic conditions of existence. The greater the level of state intervention, the more does it become clear that, rather than resolving social contradictions, they are really condensed within the state apparatus. In this sense the state is the admission of "the contradiction of society with itself".

In examining state intervention, we must, of necessity, focus on the forms of cooperation between the state and capital and the way in which organized labour became incorporated with the former in structures of "industrial compromise". The increasingly more rigorous attempts at restraining and demobilizing the working class is situated within the context of the relative decline of British capitalism vis-a-vis the other centres of monopoly capitalism. It is because of the need to contain the working class that we examine the role and nature of the British Labour Party. As the bearer of working class demands, the Labour Party constitutes the political mediation between the state and capital on the one hand and the working class on the other. We are concerned with the dual role of the Labour Party, which consists of articulating the demands of its working class base while simultaneously restraining these demands on behalf of capital. In this way we argue that the Labour Party has always been highly deferential to what Bagehot called the "facts of office".

Although 1945 is our historical point of departure, we think it necessary to include a cursory examination of the inter-war period as a prologue to post-war developments. This is neither peripheral nor unnecessary, because the official sanction of Keynesian "techniques",

together with the "interventionist state", can be appreciated only through an understanding of the economic and political changes that were wrought in the so-called system of "competitive capitalism".

We have described the immediate post-war period as the "post-war settlement" because, in 1944, the Coalition Government formulated its tacit compact with organized labour, which consisted primarily of a commitment to full employment and social welfare. We have argued that state intervention in the post-war period is, first and foremost, designed to improve the position of British capital on the world market. To this end the state has been forced to restrain working class wage demands in an effort to relieve the pressure on capital while reproducing this compact even when the conditions and commitments on which it was forged had either disappeared or had been abandoned. The precarious nature of the compact was evidenced as early as the 1948-1950 wage freeze, although it was not until July 1966 that a Labour Government repudiated the compact. The quasi-corporatist interventions of the Labour Government after 1966 constitute the most fierce political assault on the working class that had ever occurred under any Labour Government. The period between 1966 and 1970 marks the fragmentation of the post-war settlement.

We should point out at this stage that two omissions have been made in our analysis, and, apart from the limitations of the M.A. format, there can be no justification for not integrating them into the body of a work such as this.

First, we have not focused on the massive penetration of U.S. capital into the U.K. after 1945. We take note of this phenomenon in passing by virtue of its effects, i.e. , the changes in the world market,

which resulted in more intensive forms of metropolitan competition between the advanced capitalist formations. This marks one of the most important post-war developments because it represents the consolidation period of monopoly capitalism under the hegemony of U.S. capital. The internationalization of U.S. capital after 1945 makes it impossible to retain the concept of "national capitalism" and it is more correct to speak of capital which is invested within the boundaries of a particular nation-state.

Our second omission concerns the nature and role of post-war fiscal policy; this subject is highly significant and merits a study in itself. Fiscal policy should not be seen as a "technical" component of state intervention because, as Marx noted, the "tax struggle is the oldest form of class struggle". Moreover, there is general consensus in the literature that British fiscal policy had the effect of arresting the decline of pre-tax profits in the post-war period. In conjunction with incomes policy, fiscal policy can help to restrain the growth of net real income. As we have said, a more elaborate study of state intervention in the post-war period would, of necessity, have to incorporate these two areas.

Finally we should add a political note of some importance to our present study. The adequacy of theory lies in its ability to explain and elucidate our present social reality in such a way as to throw its most essential features into sharper relief. Marxist theory and socialist strategy can in no way ignore the daily struggles of the working class movement because only on this basis is it possible to explain capitalist reality and its manure of contradictions. Our study attempts to abide by this "thumb rule" in its focus on the economic aspects of the class

struggle in Britain, and this cannot be divorced from the state interventions designed to improve the position of British capital in the world market.

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CHAPTER ONE

THE STATE IN CAPITALIST FORMATIONS

In this chapter we intend to establish the theoretical basis upon which the following analysis will be developed. This must be regarded as essential inasmuch as discussion on the state is marred by the conceptual imprecision with which it is debated. The vast corpus of bourgeois literature which is devoted to the state tends to exhibit a common variant, namely, that the state constitutes the level where "citizens" meet in identical equality. In the bourgeois tradition, the state is presented as merely the political "arm" of the community, and its task is to guarantee "political equality". In other words, the state is responsible for articulating and maintaining the unity of a social formation in its entirety. This is well illustrated in R.M. MacIver's The Modern State, in which the state is accorded the function of articulating "a form of unity to the whole system of social relationships".¹ On a prima facie level this view would seem to parallel the Marxist thesis, which holds that it is at the level of the political (the state), that social unity and social contradictions are condensed and that therefore, social problems can be deciphered only in relation to this political level. Marx expressed this succinctly when he said that:

the political state represents the table of contents of man's practical conflicts. Thus the political state, within the limits of its form, expresses sub specie rei publicae (from the political standpoint) all the social conflicts, needs and interests.²

On this basis we can see that any attempt to posit a rigid dichotomy between the social, political, and economic spheres is erroneous because the political is defined as having the function of unifying the entire social formation. The apparent similarity between the bourgeois and the Marxist conception of the state as unifier ends at this abstract theoretical level, and the analysis in this chapter will attempt to demonstrate the validity of this assertion.

It is symptomatic of the malaise of certain variants of bourgeois political science (Easton et. al.) that the concept of the state has been "demoted" as a legitimate field of analysis. That Easton et. al. have abandoned the concept of the state, because of the supposed lack of discrimination in its definition, in no way implies that these political "scientists"

have not had what used to be called a theory of the state. On the contrary, it is precisely the theory of the state to which they do, for the most part, subscribe which helps to account for their comparative neglect of the state as a focus of political analysis. For that theory takes as resolved, some of the largest questions which have been traditionally asked about the state, and makes unnecessary, almost precludes, any special concern with its nature and role in Western-type societies.³

Long before the advent of the "behavioural revolution", Gramsci documented the historical malaise of political science, a science which, in his view, had ceased to be scientific.

... the rise of Sociology is related to the decline of the concept of Political Science... Everything that is of real importance in Sociology is nothing other than Political Science. Politics became synonymous with parliamentary politics or the politics of personal cliques... If Political Science means science of the state, and the state is the entire complex of practical and theoretical (activities) with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules, then it is obvious that all the essential questions of Sociology are nothing other than questions of Political Science.⁴

If political science is to regain its lost rigour, it is axiomatic that it should begin with a precise formulation of concepts, as this is one of the first principles of scientific analysis. This is particularly true for the formulation of the concept of the state.

The concepts which we employ must be rigorously developed so that it is clear as to the area of their application. A good example of the way in which descriptive terms masquerade as analytical concepts is Shonfield's Modern Capitalism in which he analyses the enhanced role of the state in monopoly capitalism through the changing balance of "public" and "private" power. This is totally inadequate inasmuch as the very distinction between the two areas is essentially juridical, that is, established by law, and, in effect, by the state itself. Shonfield takes these terms from everyday usage and employs them, uncritically, to explain the phenomenon of state intervention. Gramsci discussed the pitfalls of this uncritical distinction when he described "bodies normally referred to as private" as belonging to the state.

As the distinction between the concepts of "private" and "public" recurs throughout this chapter, it is as well to insist on a rigorous and specific terminology. This is in no way pedantic because we should remember that:

concepts and notions are never innocent, and by employing the notions of the adversary to reply to him, one legitimizes them and permits their persistence. Every notion or concept only has meaning within a whole theoretical problematic that founds it.⁵

Marxist analyses of the political have, traditionally, focused on the state as an apparatus of "brute force", that is, on the state's repressive institutions. To this extent Marxist theory has often been

troubled in trying to explain the ability of the state to win the "active consent" of the working class. The post-war history of Western capitalism, along with its apparent ability to win such consent, no longer permits Marxist theory to focus on this narrow traditional apparatus. This traditional focus concentrated on the concrete institutions, which, collectively, constitute the concept of the state. However, the pre-occupation with this focus is not unconnected with the uncritical use of the concepts of "public" and "private" as they appear in bourgeois political theory. In an attempt to prevent this uncritical acceptance, Gramsci wrote:

I have had to reconsider the whole idea of the state, which is generally understood to be a dictatorship and not... the hegemony of a social group over the whole society of the nation, hegemony exercised through private bodies such as the church, unions, parties, schools etc. ... But what does all this mean if not that the state should be understood to be not just the governmental machinery, but the private apparatus of hegemony too.⁶

Gramsci's remarks enable us to avoid the pitfalls of Shonfield's position as well as the traditional Marxist focus on the repressive apparatus of the state. This is no academic matter because if the centres of bourgeois hegemony are not fully located, a revolutionary party could be seriously diverted from effecting a socialist transition. The content of the concepts of "private" and "public" is therefore of first importance to the question of socialist transition, from capitalism.

Gramsci pioneered the concept of the ideological state apparatus which include the church, party, union, media and school, and these are to be distinguished from the repressive state apparatus, which includes the government, judiciary, military and the civil service. That both the "private" and "public" apparatuses complement each other in maintaining

the unity of the social formation in no way implies that they should completely conform to some identical outlook because -- and this should be stressed -- correspondence does not mean identity. Moreover, the notion that the press, for instance, should conform to the same policy as a government department would be totally inappropriate in this context inasmuch as it would neglect the struggle between classes and class fractions which characterize these apparatuses. On the basis of Gramsci's rudimentary propositions, we are able to appreciate fully the nature and role of the party and the trade union in capitalist formations. Despite the many functions which these institutions execute, the most important political function is the dialectical one of articulation and control vis-a-vis their membership.

The above remarks are not intended to suggest that the content of the concepts of "private" and "public" are synonymous in that all their differences have been obliterated. On the contrary, this distinction is important particularly because it designates the extent and the forms of state intervention. The concept of state intervention is crucial in the present phase of monopoly capitalism because its forms are, to an increasing extent, the veritable life-blood of the system. To speak of a "non-intervention" of the state in the period of competitive capitalism in the nineteenth century is legitimate only in the sense of contrasting it to the "interventionist" state of the period of monopoly capitalism which began in the late thirties and early forties of the present century. Despite the myth of the non-interventions of the "night-watchman" state, this state assumed important functions in creating the infrastructure (legal and currency system, roads, railways etc.) most conducive to

nineteenth century market society. Nevertheless, the "liberal" state of competitive capitalism effected far less intervention than its counterpart in the present phase of monopoly capitalism. As we shall see later in this chapter, the enhanced role of the state must be explained in relation to the process of capital accumulation and the inability or unwillingness of private capital to ensure its viability.

The dichotomy between the "private" and "public" domains must be seen as a dynamic relation, because we have witnessed a continuous shift in the terrain covered by these concepts since the nineteenth century. The enhanced role of the state, or "public domain", was inadequately grasped by Dicey as a drift towards "collectivism". For Dicey, this term fulfills the same function as "public" does for Shonfield: both are intended to describe enhanced state intervention. Given the widespread acceptance of these concepts as opposites, we should once again draw attention to the fetishistic character of these concepts as they appear in bourgeois theory where they are determined by juridical means.

The theoretical distance between these concepts and their Marxist counterparts will become clearer when we have noted the specific characteristics of the capitalist mode of production. On this basis, and only on this basis, we are able to specify the nature and role of the state in capitalist formations;

1. The relationship between the economic and the political in this mode of production is characterized by a relative autonomy of the political level.
2. The economic level maintains not only determination in the last instance, but also the dominant role.

This relative separation of the political from the economic is specific to the capitalist mode of production in contrast to the feudal

mode, where the political was an epiphenomenal expression of economic power. This is illustrated by the fact that economic inequality on the estate was directly reproduced in political life, whereas in capitalist formations, economic inequality appears at the political level as an abstract equality: the wage-earner has the same voting rights as the millionaire. In other words, the capitalist mode of production is characterized, at the political level, by a formal equality, which is absent in the feudal mode.

One of the most serious obstacles to a rigorous conception of the state has been the old, but ubiquitous, schema of the state-civil society dichotomy. We are not here referring to the adaptation of this schema in Marx's early writings, but rather to its usage in the bourgeois tradition. Account has to be taken of this view because, in one way or another, it informs much of the theory that passes for socialist in Europe generally and in a more explicit way in Britain. Essentially, this conception tends to immunize the state from social conflict, positing it as a rational instance (the first elaborate statement of this position is in Hegel) and, by that token, regarding its function as that of injecting "doses of rationality" into an inherently anarchic "civil society". It is no coincidence that this conception forms the invariant theme of such seemingly disparate writers as Hegel, Weber, Keynes, and the incorrigible Fabians. Indeed, this conception constitutes the pivotal theme of European social democratic theory and this will become clear when we examine the British Labour Party. However, this conception must be rejected in its entirety not merely because it is a-historical but also, more importantly, because it posits a relation of externality between the

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state and class power or class interest. The implication of this is that the state is accorded an autonomous status, juxtaposed to, and separated from, the conflicts between classes and class-fractions.

On the basis of the relative autonomy of the political from the economic, Marxist theory is able to establish the relation (in no sense external) between the state and class interest. Moreover, it is on this basis that we are able to appreciate the point which escapes much communist theory, that the state does not directly represent the economic interests of the dominant class as was the case under the feudal mode of production. The principle of relative autonomy implies that the state is not reducible to an immediate and direct expression of the economic interests of the bourgeois class. Rather, the state represents the political unity of the dominant class. This was well expressed by Gramsci:

... the state is seen as the organ of one particular group, destined to create favourable conditions for the latter's maximum expansion. But the development and expansion of the particular group are conceived of, and presented, as being the motor-force of a universal expansion, of a development of all the "national" energies. In other words, the dominant group is co-ordinated concretely with the general interests of the subordinate groups and the life of the state is conceived of as a continuous process of formation and superseding of unstable equilibria...between the interests of the fundamental group and those of the subordinate groups-equilibria in which those of the dominant group prevail, but only up to a certain point, i.e., stopping short of narrowly corporate economic interest.⁸

Few theorists have managed to capture so well the relationship between the state and the dominant fraction of the bourgeois class, and the strength of this insight is borne out by the history of French "planning" and the "rationalization" of British capital in the inter-war period.

Moreover, if the state is to "coordinate" the dominant fraction of capital as well as nationalize its less efficient parts ("unstable equilibria") it must enjoy a degree of flexibility vis-a-vis the dominant class. Such flexibility is secured by the principle of relative autonomy, and it is important to stress that this is not something which the state has "won" for itself from capital but, rather, that it stems from the structure of the capitalist mode of production.

Recognizing the one-sided notion of externality in bourgeois theory, the Communist parties in Western Europe have been led into an either/or dilemma and, consequently, posit a "fusion" between the state and the monopoly fraction of capital, and hence the thesis of "state monopoly capitalism". The result of this Communist thesis is that the concept of relative autonomy is effectively jettisoned. Although far more "realistic" than the social democratic thesis of an independent state, both are one-sided. In the famous formulation of the state in the Communist Manifesto, Marx and Engels assert that "the modern state is but a committee for managing the common affairs of the whole bourgeoisie". Cutting the Gordian knot of one-sided extremes, Miliband writes:

that this means that the state is simply the instrument that it acts at the behest of that class is misleading. The notion of "common affairs" assumes the existence of particular ones, and the notion of the whole bourgeoisie implies the existence of fractions within that class. The state cannot meet the needs of that class, as a whole, without enjoying a certain degree of autonomy.⁹

The importance of these remarks cannot be overstated because, as Gramsci's citation tried to show, the state must be seen as the political organizer of hegemony for the bourgeoisie as a whole. However, if the state coordinates the political interests of capital as a whole, it

orchestrates this representation around the specific interests of the dominant fraction. Essentially, capital units are fractioned by their "material conditions of existence", and Marx demonstrated this in his analysis of the dichotomy between landed property and industrial capital. Given the unequal "weight" of capital units at their material conditions of existence, one fraction can be designated as being dominant, and this dominance is reproduced at the political level. This is the thrust of Gramsci's insight, namely, that the state presents the interests of this fraction as the "motor-force of a universal expansion, of a development of all the "national" energies".

The material conditions of capital as a whole constitute the basis of their political domination over the working class. This is well set forth in the first volume of Capital, where Marx says that:

the rule of the capitalist over the worker is nothing but the rule of the independent conditions of labour over the worker, conditions which have made themselves independent of him.¹⁰

This, then, is the materialist basis of the class struggle in capitalist social formations. The political containment of class conflict falls to the level of the state, so that political power supplements the "dull compulsion of economic relations", which itself is the domination inherent in the relations of production.

That the exercise of state-power can only correspond to the political interests of capital, particularly to those of the dominant fraction, is best illustrated with regard to the concept of power. Moreover, it is in this context that the notion of externality between state and class interests should be confronted. For the most part (we might almost say from Hegel to Keynes) bourgeois theory, especially its variant

represented by Dahl and the many U.S. pluralists, portrays society as being characterized by "pressure groups" which compete with each other for the attention of the state. The state meanwhile, is supposed to act as a "political broker", concentrating on those "groups" which are most successful at "lobbying".

Given the scope and limitations of this study, it is not possible to document the individual theories because they do not constitute a coherent body of thought. However, it seems legitimate to treat them collectively in this manner as they all appear to have an invariant core, which is that they posit, almost always implicitly, an external relation between the state and class interests. The pitfalls of this conception are ever-present since it completely ignores that

by state-power one can only mean the power of certain classes to whose interests the state corresponds.... To attribute power to the state, or to designate structures, institutions as the field of application of the concept of power, would be to fall into structuralism by attributing the principal role in the reproduction/transformation of social formations to these organs.¹¹

Strictly speaking, if we attribute power to the state without any qualification, we risk neglecting the inextricable relation between state-power and class interest and, conversely, the struggle between classes and class fractions which characterize the state within the state system itself. State legislation is an objectification and this must, of necessity, correspond to class interest for the simple reason that the state cannot objectify itself in order to correspond to itself. This becomes clear when we realize that the state is itself the product of, and the level at which, the class struggle works itself out. Moreover, if we do not admit to this position, we are left with the notion of the external, independent state, with its own specific interests, juxtaposed to society and class alike.

The above remarks are especially pertinent to the phenomenon of "Bonapartism" and the "New Deal" legislation: in both cases it appeared that the state was an autonomous instance whereas, in actuality, objective class interests were promoted to ensure the viability of capital accumulation. To admit to this position is not to denigrate whatever improvements were made for the American masses during the thirties.

At the outset of this study we defined the state as that factor which is responsible for the maintenance and cohesion of a social formation. For Marxist theory, the general role of the state is condensed in its functions at the political, economic, and ideological levels. State interventions at these levels are all political insofar as they aim at the unity of a social formation which is, in the last analysis, based on political class domination. Engels well understood this complex phenomenon when he said that a "social function" is always at the root of a "political function". This constitutes the concept of the political in Marxist theory as opposed to bourgeois theory in which it is more restricted, being coterminous with the "public domain".

The "social root" of state interventions means only that social cohesion is the object of such interventions, and this is so because capital is incapable of creating its own social conditions of life. We must appreciate the materialist basis of the assertion, that capital is a-social. This is because

Capital is itself incapable of producing the social nature of its existence in its actions, it needs a separate institution, based on itself, but not subject to its limitations, whose actions are thus not determined by the need to produce (its own) surplus value. This separate institution...can, on the unaffected basis of capital, comply with the immanent necessities neglected by capital... The state should thus be seen

neither as a mere political instrument nor as a superseded institution of capital, it can only be regarded as a special form for preserving the social existence of capital "beside and outside competition".¹²

This citation from Elmar Altvater is highly significant because it provides the theoretical basis for a rigorous understanding of the phenomenon of state intervention and, as we saw earlier, this is precisely what Shonfield and Dicey were incapable of providing. The essential point is that the state is forced to provide the services which are neglected by capital. During the phase of competitive capitalism in the nineteenth century, the state provided the general social base from which capital could be accumulated without interruption. At this stage these services were confined to the creation of a system of national law, currency, armed forces, etc., all of which capital was itself incapable of maintaining. The revenue needed to maintain these unavoidable functions has sometimes appeared to capital as a waste of a portion of surplus value, which could otherwise have been used "productively". This is the essential nature of capital's struggles to restrict the growth of state expenditures. Moreover, this forms the backcloth to the old bourgeois dictum that "best government is least government". The modern gloss of this ideological dictum has recently been delivered by the chairman of the U.S. Steel finance committee when he said, "Remember that government, however necessary, has nothing to give except that which is first taken away".¹³

In the period of competitive capitalism, during the nineteenth century, the maintenance of the general social conditions of production required the state only to make limited interventions such as maintaining currency, law, standing army etc. This limited role was determined

by the fact that all other conditions were fulfilled by capital itself because the provision of these services and conditions was profitable. In a sense, then, it is wrong to say that capital "neglects" spheres of production or services, because it consciously chooses not to enter these areas since they are unprofitable. One of the best examples of this "neglect" is the railways. During the phase of competitive capitalism, the railroads were a highly profitable concern and, capital ran them as a private enterprise. However, after the Second World War, the railways were anything but a profitable concern, capital therefore, withdrew from this sector and the vacuum was filled by the state.

The above remarks are intended to demonstrate that the state is compelled to incorporate an increasing number of productive sectors into the general social conditions of production. Moreover, with the historical tendency of the rate of profit to fall, we can expect the state to continue to increase its role in this way either by direct nationalization or through regulation and subsidization of declining or partially inefficient sectors. This process of regulation and subsidization is apparent in the inter-war crisis of British capital, and this is even more evident in the post-war period. This process is often described as the "socialization of costs", whereby the state issues direct subsidies to capital or "underwrites" the risks that are involved in long term investment. This is especially the case with those sectors which have "leapt ahead" technologically such as the nuclear fission sector. Without such "socialization of costs" these sectors would be "neglected" by capital and, as a result, would be incapable of satisfying the needs of the capitalist labour process. However, we should note that such state

intervention, in the form of direct and indirect financial assistance to capital is not unlimited. The resources which the state draws on to finance its interventions are supplied through state revenue and this is nothing more than a social fund of capital. In the last resort, it is this that constitutes the effective limits of state intervention, since this intervention cannot become so extensive that it undermines private capital accumulation. The state does not compete with private capital as this would further undermine the process of private accumulation and with it, the social dominance of private capital. It is noteworthy that state expenditures tend to expand less in periods of sustained growth than they do during periods of meagre or slow growth.

It should be clear from the above remarks that the changing balance between "private" and "public" spheres cannot be explained in terms of juridical determinants. The enhanced area covered by the "public domain" can be rigorously appreciated only on the basis of a materialist analysis, one that situates the determinants of state or "public" inter-
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vention at the level of capital accumulation.

In his Critique of Political Economy Marx claims that few subjects have made greater fools of men than the discussion on the nature and role of money. In a similar fashion we might add that this is also the case with the relationship between state intervention and socialism. The crudest statement on this relationship is that state intervention is somehow an index of "creeping socialism", and this view has been accorded the status of a received truth. We cannot neglect this view because of its many implications for socialist theory. However, we could not do better, in this respect, than to remind ourselves of Keynes' remark that

capitalism has a tendency to "socialise itself",¹⁶ Similarly, in the Grundrisse, Marx noted the growing contradiction between the objective socialization of the labour process and the continuance of private appropriation.

If we are to appreciate the fallacy of state intervention as it appears in social-democratic theory, we must distinguish between the socializing tendencies within capitalism as a mode of production and a process of socialist transition where the political and economic conditions are consciously confronted and understood. We will examine this relationship in greater detail when we analyse the severe shortcomings of the Fabian conception of state intervention. However, the general point that

The modern state, no matter what its form, is essentially a capitalist machine (sic) the state of the capitalists, the ideal personification of the total national capital. The more it proceeds to the taking over of productive forces, the more does it actually become the national capitalist, the more citizens does it exploit. The workers remain wage workers-proletarians. The capitalist relation is not done away with. It is rather brought to a head.¹⁷

It is precisely the false equation of state intervention with "state socialism" that has led some to speak of such confused notions as the "Social State" or the "Welfare State". This position is dear to social-democratic theory and it is, essentially, the product of a double error. On the one hand social democrats, such as the Labour revisionists of the nineteen fifties fail to appreciate the inextricable relation between state-power and dominant class interest and they are led to ascribe Promethean qualities to the state vis-a-vis capital. On the other hand, and this is not unrelated to the first point, they see state intervention as a means whereby significant re-distribution can be effected from

capital to labour. The crucial point about the latter conception is that they fail to appreciate the structural unity of capitalist relations of production and distribution. It is not possible to posit distribution as a point of departure since it is determined by the sphere of production.

We are now in a position to discuss the central determinants of state intervention. We have already demonstrated that one of these determinants is the need for the state to fill the vacuum which capital has created because of its unprofitability, that is, the state is compelled to maintain the general social conditions of production because they are the basis for further accumulation of capital. Besides laying the basis for private capital accumulation to proceed on an uninterrupted scale, the state also participates in this process to encourage the restructuring of capital units. We have already seen an example of this in the way the state nationalizes or provides indirect aid through subsidies. This means that the central determinant of state intervention is to be located in the problems which capital confronts in the sphere of production. It is of the first importance to be clear about these determinants of state intervention because, if misguided, the labour movement will fail to appreciate the necessity of certain state actions and frame its own demands in a way that is bound to fail.

In Marxist theory, the prime determinant of state intervention is the sphere of production because the tendency of the rate of profit to fall breeds over-production, speculation, crises and surplus capital alongside surplus population. The latter forms of crises are endemic to the circuit of capital and cannot be abolished by state intervention.

Indeed, when we appreciate the function of crises in the circuit of capital, we will more fully understand that the state does not even seek to abolish crises, but seeks only to "regulate" their "wild" side. The basis for this position lies in the fact that crises in the circuit of capital help to crystallise tendencies which actually counteract the tendency for the rate of profit to fall (devaluation of capital, destruction of means of production, etc.). These remarks are intended to indicate that crises have the effect of purging capitalism, temporarily resolving the contradictions of the circuit of capital. Once it is recognised that production is the determinant sphere, it follows that the state cannot abolish the source of crisis and, rather

the state is objectively forced to accept the necessity of economic crises, overproduction and unemployment... the state does not passively "accept" crises, it actively intervenes to ensure their fruitfulness for accumulation. This involves primarily increased nationalization, financial aid to and supervision of private capital... and cuts in state expenditure to release surplus value for accumulation.¹⁹

This analysis of the determinants of state intervention should be compared to that of Keynesian theory where the determinants are located in the sphere of circulation and, therefore, the function of state intervention is to balance distributional resources between capital and labour (deflationary policies to create unemployment etc.). This Keynesian focus on the sphere of circulation is quite in keeping with Keynes' basic premise that only the volume, and not the direction, of production is problematical. Given this basic premise, we can appreciate the present malaise of Keynesian economics in being unable to provide an effective solution to the inadequate utilization of resources in the private capitalist sector. However, this is not to suggest that the Keynesian

measures of demand management are not efficacious in assuaging the "wild" side of the crisis. This has obviously been effected through the principle of deficit financing, although even this is not without its contradictions. The above remarks are intended to demonstrate that the "Keynesian State" is not able to abolish the conditions which generate the persistent crises of the capitalist mode of production.

State intervention should not be presented as a "bias", on the part of the state toward capital and against labour as though it was a matter of a more successful "lobbying" on the part of capital. We should appreciate the fact that the first priority of state intervention is to ensure the continuance of profitable capital accumulation. This is an objective necessity, as all other state functions are predicated on its ability to promote this process. In other words, its role of social legitimization vis-a-vis the working class is undermined to the extent that it is unable to execute its functions in the sphere of material production. This helps to explain the difficulty which the state experiences in trying to win acceptance of its policies when it simultaneously has to create unemployment. This is most clearly seen in Britain in the mid and late 'sixties. Moreover, the British case illustrates the fact that, with declining profit margins and low productivity, the state is increasingly forced to impose more systematic forms of political control over the working class. These forms of control have ranged from "voluntary" incomes policy to the quasi-corporatist attempt to transform the central organ of the labour movement into an adjunct of the state.

We have said that the state must intervene in crises to ensure that they fulfil their function of a purge of capital and this it does through restructuring, financial aid, etc. However, these interventions are not free of constraints because the extent to which the state is allowed to shift resources to capital depends, in the last analysis, on the pace and intensity of the class struggle. If the labour movement succumbs to a wage-freeze, for example, this helps to contain the pressure on capital. This question inevitably involves the ideological maturity of a working class, especially the adequacy of its political organization. Given the primacy of political organization, the nature of the party becomes all important because if the party, like the British Labour Party, it seeks to contain the working class within capitalism, it can only inhibit the growth of a mature socialist strategy. Indeed, this has been the historic function of the Labour Party and, by that token, it is the concrete mediator between capital and labour at the political level.

It should be clear, from what we have said, that socialist theory, especially as applied in its political practice, can in no way accept the notion of an independent state which is somehow external to dominant class interest. The non-academic nature of this question can be measured by the tragedy of Chilean socialism where the neglect of the relation between state and dominant class was a factor contributing to the murders in Santiago.

Throughout this chapter we have argued that the bourgeois view of the state is totally inadequate. This is not merely because it fails to locate the prime determinants of state intervention in the sphere of production, but also because it uncritically accepts the distinction

between the concepts of "private" and "public". Even if this is acceptable to bourgeois theory, we should point out that it is nothing short of disastrous for socialist theory. Gramsci referred to the bourgeois view as the "everyday concept of the state," which is "unilateral and leads to grotesque errors". In his view, this conception cannot be accepted by socialists because it remains

on the terrain of the identification of State and government, an identification which is precisely a representation of the economic-corporate form, in other words of the confusion between civil society and political society. For it should be remarked that the general notion of State includes elements which need to be referred back to the notion of civil society (in the sense that one might say that State-political society, civil society, in other words, hegemony protected by the armour of coercion).²¹

These remarks are quintessential to the political practice of any socialist strategy. Gramsci, well aware of the pitfalls that beset the soviets in Italy, is here attempting to show that "state intervention" is not synonymous with "governmental intervention". This must be appreciated because state intervention, in its fullest sense, includes the use of "private bodies", such as the parties and trade unions, to complement and extend the interventions of government. The most obvious example of this "extended intervention" is state intervention in incomes policy by which in Britain for example, the T.U.C. is used to maintain the viability of the policy vis-a-vis its rank and file and this permits the state to flaunt the voluntary appearance of the policy. This is what Gramsci had in mind when he said that such "private bodies" help to cement bourgeois hegemony which can be defined as an

order in which a certain way of life and thought is dominant, in which one concept of reality is diffused throughout society in all its institutional and private manifestations, informing with its spirit all taste, morality, customs, religious and political principles, and all social relations, particularly in their intellectual and moral connotations.²²

The ascription of a "private" appellation to these bodies refers to their relative separation from each other and from the repressive state apparatus itself. Moreover, despite their lack of formal cohesion, these bodies foster and maintain the "language of adaptation" in capitalist formations. Such "private bodies" are especially efficacious in this respect because "political questions are disguised as cultural ones and as such become insoluble".

It should be clear from what we have said that the relation between the concepts of "private" and "public" has important implications for the definition of political power as well as for the means by which such power is implemented.

The massive demands being made upon the state since the early 'sixties have the effect of exposing more and more areas to state surveillance. However, the ability of the state to effect social control through legitimization is circumscribed by the structural limits which are co-terminous with the capitalist mode of production. For instance, the state cannot itself enter into private capitalist production on a permanent scale, as this would undermine the social dominance of private capital. Neither can it fully incorporate the central organs of labour into adjuncts of the state which is not to say that it will not try it. One alternative open to the state in extending its control is

[to] exercise that control through personnel and organizations which are not nominally part of the state apparatus... those quasi-institutions where state policy is implemented by the use of nominally independent or even private organizations.²³

This phenomenon has been deplored by anti-pluralist, bourgeois theorists such as Theodore Lowi because it leads to a usurpation of "political

sovereignty" or, as Lowi puts it, to a crisis of "public authority". It is especially interesting that, in Lowi's conception, the increasing "public" use of "private" agencies exhibits a tendential corporatist logic. The point to note about this phenomenon, no less real for being partly imperceptible, is that corporatist structures and practices are being generated from an ostensibly anti-corporatist, pluralist structure. This tendency has been present, in one way or another, in all the advanced capitalist formations and it can be fully appreciated only in relation to the problems of capital accumulation, which itself exacerbates the state's attempts to forge what we have called the "active consent" of the dominated classes. The state's drive to secure this "active consent", as it is simultaneously restructuring capital and, hence, creating unemployment, gives rise to the objective conditions for acute class conflict. Socialist organization must strive to provide the subjective side of the class struggle because, as the post-war period shows, the British working class has failed to translate its industrial militancy into a political form. In the present situation, if the British labour movement cannot see further than the immediate economic recession, it will be increasingly the object of quasi-corporatist forms of state intervention, which aim at the perpetuation of the capitalist relations of production.

In the following chapters the focus will be on the concrete and particular development of British capitalism, and in this way we hope to apply the abstract principles of this chapter to a specific historical period.

CHAPTER TWO

THE INTER-WAR BACKGROUND

Our historical point of departure presupposes some understanding of the political and economic background which formed the basis of the post-war settlement. Indeed, the rise of the "Keynesian State" can be appreciated only through an understanding of the changes wrought in the "competitive capitalism" of the inter-war period.

An important, though not exclusive, focus of this chapter will be the nature and role of the Labour Party because, as the bearer and container of working class demands, it is the concrete mediating link between labour on the one hand and capital and the state on the other. In many ways the Labour Party can be seen as the political advocate of those policies which, after 1945, formed the essential basis of the post-war settlement, i.e., the social democratic order that was created¹ between 1940 and 1948.

The Labour Party originally distinguished itself from other European working class parties by its religious-like devotion to what is usually called the "parliamentary road to socialism". Ever since its inception, the Party has insisted that all progress be effected via parliament, and social reform was to be achieved for, and not by, the working class. However, an important corollary of the identification of labour with national institutions is that labour is necessarily, "tied" to the national capital, which creates the possibility that social

reform will be predicated on the prosperity of that national capitalism. Once the compatibility of labour and capital is admitted, it follows that labour can improve its position only through capital and, therefore, the exhortations to make capitalism more efficient can be construed as being in the "best" interests of labour. This is the logic of the Labour Party's political practice and those theorists, such as Beer, who view the Party as a bearer of socialism in the inter-war period find it necessary to concentrate on the ideological rhetoric of the Labour leadership.

Created to further the interests of the working class, the Labour Party has consistently been encapsulated in the contradiction which is common to all social-democratic parties after 1918, namely that it is the bearer of working class demands on the one hand, while, on the other, it is forced to address itself to the demands of capital. It was precisely this contradiction that led Lenin, in 1921, to characterize the Labour Party as a "workers' party" executing the policies of the bourgeoisie. This is not the result of some mendacious form of "conspiracy" on the part of the Labour leaders but, rather, it stems directly from their theoretical points of departure.

Given this specific orientation, the Labour Party constitutes the vital complement to its bourgeois counterparts, and this is the result of its acceptance of what Bagehot called the "facts of office". These "facts" are nothing other than the demands of capital:

The great industrialists utilize all the existing parties turn by turn, but they do not have their own party. This does not mean that they are in any way "agnostic" or "a-political". Their interest is in a determinate balance of forces, which they obtain precisely by using their resources to reinforce one party or another in turn from the varied political checkerboard.²

As opposed to the bourgeois notion of "political competition", our citation implicitly posits a political division of labour in which each party presupposes its counterpart in articulating socio-economic aspects of the "political consensus", which constitutes the form of bourgeois hegemony. The Labour Party has at no time sought a rupture in this "political consensus"; rather, it seeks to articulate working class demands in such a way that it effectively defines them within the parameters of bourgeois hegemony.

A vast corpus of literature has been devoted to analysing the "British consensus", which has been traditionally depicted as the bourgeois model of political integration. However, it is noteworthy that in his study of the nineteenth century "consensus", Bagehot wrote, "Our English [sic] system makes parliamentary government permanent and possible in the sole way that it can be so, by making it mild".³ Convinced of the importance of an identity of interest between the major parties, Bagehot postulated this as a pre-condition of the survival of bourgeois democracy. That this identity of interest should be reproduced and, more importantly, galvanized in the twentieth century is sufficient testimony to the Labour Party's commitment to the "political consensus". If it appears that we have been too insistent on this point, it is only because it is

remarkable that those analysts who seek to account for the attunement of large parts of the working class in advanced capitalist countries to conservative ideology should not have stressed more the contribution to political demobilization which has regularly been made by social democratic leaders.⁴

The Labour Party is distinguished from its bourgeois counterparts by its structural ties with the trade unions and, by implication, with the working class. It is because of this base in the working class and

the need to articulate its demands that the Labour Party is so disposed to active state intervention. Indeed, given the parliamentary premises of its strategy, it claims that state intervention is the only means by which the position of the working class can be safeguarded against the "unjust" laws of capitalist distribution. State intervention has always been seen as a way of redistributing resources in a more equitable fashion than would be the case if the market mechanism were left to its own⁵ proclivities.

However, we noted in our first chapter that the nature and purpose of state intervention must be clearly distinguished from being some index of "creeping socialism". This is what the Fabians failed to do and, as a result, the full significance of the inter-war mutations in capitalism remained partly obscured from the Labour ideologies. The Fabians, especially Sidney Webb, failed to appreciate the full significance of the socializing tendencies inherent in the capitalist mode of production, especially that

The productive relations of capitalist society approach more and more the production relations of socialist society. But on the other hand, its political and juridical relations... establish between capitalist society and socialist society a steadily rising wall. This wall is not overthrown, but is on the contrary strengthened and consolidated by the development of social reforms and the course of (bourgeois parliamentary) democracy.⁶

This tendency within capitalism was interpreted by Webb as a "glide into collectivist socialism". We said in the first chapter that state intervention per se has little to do with socialist advance. It was this initial identification of socialism with "collectivism" that led Webb to equate socialism with the above socializing features of the capitalist

mode of production. Consequently he was led to construe municipal enterprise and social legislation per se as a part of an "irresistible glide into collectivist socialism". This identification of socialism with state or "public" control rests upon the same crass level as its opposite, namely, the identification of capitalism with its particular "laissez-faire" form. The Fabians, together with Labour Party members, welcomed the concentration of capital in trusts and monopolies as "both inevitable and desirable"⁷. The Fabians equated this development with the growth of "public control" in the spheres of health, housing, education and transport, the implication of this for industry being that capitalist concentration would similarly lead to "public ownership" and control.

The central concern of the nineteen twenties and the nineteen thirties was the relative decline of British capitalism in the face of fierce international competition. A slight indication of this relative decline can be seen from the fact that Britain's share of world trade fell from 30.4% to 25.6% in engineering exports alone between 1913 and 1930.⁸ Moreover, the internal position of British capital was exacerbated in the late nineteen twenties and early nineteen thirties by the external contraction of the world market. Although the responsibility for the world depression cannot be ascribed to any single country, the internal policies of the British state served only to aggravate the domestic effects of the generalized stagnation. These included a rigid and relatively fragmented industrial structure, the inability to absorb unemployment in the export sectors, and especially the absurdly high level of the exchange rate following the return to the gold standard in 1925.

More significant were the changing patterns of world exports, away from the traditional spheres of British specialization, such as cotton, coal, iron and shipbuilding, and towards motors, electrical goods, petro-chemicals, and synthetic fibres. These new science-based sectors utilized the most advanced forms of technology and were usually much larger production units. American and German capital had assumed the undisputed lead in these sectors and this necessarily attracted British attention to the German economic structure, which was undergoing a "rationalization movement".

As we have said, the problems which beset British capitalism from an internal perspective were exacerbated by the global depression of the late nineteen twenties. This served to underline further the need for a reorganization of the British capital structure.

In 1928 a Liberal industrial enquiry published its analysis in a programme entitled Britain's Industrial Future, which, ironically, referred to the "unintegrated mass of independent atoms" which composed the British industrial structure. The central thesis of this analysis was that "rationalization" had become an essential prerequisite for industrial recovery. Indeed, it is a reflection on the changes being wrought in "competitive capitalism" that the Liberals condemned competition as wasteful and "inexpedient" and advocated instead a form of "controlled competition". In 1929 the Balfour Committee added its voice to the centralization movement by advocating that the individual firm should surrender its authority to that of the industry as a whole. This involved the substitution of association for isolation through the medium of the industry-wide trade association.

With the decline in world trade, the domestic market became more important to each national capitalism and, consequently, each sought protection for its own industries through tariff charges against foreign competition. The larger sections of capital were fully aware that if protection was to be successful it would have to involve state intervention to force industrial concentration and cooperation. Moreover, the whole process of reorganization of the structure of British capitalism was premised on the need for a common purpose and a unified policy. As we saw in our first chapter, capital fractions are fragmented at their material conditions of existence and, consequently, are themselves incapable of devising a common strategy. At the material level their interests are too disparate and their least common denominator is too passive to allow them a significant degree of political cohesion. This is precisely what we said in our first chapter about the states having to forge a political policy whereby capital units could gain some political cohesion. This is not to say that some of these units are not sacrificed to the better health of the total social capital. Indeed, this is what happened in some cases of reorganization, where some small firms were sacrificed in order to ensure the efficiency of the industry as a whole. With this in mind we can appreciate the opposition, on the part of a small capital, to the merger proposals of the Industrial Reorganization League.

This process necessarily involved a much expanded role for the state and throughout this period it promoted reorganizations which the market was either unable or unwilling to promote. State grants and the conditional offer of tariffs were used to foster the reorganization of

British capitalism. On the international level, the state abandoned the gold standard in 1931, and at the Ottawa Conference of the same year British capital reverted from a policy of multilateral trade to one of protection, exchange control, and bilateralism.

Such state interventions can in no way be construed as a "glide into collectivist socialism". Indeed, it should be patently clear that the reorganization of capital was designed to consolidate national economy from foreign and domestic pressures. The main object of such measures as the Coal Mines Reorganization Act and the Cotton Industry Act was to sustain profit margins through cartel organizations. The deliberate policy of curtailing the market mechanism, together with its hitherto "sacred" practices, was laconically summed up by Keynes as the "end of laissez-faire". In an age of mass unemployment, fascism, and New Deal policies, British capital demonstrated that it had few inhibitions about invoking state intervention in order to preserve parliamentary democracy on its capitalist basis.

However, as we tried to show in the first chapter, there are very real limits set on the ability of the state to restructure capital, the most important being the capitalist mode of production itself. The furthest the state can go in restructuring capital is the "public corporation", of which the best examples are the nationalized sectors after 1945. State interventions of this sort throughout the economy would ultimately destroy the social dominance of private capital.

We noted earlier that the Fabians welcomed this process towards "public control" as part of the "irresistible glide into collectivist socialism". However, it should be clear that it would be more accurate

to see this process as a dash for state regulation. Indeed, as we have seen, this form of state intervention was welcomed by the Liberal Party and even large sections of the Tory Party under the tutelage of Macmillan. The most novel forms of state regulation and control were the "public corporations" such as the B.B.C. (1926), the Central Electricity Board (1926) and the London Passenger Transport Board (1933). The important point to note about all these experiments is the high degree of political consensus which formed the context for their implementation.

The Labour Party's conception of "public control" was illustrated in Morrison's creation of the London Passenger Transport Board in 1933, which, significantly, was vehemently defended by the Labour leadership as a non-political enterprise. Moreover, this experiment is important for the stress placed on the "ideologically disembodied expert". The notion of the expert had been invested with a high status in the early Fabian strategy as well as in that of Keynes, and it is no coincidence that it should "pop up" in the nineteen fifties in the form of Crosland's "manager". So far as the Labour Party leadership is concerned, the notion of "public ownership" has nothing to do with the balance of class-power in industry or with spreading the area of effective decision-making in society as a whole. Morrison's model of "socialization" can be seen as the touchstone of the Labour Party's commitment to and conception of, the so-called transformation of industry. Laski said of this model that it seemed, "merely to involve making the state manage the industry concerned to the greater advantage of the new bond-holding class so created."¹¹

It is essential to appreciate the content of the Labour Party's conception of "public control" which was, essentially, a means for increasing efficiency throughout industry and, as the Morrisonian model demonstrated, had little to do with shifting the class relations within these sectors. Indeed, the Labour Party's proposals could lead only to a transformation of the juridical forms of ownership from the "private" to the "public" sphere. This transformation would leave the capital relation intact. Moreover, For Socialism and Peace, the most radical inter-war party programme, did not depart from this conception as it aimed merely to nationalize "capitalism's derelict industries".¹² We should stress that at no time throughout the inter-war period did the Labour Party propose to nationalize the truly profitable sections of British capital.

Without understanding the reasons for this apparent "neglect", it is not possible to appreciate the role of state intervention in the Labour Party's inter-war strategy. The omission of profitable sections of capital from Party programmes, and with the stringent orthodoxy of two Labour Governments, have led some socialists to explain this record as a "betrayal". However, nothing could be more disastrous to a full understanding of its role and nature in British political history. This record is simply the result of the inexorable logic of the Party's conception of the relationship between the state and capitalist development. Rejecting the attempt to socialize profitable sections of capital as part of a general socialist transition, the Labour Party was and is compelled to service and promote the productivity of capital as the one way of winning social reform for its working class base. It is for this

reason that the Labour Party is more disposed to "harness" the state either to restructure inefficient capital or to take it into "public ownership". Precariously situated between the "needs" of capital and its working class base, the Labour Party must address itself to what Marx called the "extremes of society". This dual role serves to distinguish the Labour Party from both the Tory and Liberal parties, and it is also the "key" to understanding its attempts to demobilize and contain working class demands on capital.

The Labour Party's strategy was powerfully reinforced after 1926, when the militant sections of the labour movement were utterly defeated by the Bevin-Citrine policies of the T.U.C. The inter-war policies of the T.U.C. leadership were predicated on cooperating with capital for the "rationalization" of industry and nowhere is this policy more clearly stated than in the report to the General Council at the 1928 Congress. The T.U.C. leadership urged its rank and file that it should

say boldly that not only is it concerned with the prosperity of industry, but that it is going to have a voice as to the way industry is carried on, so that it can influence the new developments that are taking place. The ultimate policy of the movement can find more use for an efficient industry than a derelict one, and the unions can use their power to promote and guide the scientific re-organization of industry as well as to obtain material advantages from that reorganization.¹³

This strategy was a direct result of an initiative taken by the more advanced sectors of capital, exhorting labour to cooperate actively in the drive to "increase the competitive power of British industries in the world's markets". This attempt to forge a "partnership" was embodied in the overtly corporatist Mond-Turner talks in 1928-1929. These advanced sections of capital, mainly from petro-chemicals, motors, and

electrical engineering, fully recognised that labour cooperation was vital to "rationalization" because it would have the effect of displacing labour at a time of high unemployment. Trade union support of these efforts to "streamline" British capital could be precarious at best in view of the fact that between 1920 and 1940 unemployment averaged 13-14 percent while in 1932 the figure stood at 3 million or 23 percent of the insured population. The tentative nature of the "partnership" was evidenced at the Labour Party Conference in 1930 when, following a "downswing" in the economy, even Bevin expressed doubts about its viability.¹⁴

The inter-war period demonstrates that state intervention was in no way the "preserve" of the Labour Party because both bourgeois parties were prepared to jettison their ideological aversion when confronted by the material necessity of protecting the domestic markets and reorganizing capital. The absurdity of seeing such interventions as being an index of "collectivist socialism" should be evident from the way in which state expenditure was allocated. The object of such expenditures was not the reduction of unemployment, indeed a Labour Government had actually cut unemployment benefits, but transfer payments in the form of social security schemes on the one hand, and goods, services and capital investment on the other. Throughout the inter-war period capital, the state and Labour Governments had consistently opposed state experiments for reducing unemployment through public works. The Keynesian proposals were seen as creating a dangerous precedent in according the state an enhanced status in the economy. Moreover, the Labour Party fully concurred with the tenacious bourgeois view that the "balanced budget" was the first principle

of "sound finance". We should note that this principle was no mere technical matter. The high level of the exchange value of sterling, which attended the restoration of the gold standard, was one of the main factors contributing to the most bitter strikes in British working class history. This "monetary decision" was the most important cause of the miner's defeat. Even Keynes wrote that the miners

represent in the flesh the "fundamental adjustments" engineered by the Treasury and the Bank of England to satisfy the impatience of the City fathers to bridge the "moderate gap" between \$4.40 and \$4.86... The plight of the coal miners is the first, but not...the last, of the Economic Consequences of Mr. Churchill.¹⁵

Although the role of the state increased enormously during the inter-war period, its interventions remained ad hoc, confined to specific problems in specific industries, while the actual reorganization of capital was effected through such organs as the industry-wide trade associations. The important point to emphasize, however, is that the state intervention was essential in promoting and coordinating such reorganization. The role of intervention had increased but its scope and purpose remained confined to the traditional spheres of policy, as the unemployment levels indicated. Its extended role was the effect of the transition from a "competitive capitalist" structure to a more concentrated, monopolistic system which demanded greater coordination between capital and the state.

The massive concentration and centralization of capital ushered in the monopolistic phase of capitalist production which was described by The Economist as "a new fuedal system, with the British market, instead
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of British land, parcelled up among the barons". This was an understandable response from an organ that bemoaned the decreasing importance

of small capital. However, as we noted in the first part, capital units of different sizes react in ways most consistent with their material conditions of existence, and this can be seen as the major determinant of their political stance. However, if The Economist viewed the state-encouraged reorganization from the stance of small capital and a "laissez-faire" orientation, a more significant response was evinced from The Times, in the context of a Tory attempt to nationalize mining royalties. In a fierce indictment of the colliery owners, as well as those Tories who supported them, it declared that

...to claim immunity for the dead wood in private enterprise is to endanger the whole tree... What reorganization the Bill brings about will not weaken but strengthen private enterprise. What will be re-adjusted is excessively tenacious individualism.¹⁷

The advanced sections of capital which had initiated the Industrial Reorganization League had fully appreciated that the state would be indispensable in regulating such "individualism". More than anything else, the above statement from The Times is probably the most succinct appraisal of the inter-war developments. It was perfectly aware of the fact that a "laissez-faire" ideology no longer expressed the real interest of a concentrated capitalist economy.

CHAPTER THREE

THE POST-WAR SETTLEMENT

Few specific dates are so popularly regarded as historical points of departure in Britain as 1945, when the Labour Government entered office with its first parliamentary majority. However, as with so many views, social currency is no guarantee of accuracy, and this is especially true in this case. The real prologue to the post-war settlement, which was established in the 1945-51 period, must be located in the need for national cooperation during the war-time economy. During the war the state sought, and received, the cooperation of the trade unions in anti-strike legislation, wage restraint, and the supply of labour to essential industries. Such cooperation on the industrial level was reproduced at the political level in the shape of the Coalition Government which, in an effort to ensure trade union compliance, included the most prominent T.U.C. leaders.

In an effort to secure trade union support for the period of post-war reconstruction, the Coalition Government pledged itself to a new commitment to improve social conditions and full employment. The substance of this new commitment was embodied in the Beveridge Report on Social Insurance in 1942, its sequel, Full Employment in a Free Society (1944), and the White Paper on Employment Policy (1944). Taken together, these reports constitute the programmatis basis of British Social Democracy, with its central emphasis on the "interventionist state".¹ A decade after they were first canvassed, the British state officially endorsed

Keynesian policies as a device to regulate the economy and to ensure that the mass unemployment of the nineteen thirties was now politically "unacceptable".² The commitment on the part of the state to maintain "high and stable levels of employment" was described by Kaldor as the "most revolutionary innovation of the century in the sphere of government". This commitment represents one of the major pillars of the post-war settlement.

The full employment commitment was predicated on the "new" economic policies advocated by Keynes, who had argued in his General Theory that high levels of employment could be secured only through the adjustment of production and consumption in favour of investment. Capitalism, Keynes believed, had long since lost its ability to overcome depressions, and, consequently, stagnation would be its "normal" mode of existence unless the state intervened to secure the necessary volume of investment. Without entering into the main political implications of this conception, we should note that by

insisting that only the volume, not the direction, of production should be subject to government planning, Keynes indicated that he was not concerned with altering the existing class relations but only with removing its dangerous proclivities in times of crisis.³

The real significance of the Keynesian proposals lay in the assertion that full employment was a political undertaking rather than something to be decided by the market mechanism. Levels of unemployment could henceforward be seen as a direct effect of state policies. This is highly significant because unemployment could no longer masquerade as the product of "natural" market forces as some economists had suggested in the inter-war period.

The premises of Keynes' prescriptions, however, were firmly rooted in bourgeois economics and, because he saw no necessary connection between state power and class interest, he was led to attribute Promethean-like qualities to the state. Moreover, there is a tendency for Keynes to view state intervention as a "rational" adjustment to the shortcomings of a "private" market economy.⁴

It is important to emphasize the point, recently underlined by Panith, that the commitment to full employment was no deus ex machina or some Keynesian "technical" achievement. This policy was as much the product of political forces as it was of economic "rationality". The policy was drafted under the Tory-dominated Coalition Government and, as we have noted, it was part of an attempt to win working class cooperation for the post-war reconstruction as well as to avoid the explosive political sequel that followed the First World War.

The White Paper on Employment Policy is rightly seen as a major pillar of the post-war "consensus". However, the conditional nature of this commitment is seldom given the attention it deserves. Following the famous statement on "high and stable levels of employment" is the statement that widespread unemployment could be averted only if the "necessary expansion of our external trade can be assured". In the light of subsequent post-war history, this proviso needs to be given some prominence.

The "Beveridge Report" forms the second pillar of the post-war "consensus" and while stressing the moral and social benefits of full employment it predicates full employment on "responsible" working class action. This is clear from this statement

So long as freedom of collective bargaining is maintained, the primary responsibility of preventing a full employment

policy from coming to grief in a vicious spiral of wages and prices will rest on those who conduct the bargaining on behalf of labour. The more explicitly that responsibility is stated, the greater can be the confidence that it will be accepted.⁵

As Panitch has noted, the Report offers full employment as part of a quid pro quo for a "unified wage policy" on the part of the T.U.C. Moreover, the Report suggests that unless "responsible" working class behaviour is evinced, then "wage determination will perforce become a function of the state".

Beneath its humanitarian form the Report comes as near as anything to documenting the social democratic "deal" between labour on the one hand and capital and the state on the other. This carefully coded document reflects the apprehensions of a ruling class which felt itself administering a potentially new power to organized labour. In a more restrained vein it can be seen to parallel the concern of an earlier ruling class, which presided over the limited working class franchises in 1867 and 1884. If this parallel appears limited, we would do well to recall the bourgeois attitude to full employment at the end of the war, when it was widely believed that without unemployment and the "sack", capital would lose its power to "discipline" the labour force. Significantly, capital felt that this conferred on labour a decided
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advantage, which would not be compensated by higher profit margins.

This is the essential background to the Labour Government's attempt to reconstruct a war-torn economy while maintaining the social democratic "deal" which had been formulated under the Coalition. It appeared to be the historical function of a Labour Government to preside over a crisis-ridden capitalist economy constrained by a history of low

investment and technical backwardness. Moreover, British capital is deservedly renowned for the historical neglect of its own investment requirements. Notwithstanding the low levels of investment in the inter-war period, the E.C.A. Report confined itself to the effect of the war and claimed that, "if new capital were formed in the United Kingdom at the pre-war rate, it would take seven years to make good the physical damage that was suffered between 1939 and 1945."⁷

In addition to this capital requirement, the sterling balances were by 1945 in deficit of 3,500 million and this, taken with the Marshall Aid, set severe external parameters to the Labour Government's internal policies. Given this condition of British capitalism, as well as our remarks on the Labour Party in the inter-war period, it should occasion no surprise that Stafford Cripps listed the Labour Government's immediate priorities in this way:

First are exports...second is capital investment in industry, and last are the needs, comforts and amenities of the family.⁸

These priorities were endorsed by both major parties, as was the view that massive state intervention was the only means of effecting the transition to "normalcy" by diverting the greater part of scarce resources to export industry. This end required some form of state "planning" and even this was endorsed by the "right progressive" faction of the Tory Party under the wing of Macmillan and Butler.

The extent to which "planning" was a principled feature of the Labour Government's programme can be seen from this statement by

C. Attlee:

We are not in favour of controls for their own sake...
(but) while there are shortages there must be controls,

... As these shortages disappear so controls can be relaxed.⁹

The contingent nature of these controls on the nature and direction of production must be emphasized if we are to appreciate the content of "democratic planning" as it appeared in the post-war schema of the Labour Government. Moreover, the manifest failure of the market mechanism in no way deterred the Government from rehabilitating it to a prominent position in the post-war world. The state interventions of this period were essentially confined to remedying the shortcomings of the market, especially its distributional proclivities.

Despite interpretations to the contrary, the essential tendency of the Government's reconstruction policy was to decentralize the area of effective decision-making and, as we have already noted, the physical controls themselves were the dire accompaniments of conditions of scarcity.¹⁰ This point needs to be given some prominence because it is common to cast the 1945-51 period as an "age of austerity", to be contrasted with the nineteen fifties, which, under Tory "neo-liberalism", are seen as an "age of prosperity". It is not our aim to deny the elements of truth which gave rise to the above conception, but, we think it important to stress that the "urge" to decentralize did not suddenly appear in 1948, and even less when the Tories entered office. Decentralization was, in many ways, equated with the return to a "normal" peace-time economy and it was a condition of the active participation of capital in the Labour Government's form of "democratic planning". We shall attempt to demonstrate the validity of this interpretation in our examination of the "voluntary cooperation between the state and capital organs, such as the industry-wide trade association and the Federation of British Industries.

The experience of this attempt to "plan" the British economy, with its central aim of combining the needs of capital with the demands of organized labour, would set the precedent for future forms of state intervention in the post-war period. It is not too much to say that the epigones of the nineteen sixties would look back to the 1940-51 era as something of a "golden age" as far as the relations of organized labour with capital and the state are concerned.

The Labour Government concurred with the war-time reports of the P.B.I. that voluntary cooperation was the only approach to post-war problems as this would ensure that active cooperation on the part of capital would be forthcoming. The F.B.I.'s report, The Organization of Industry (1944), proposed that capital be given the maximum amount of autonomy and that this was to be achieved by giving trade associations the exclusive responsibility for administering state policy for industrial recovery. This was a throwback to the F.B.I.'s inter-war ideal of "self-government in industry" and, to the extent that they wished to exclude state regulation altogether, this was not possible given the objective necessity of state coordination.

The Labour leaders, especially Cripps, increasingly believed that the aims of capital could be "harmonized", through the mediation of state supervision, with the objectives of the Labour Government. As noted by Rogow, if this notion is carried to its logical conclusion, state supervision of capital would become self-supervision by capital if the latter could succeed in sufficiently raising its productivity levels. Moreover, the F.B.I. proposals held not a little attraction for the Labour Government because they were based on the pattern of cooperative structures

that had been developed during the inter-war period and extended under the war economy. In this sense the Government inherited much of the machinery that had facilitated the reorganization of British capital over the past two decades.

The very existence of the trade associations, however, reflected the fact that the previous two decades had failed to produce any marked prosperity and, in this sense, they are the symbols of an attempt to regulate over-capacity and price differentials within a particular industry. Their increasing importance during the inter-war period can be gauged from their rapid expansion throughout industry. In 1919 there were approximately 500 trade associations, while by 1944 there were about 2,500 through industry as a whole. At the apex of the trade association stands the F.B.I. which attempted to coordinate relations between these myriad bodies and the state, and an important aim of the F.B.I. in 1945 was to promote industry-wide associations in a strategy designed to limit
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the extent of state interventions.

Given the objects and the extent of private organs of coordination, we are able to appreciate the content of the Labour Government's form of "democratic planning" which employed capital organs directly in the
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"planning" process. That the Labour leaders accorded a central place to such organs can be seen from the fact that they actively encouraged the formation of more trade associations. It should be evident that through the medium of the trade association, capital expects to administer "control" over itself.

The Labour Government encouraged the formation of trade associations as "policy-forming" bodies in an attempt to tap the expertise of the "private sector" in order to promote the most efficient process of

post-war reconstruction. However, one of the most important effects of allowing capital to supervise itself was that it was able to set its own price levels to the extent that profit margins were, for the most part, the "highest in the history of British industry".¹³ The direct incorporation of capital organs inside the "planning" machinery needs to be emphasized if we are to understand the "weakness" of the state in balancing the needs of capital with the objectives of "democratic planning".

The most important contradiction in this strategy was that state supervision had to coalesce with the way in which capital perceived its own interests, the implication being that capital would withdraw its active cooperation whenever the Labour Government sought to "transgress" what Bagehot called the "facts of office". Our interpretation is evidenced by the farcical effects of the Development Councils, the most distinctive policy that the Labour Government devised for the "private sector".¹⁴

The Development Council was intended to be the new form of organization through which the Government sought to initiate the desired changes in stimulating and reorganizing capital. However, the Industrial Organization and Development Act, the legislative basis for the new Councils, carried the principle of voluntary cooperation to extremes. It transpired that Councils would be established only if they were "desired by a substantial number of the persons engaged in the industry. The Councils were essentially designed to facilitate the formation of a coordinated policy for an entire industry by providing such services as research and export promotion in an attempt to help the average firm to higher levels of efficiency. However, the Act anticipated opposition from

capital and therefore provided for a more modest form of organization with less "grandiose" aims. Of eleven projected Councils only four were actually established, in the cotton, furniture, clothing and jewellery industries and the last two were boycotted from the outset by some of the specific firms. Hailed as a radical attempt to force capital to innovate, the Councils were operative only if the particular capital units agreed to carry out the necessary innovations. Little pressure was used

Thus when the Labour Government insisted on the establishment of a Clothing Development Council against the outspoken hostility of a majority of the firms in the industry, they simply boycotted it and nothing happened.¹⁵

The real contradiction at the heart of the Labour strategy was that capital refused to utilize the Councils because they would usurp the functions already being executed by the trade associations which, as we have seen, had been assiduously fostered by the Labour Government. Capital was already paying a voluntary levy to the trade associations and, as a result, was not prepared to pay a compulsory one to the Councils.

This experience with the Development Councils has been relatively neglected by students of British Social Democracy, although it reveals the precarious nature of "planning" by a Labour Government when the cooperation of capital is withheld. Even bourgeois commentators have argued that the Government should have used more coercive powers.¹⁶ The essential difference between the trade association and the Development Council was that the latter entailed some measure of statutory control over the industry involved although, as we have noted, it could only be set up in the first place on the initiative of capital itself. Moreover, the Council representation appeared to smack of "industrial democracy" in that provision was made for trade union representatives. The fierce opposition of

capital did not develop immediately, indeed when they were first discussed in 1945, there was some support for a Council to coordinate industry. Rogow has provided the most forceful explanation of this violet face in terms of the economic conditions which prevailed between 1945-46, when the Working Parties first met, and 1947-48 when the Councils were supposed to operate. In the former period it was thought that the post-war boom would be short-lived and in these conditions the Councils would provide an ordered structure of coordination. However, in the more "optimistic" climate of the late 1940's, the Councils appeared to capital as an unnecessary state encumbrance. Such regulatory structures were clearly not compatible with conditions which yielded profit margins described as the "highest in the history of British industry".

This experience demonstrates the fact that organs, such as trade associations and coordination structures like the Councils, only have any meaning for capital in periods of stress and stagnation. We should recall Marx's insight that although competition may be its true mode of operation, capital does not depend on such a form and can equally well function under extreme regulatory structures.

We have seen that the concrete forms of "democratic planning" were adapted from the well established inter-war and war-time structures of coordination between the state and capital. This process of adaptation was as true for the trade association as it was for the industries nationalized after 1945.

The confusion as to what nationalization signified is understandable in view of the Fabian legacy, which had held fast to the identity between "public ownership" and "collectivist socialism". Yet, the nation-

alized sectors can no more be construed as indices of socialism than such inter-war forms of "public control" as the B.B.C. or the L.P.T.B. Indeed, our argument concerning the nature and purpose of the inter-war experiments is equally pertinent to the war period of the Morrisonian conception of "public control" predicated on the need for economic efficiency which alone could underwrite the post-war settlement.

In our view the nationalization programme can be appreciated only as the least the Labour Government could do in order to secure the all-important commitment to full employment which was jeopardized especially by the coal and railway industries. Indeed, that the full employment factor was uppermost in the minds of the Labour Party leaders is clear in this passage from the Report to the 1944 Conference

Full employment...can only be secured within a planned economy, through the maintenance and adaptation of appropriate economic controls after the war, and above all by the transfer to the state of power to direct the policy of our main industries.¹⁸

Our interpretation should be contrasted with the view which sees nationalized industries as indices of a socialistic transition. However, it is no coincidence that the proponents of that view also maintain that the Labour Party is the bearer of a distinctively British socialism. The Labour leaders saw nationalization as an antidote to the real evils of capitalist production, namely, inefficiency and neglect. This technical conception of "public ownership" is evidenced from the self-professed objectives of the Party leadership, where even coal, that long time symbol of socialist purpose, was nationalized on the purely technical grounds that

amalgamation under public ownership [would] bring great economies in operation and make it possible to modernise

production methods and to raise safety standards in every colliery in the country.¹⁹

If this was the rationale for the nationalization of coal, the other nationalized sectors

were not ends in themselves...the object (rather) is to make possible organization of a more efficient industry, rendering more public service, and because of its efficiency and increased productivity enabled to do progressively better for its workers.²⁰

The nationalization measures vastly improved the standard of living and the conditions of work for those workers involved and with the mines in "public ownership" the Labour Government had abolished the historical basis for one of the most rancorous phases of class conflict in Britain. By removing these sections of capital from the consequences of their inter-war heritage of neglect, and by paying compensation to former shareholders, the Labour Government allowed capital to be released to more lucrative fields of investment.

For analytical purposes, the nationalization measures should be seen as representing a shift in the juridical forms of ownership from capital to the state. Moreover, the former managerial structures were maintained and the trade unionists elected to the Boards functioned not as delegates of their class, but rather as part of the managerial personnel. This should occasion no surprise in view of the inter-war record of the Labour Party and, as if to demonstrate that this was not a thing of the past, the Labour Party Conference in 1944 provided sufficient proof that the Executive did not view "industrial democracy" as an essential ingredient of nationalization.

We have tried to emphasize that "public ownership" could be appreciated only because of the need to secure the maintenance of full

employment. It should not be forgotten that this was perfectly in keeping with the "new" Keynesian policies of economic management. Indeed, Keynes had very little faith in the ability of private capitalism to secure the necessary volume of investment and was convinced that "a somewhat comprehensive socialization of investments will prove the only means of securing an approximation of full employment"²¹. The centralization of investment decisions was, for Keynes, the only way to overcome the "inertia" of capital. This could best be guaranteed through limited "public ownership", and the nationalized sector accounted for roughly two-fifths of British fixed capital investment. In a sense, the Labour nationalizations embodied the true spirit of the Keynesian conception of state intervention. However, even with two-fifths of investment in its hands the Labour Government did not take this opportunity to establish²² any long-term synoptic view of Britain's future investment needs. Indeed, it reinforces our interpretation of their conception of piecemeal nationalization that the investment programme of each "public" industry was in no way related to that of the other.

We noted at the outset of this chapter that the major determinant of state policy throughout the 1945-1951 period was the need to contain domestic consumption in order to divert resources to accumulation of funds for the export industries. The restraints imposed by the need for capital accumulation are evident in the type of social security benefits which were based on the recommendations of the first Beveridge Report. These provisions reveal the extent to which welfarism is predicated on, and subordinated to, sufficient capital accumulation. We do not dispute that these benefits were of great significance to the British working class.

However, the social security scheme was not used as a device to redistribute income between classes. In fact, the flat-rate contribution ensured that the system was regressive to the extent that there was little scope for savings within the lower income brackets. The benefit scheme was predicated on the need to minimize domestic expenditures in the interest of capital accumulation. This policy had important implications for working class living standards in that the Government

[had] sacrificed the direct social objective of redistribution of income to the objective of full employment through high and stable production... In view of the low morale prevailing in many sectors of the British economy, social security will then have had the effect of lifting the worker up only once again to cast him down.²⁴

Criticism of these provisions as the "failure" or "betrayal" of the Labour Government to live up to its "radical promise" must be seen as seriously misplaced. The welfare provisions were quite compatible with the whole ethos of the Labour Party, orientated as it was to social reform and welfare schemes within the parameters of capital accumulation and "sound finance".

The failure to forge ahead with the Councils, the uncoordinated nationalizations, and the limited nature of the social benefit schemes should not be seen entirely as the "weakness" of state machinery vis-a-vis capital. We have argued that the reconstruction policy of the Labour Government was predicated on the belief that only voluntary cooperation would be acceptable to capital organs, such as the trade associations and the F.B.I. The "planning machinery" could not be made more rigorous because this would have contradicted the Labour Government's initial premise and, when faced with the overt challenge of the clothing firms, clear that the government did not intend to appeal to its huge

it was clear that the government did not intend to appeal to its huge mandate from the electorate.

It is somewhat ironical that as the inadequacy of the machinery was increasingly exposed, the Government began relaxing its controls on basic food items. The full limitations of the machinery were clearly revealed with the fuel crisis in 1947, the convertibility crisis which followed, and the balance of payments deficit at the end of the year. The last crisis was exacerbated by the fact that British capital was able to export its funds out of the country through the weaker exchange controls which obtained in the sterling area. The Labour Government later bemoaned the fact that these exchange controls were not tightened because it calculated that

...of 645 million of private capital which left Britain between 1947 and 1949 only 300 million represented genuine investments in new projects. Some 350 million was "hot" money quitting Britain because its owners disliked the Labour Government's policy.²⁵

It is not too much to say that as the need for some form of "planning machinery" increased after 1947 the Labour Government appeared to be extricating itself from the administration of physical controls. Although the movement toward de-control was limited when compared to the "neo-liberalism" of the Tories, it was a sufficient index of the increasing reliance on Keynesian techniques of market management. ²⁶ It is in this context that the attempt to impose a direct restraint on wages should be viewed.

The post-war movement of prices and wages demonstrated that it was not subject to voluntary cooperation or to the increasing exhortations of the Government. To this end the Government introduced its

White Paper, Statement on Personal Incomes, Costs and Prices, in early 1948, with the explicit object of avoiding "a dangerous inflationary situation". It was a measure of the limited "bond" between the Government and organized labour that T.U.C. was not even consulted about the general content of the policy.

It is in the very nature of the market system that capital is not as amenable to direct controls as is labour, and this was clearly demonstrated in the actual workings of the policy. It should be recalled that the Statement included an equally forthright appeal to capital to restrain distributed profits, but, as J.C.R. Dow noted, "this proved too difficult to enforce". Indeed, the efficacy of the policy was entirely due to the unilateral restraint exercised by the General Council of the T.U.C. over its members. The application of this policy was nothing short of incredible because the T.U.C. actually checked the gains which would have resulted from the "free" play of market forces as mediated by collective bargaining. From a base rate of 100 for wages and retail prices in June 1947, the effects of the policy can be seen from the fact that in September 1950 wage rates stood at 110 and retail prices at 114.

The striking fact about this policy of wage restraint is its context, which, as we have seen, was characterized by a gradual reliance on market forces on the one hand and, on the other, by a suppression of these forces in relation to wage movements. That the policy should have endured as long as it did is itself a testament to the tenacious loyalty of the General Council to its "political arm" in the state. Indeed, after the devaluation of sterling in September 1949, the General Council intensified its support of the Government by drafting a more stringent

policy for wage restraint. The effect of the General Council's behaving as an adjunct of the state was demonstrated by its total defeat at the 1950 Congress. However, before this unequivocal rank and file answer, a delegate at the 1948 Congress had already pointed out that, "This question of loyalty, it seems, is being somewhat prostituted...the first loyalty of every trade unionist is to his or her class. Loyalty is a class question".²⁸ Throughout the 1945-51 period, the General Council executed its functions in the true spirit of the second Beveridge Report, which placed its central emphasis on the need for labour to act with the national interest in mind.

The problems of the immediate post-war period were of a different order from those of the pre-war decade, and unemployment, falling demand, and over-production appeared to have found their solution in the "economic rationality" of Keynesianism. However, the major thrust of Keynes' prescriptions was to effect a means by which full employment could be achieved in the absence of war and prosperity. Keynes did not address himself directly to the avoidance of a "dangerous inflationary situation" and the forms of restraint which would attend the wage-price relation.

As early as 1948 the state became increasingly preoccupied with devising forms of control, especially for wages, which would be more consistent with the demands of restraint. This, however, was no sudden recognition because it was already the central thesis of the post-war settlement as outlined in the second Beveridge Report:

the central organizations of labour, such as the Trades Union Congress General Council, should devote their attention to the problem of achieving a unified wage policy which ensures

that the demands of individual unions will be judged with reference to the economic situation as a whole.²⁹

The Labour Government had devised no new method of social control, other than its "alliance" with the General Council, which could replace the discipline of mass unemployment. We have already noted that capital viewed the full employment commitment as a political threat in that the removal of the "sack" undermined its power in the labour market. The Labour Government was itself aware of this problem of managerial control and to this end it set up a committee to examine the possibilities of creating a central forum to discuss and disseminate management techniques. The outcome of this initiative was the creation, in 1947, of the British Institute of Management which was partly financed through state grants.

In rehabilitating a shrunken market mechanism, the Labour Government had failed to create a means which ensured that the volume and direction of capital investment would be sufficient to meet the later challenge of international competition. Indeed, prefiguring the later Tory strategy, the Labour Government cut investment as the first move in the recurrent balance of payments crises in 1947, 1949, and again in 1951. Moreover, having failed to force sections of British capital to modernize their plants, it is all the more surprising that the direction of the export drive was left entirely to the design or instinct of domestic capital. This fact needs to be given a great deal of prominence, especially because the full employment commitment, that pillar of the post-war settlement, was predicated on an increasing foreign trade.

From the standpoint of the second Beveridge Report, the interests of the British working class were to be inextricably tied to the fate of British capital, and, as the wage freeze indicated, they would

be expected to subordinate their class interests to its national institutions. Denied any influence over the direction of capitalist production, the working class would be the first object of any policy designed to remedy its shortcomings. Through the political mediation of the Labour Government, the T.U.C. had demonstrated its reverence for the "national interest". However, with the gradual removal of controls on prices, the repeal of the legislation outlawing strikes, and the defeat of the General Council, the trade unions were able to question the meaning of the "national interest".

CHAPTER FOUR

THE CONSERVATIVE DILEMMA

The peculiar contradictions which were to beset British capitalism in the late nineteen fifties were barely perceptible at the beginning of the decade. By 1948 the central features of the post-war settlement had been established and they consisted of the new commitment to full employment and the new social benefit schemes. Between 1948 and 1951 the Labour Government confronted problems which were qualitatively different from those of the inter-war period where unemployment, over-production and falling demand were the major concerns. The second Beveridge Report had already indicated that the commitment to full employment entailed an entirely new set of problems, chiefly the relationship between price levels and wage rates.

It would be entirely incorrect to see the Labour Government as espousing a vigorous policy of state intervention and then contrasting this with the "non-interventions" of the Tory Government. Indeed, this is a tempting, plausible view, given the way in which the post-war era is often depicted. However, it should be emphasized that this view tends to dwell on the level of appearances and, consequently, reflects a failure to appreciate the objective determinants of state intervention in the period between 1945 and 1949. We have already argued that the "democratic planning" of the Labour Government was not a principled feature of its policy, but that it was essentially the short-term management of the economy in conditions of scarcity. That physical controls were an

objective necessity is evidenced by the fact that in 1951 the Tories intensified controls and even intervened with fresh controls in the labour market. The initial measures of the 1951 Tory Government are seldom stressed, which is surprising, because

There was to be no nonsense here about the free play of competitive forces; by means of the "notification of vacancies order" it became illegal for employers to use any private initiative in obtaining the labour that they needed. All vacancies had to be reported to the Labour Exchange, and it was only through the Labour Exchange that the employers were supposed to engage workers.²

These remarks are in no way intended as an attempt to reduce the one Government to the other and thereby obliterate their different views of state intervention. We have stressed these remarks only to demonstrate that the determinants of state intervention in the period 1945-51 and later were not entirely of the same order.

The Tory acceptance of the post-war settlement was well advanced by 1945, as is clearly indicated by the policy prescriptions of the Tory-dominated Coalition Government. Tory ideologues were at great pains to stress that the post-war Conservative Party was committed to full employment policy as well as the "Welfare State", and so there was to be no Tory-retrenchment. It should be noted, however, that without such statements of commitment to the "new order" the Tory party would have been unable to offer a national electoral appeal. In ideological terms, the Tory Party was obsessed with the need to exorcise its image of the "class ogre" of the inter-war period. This has to be stressed if we are to appreciate its "appeasement" policy towards the working class between 1951 and 1955.

The nature of the post-war settlement was accepted with alacrity by the "right progressive" section of the Tory Party. For this section of

the Party, which originated in the Tory Reform Committee of 1943, the new role of the state in maintaining the settlement was to be the basis of the "New Conservatism". The ideological thrust of this section consisted of the need to create a new "social consensus" which would supplant the class war, and to this end some called for a degree of "planning" and, somewhat implausibly, an extension of the state sector, where private capital seemed to threaten the post-war settlement.³ This conception was in no way shared by the bulk of the Party and the more reactionary elements, including the "Beaverbrook faction", fought a rearguard battle against the "New Conservatism" throughout the nineteen fifties. The "right progressive" faction held the hegemonic role in the Tory Party as was evidenced by the publication of the Industrial Charter, which was approved at the 1947 Conservative Party Conference. This Charter represents the political acceptance of the post-war settlement and a repudiation of the "laissez-faire" identity of the Party's pre-war policies. It is important to emphasize that this document was the product of the problems which faced British capitalism since its inter-war crisis, but it was also the product of the "new thinking", stimulated in the Party in the wake of its crushing electoral defeat in 1945.

On a prima facie level, the stress in the Charter on the need for more coordination between private capital and the state would seem to contradict the "neo-liberalism" which gained an increasing foothold in the Party after 1948. However, as we saw with capital's volte face over the Development Councils, by 1948-49 there was a decreasing need for caution and coordination between the state and private capital because the world market began to open up as a result of the massive scale of

national reconstruction and trade. The Charter is less important as a blueprint for future policy than it is as a political testament which was intended to symbolize the Tory adjustment to the post-war settlement; above all, it was an assurance that the Tories did not intend to renege on its Coalition commitments.

The forms of state intervention undertaken between 1945 and 1948 were no longer necessary in the early nineteen fifties. Indeed, the Tory Government maintained that the commitments to full employment and the "Welfare State" could best be maintained without direct, physical intervention by the state. We should point out that these "neo-liberalist" tendencies were also reflected in the policies of the Labour Government, which is reflected in the "bonfire of controls" in March 1949. It should be evident by now that these controls were only the dire attendants of conditions of scarcity. Without the objective need for direct state intervention, the Tory Government restored monetary policy to the centre of economic management. In its traditional forms, monetary policy is the most indirect form of state intervention and consists essentially in controlling aggregate levels of demand. This use of monetary policy was combined with a growing reliance on the external strength of the pound as the regulator for internal policy. The disastrous effects of this policy were cruelly revealed during the middle and late nineteen fifties, but the point to note is that this form of monetary policy, with its use of the pound as a barometer, is no simple "technical" economic tool; rather it embodies strong political assumptions as to the benefit of sterling as an international currency.

"Planning", which the Tory Government now identified with direct physical controls, was now resolutely opposed and the time-horizon of

economic policy was confined to the immediate twelve months ahead. The re-assertion of "neo-liberalism" assumed the form of a cult of anti-planning and anti-control, exhibited in the rapid pace at which commodities were removed from control, but at the same time food rationing was ended together with the withdrawal of state subsidies on basic goods. The epitome of this "neo-liberalist" drive was the Tory pledge on sterling convertibility in the near future. Between 1952 and 1954 the Tory Government retracted the "boundaries" of state intervention as far as was consistent with the constraints of the post-war settlement.⁵ However, the "neo-liberalist" drive was part of the political and economic "revenge" that the Tory Government exacted from the post-war settlement:

The market had to be king at all costs. And behind this energetic pursuit of the free market ideal was the political belief that the people who had benefitted most from the whole paraphernalia of subsidies and price controls, which allowed the consumer to pay less than the "true economic cost", were the working classes. ...Thus making the market work was...seen as a powerful instrument for the Conservative policy of redistribution.⁶

The most important point about the revival of "neo-liberalism" in the early nineteen fifties is its seemingly fortuitous character. The explanations of this fortuitous character are, at the same time, the explanations for the revival of "neo-liberalism". The "secret" of British capitalism in the early nineteen fifties lies in the condition of the world market. Between 1952 and 1954, British capital benefitted from a "windfall" in world market prices because the price of raw materials fell by nearly one quarter which alone produced 400 million in extra purchasing-power. At the same time, British export prices rose, which added to the British surplus by allowing British capital to buy more cheaply and sell more dearly and increased foreign exchange earnings

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between 1952 and 1954 without any increase in real production. This is obviously not intended as a full account of British capital in the world market at this time, but is intended mainly to indicate the fortuitous element behind the "neo-liberalist" drive of the early nineteen fifties. It goes some way in explaining the Tory Government's success in removing the great structure of consumer subsidies which had been erected by the Labour Government with little adverse effects.

The "neo-liberalist" criteria were not confined to prices at home and foreign trade, but were also applied to wages and "industrial relations". The Tory commitment to "non-intervention" in these spheres was reinforced by its political urge to pursue a policy of industrial "appeasement" towards organized labour. This policy was symbolized by the appointment of Monckton as the Minister of Labour and he was explicitly advised to pursue "industrial peace".

Since 1948 the Tory leadership has committed itself to free collective bargaining on the part of organized labour, this being the logical attendant of its policy toward the free movement of prices. However, the Tory Government could not intervene in the one area without being seen to tackle the other. Instead, the Government settled for general pleas for wage restraint, claiming that

It would be foreign to our ideas and practice to attempt to curb wages and salaries by central direction and administrative fiat. Responsibility rests on both sides of industry to establish conditions under which the national wages bill will advance in step with national production.⁸

The intractable problem, which was never seriously confronted in the early nineteen fifties, concerned the reconciliation of free collective bargaining in conditions of full employment with a non-inflationary level of prices.

However, it was precisely this problem which had been exacerbated by the indirect interventions of the state, especially by the determined effort to resurrect "neo-liberalism", which reflected an "heroic indifference" to the inflationary effects of its policies. In its early period of office, the Tory Government was determined to avert any manifestation of class conflict at the industrial level. Significantly, this policy was to be achieved even at the price of inflationary wage settlements although the T.U.C. throughout the early nineteen fifties consistently cautioned the Tory Government that its non-interventions in price movements could lead only to more wage claims.

The "heroic indifference" of the interventions of the Tory Government was most evident between 1952-54. The massive expansion of world trade and Britain's share in it, induced a celebration of the rejuvenated market mechanism. The sheer force of empirical "facts" appeared to justify this bourgeois celebration, and this "evidence" played no small part in the revisionist ascendancy within the ranks of the Labour Party. ⁹ During this period, the Tory ideologues appeared to feel that the "New Conservatism" was capable of suspending the laws of capitalist production. This is in no way a misrepresentation of Tory optimism because this is the very attitude which state intervention seemed to confirm, namely, that capitalist prosperity would itself solve the problems and conflicts of the capital-labour relation. Conservative Party conferences between 1952 and 1955 support this view.

Such strategy clearly involved a lesser degree of state intervention than was necessitated in the immediate post-war period. Moreover, the coordinated relations between the state, capital and organized labour,

which had been the distinctive feature of the early period, were all jettisoned by 1952. We have already seen that the objective conditions of the world market ensured that this this strategy was quite successful as far as immediate living standards were concerned.

It is not too much to say that between 1952 and 1959 British capitalism enjoyed a somewhat fortuitous period of rapid expansion and prosperity. There is general agreement that the situation in 1955 marks a partial turning point in tempering the one-sided optimism in "neo-liberalism" because during that year world prices, which had been highly favourable to British capital, began to edge upwards. We should note, however, that this upward turn in world prices also affected European capital, which, by 1955, had more or less recovered from its war-time devastation. The strain of the upward shift in prices was only moderate but, in the British case it was exacerbated by several years of low investment falling productivity as compared with European capital.¹⁰ Moreover, it is significant that wage rates, fuelled by the inflationary effects of the "neo-liberalism" of the previous three years, began to outstrip increases in productivity. This process gradually became clearer by 1955. Between 1952 and 1954, wage rates had increased by roughly 4 to 5 percent and this was seen to have been matched by productivity rises in the manufacturing sector. However, between 1955 and 1956, wage rates increased by around 7 percent a year and this without a corresponding rise in productivity or declining import prices to offset the pressure.

Between 1955 and 1957 the wage-price spiral began to occupy increasingly the centre of concern for state intervention, which necessarily led to a discernable shift in Tory strategy towards the working

class. The indirect forms of state intervention, together with the strategy of relative abdication in the sphere of prices and wages began to be tentatively questioned in the crisis of the middle of 1955.

It might be thought that a consideration of the position of sterling constitutes a digression from our focus on the forms and determinants of state intervention. However, nothing could be further from the truth, because the commitment of the state to maintain the external value of sterling, and thereby preserve London as one of the major financial centres of Western capitalism, is perhaps the most important single variable in deciphering state interventions throughout the 'fifties. Indeed, when more rigorous research has been done on this subject, it may be seen that this commitment to sterling has been operative for the greater part of this century.

The crisis in mid nineteen fifty-five is generally portrayed and explained as a balance of payments crisis, which is both correct and incorrect in that it largely depends on how far one goes in analysing the underlying causes of the crisis. Balance of payments crises normally refer to a trading deficit, and it should be emphasized that the pressure on sterling began before the British trade deficit had appeared. The crisis in 1955 was more of a speculative action against the pound, facilitated by the "neo-liberalism" of the Tory Government which had displayed a one-sided determination to loosen exchange controls in the attempt to graduate towards full sterling convertibility. Indeed, rarely has there been a more obvious case of the state's acting in consort with a section of capital. In this case it was an attempt by finance capital and the Bank of England to maintain the appearance of convertibility in order to demonstrate the "strength" of sterling. As already mentioned,

this crisis in the mid 'fifties represented a partial watershed in Tory strategy, and it was tentatively conceded that this strategy was based on contradictory goals, namely, economic expansion and full employment on the one hand and the maintenance of a fixed exchange rate for the pound, in order to preserve the international role of sterling, on the other. A one-sided pursuit of the latter would result in deflationary measures, leading to cutbacks in investment and a low rate of growth.

In 1955, then, a balance of payments crisis, followed by the upward spiral of wages and prices, evinced a deflationary strategy from the state and precipitated a more open confrontation with organized labour. After this date the Tory Government effectively jettisoned its pure "neo-liberalism" in favour of greater exhortations for wage restraint. In addition to these ineffectual appeals for moderation, the state openly colluded with capital in an offensive against wage rates, indicating that the state was opting for the cost inflation thesis. Indeed, it would appear that throughout this period, the Tory strategy was predicated on the assumption that the main threat to British capital came from the demand side of the supply-demand equation.

In July 1956 the state and the principal organs of capital, namely, the Federation of British Industry, the British Employers Confederation and the National Union of Manufacturers agreed on a voluntary policy of price restraint known as the "price plateau". These organs of capital used this agreement to exact two principal commitments from the state, namely, more vigorous control over the policies of the nationalized industries, especially their pricing policies, and a pledge that if individual employers resisted the annual round of wage increases, the

state would not intervene to force a compromise in the dispute. This agreement represents a major reversal in the priorities of state intervention. In contrast to the policy of industrial appeasement during the "Monckton era", the state now explicitly subordinated industrial peace to the struggle against inflation and it appeared that the foremost aim of state policy was stable prices.

This aggressive stance by both capital and the state evinced a more resolute position from organized labour, and at the Congress of the T.U.C. in 1956 a motion of censure was introduced, to the effect that Congress

asserts the right of Labour to bargain on equal terms [sic] with Capital, and to use its bargaining strength to protect the workers from the dislocations of an unplanned economy. It rejects proposals to recover control by wage restraint, and by using the nationalized industries as a drag-anchor for the drifting national economy.¹²

State support for the more aggressive position of capital over impending wage claims was the most important factor in encouraging the Engineering Employers to confront labour in the engineering industries, and there can be no doubt that this precipitated the national shipbuilding and engineering strikes in March 1957. However, the abortive imperialistic venture in Suez, which induced an additional strain on the economy, seems to have persuaded the state that it could no longer afford the damage wrought by national strikes in these sectors. Consequently, the state was forced to renege on its former commitment to capital in these sectors and advised them to make concessions.

We have already indicated that the period between 1955 and 1957 marks a partial rupture with the Tory strategy of attempting to "win" the working class to its banner of material prosperity, in the period between

1952 and 1954. This strategy of industrial appeasement sought to preserve a harmonious class balance at the expense of inflationary wage settlements. At this point it is worth documenting, very briefly, the incidence of strikes since the post-war settlement because it illuminates the background to the discriminatory interventions of the state vis-a-vis organized labour in the nationalized industries.

It will be recalled that until 1951 the National Arbitration Order had made strikes virtually illegal. This legislation, known as Order 1305, was highly unpopular with organized labour and was abolished in 1951 because it had "become clear that the provisions of the Order which prevented strikes and lockouts no longer commanded general assent".¹³ However, during the post-war years 1945-1950, the number of working days lost in strikes never rose above two and a half million a year and, significantly, these were all unofficial strikes. There was no real increase in these figures until 1955, when 3,800,000 days were lost, while in 1957 over eight million days were lost, mostly in the shipbuilding and engineering industries. Although the average duration of strikes was much lower than it had been before the war, it was their rapid incidence over the period 1945-1955 that now caused alarm.¹⁴ We must also bear in mind that a strict comparison between the 1945-1951 period and later is not entirely legitimate because during the early period automatic strike action was prohibited and subsidies and controls over basic goods helped to stabilize the cost of living. As we have seen these two important factors were not operative in the nineteen fifties. Indeed, Tory strategy exacerbated this problem through its determined "neo-liberalist" policy of making the consumer pay the "true economic cost".¹⁵ After the

crisis of mid-'fifties the Tory Government tentatively began to reassess its policy towards state intervention, but there was no real consensus on its extent or its form. Clearly, this policy had to be formulated because it was evident, by 1955 and 1956, that market forces did not produce a consistent and coherent solution to the dynamics of the post-war settlement. Between 1956 and 1958 "neo-liberalism" was more or less jettisoned by the Tory Government in its dealings with the organized working class. Moreover, if it remained at all in this sphere, it was in the form of an arid, obsolete ideology.

The resolute intransigence of the organized working class had been evident since its 1956 Congress, when, for the first time since the war, the state had lost the formal support of the General Council of the T.U.C., and this is always an important barometer of the extent of the conflict between the state and the working class. In periods of "normal" tension, the General Council mediates in an attempt to contain the affiliated trade unions. This function of containment was inordinately successful between 1948 and 1951 during the Crippsian "wage freeze". However, it will be recalled that this function was roundly defeated by the rank and file at the 1951 Congress.

The renewed militancy on the part of organized labour coincided with yet another dramatic speculation against sterling. This pressure was not dissimilar to that of 1955 and 1956, but the distinguishing feature of the 1957 fiasco was the Tory response. Committed to the defence of the external value of sterling, the Chancellor reacted with the most severe deflationary measures of the post-war period, which was intended to maintain the value of the pound and to stabilize the price level. It

was proposed that state expenditure be cut and the budget balanced. ¹⁷ All this, however, was in no way related to the pressure of productive resources, which in 1957 were underemployed. The important point about these proposed measures was the explicit repudiation of the post-war consensus consisting in the subordination of full employment to a "sound currency". The proposed "September Measures" must be seen as a dramatic rupture with post-war practice, and their aim is equally informative because

The objective this time was social rather than economic: stability was an end in itself, the condition for an orderly society with a hierarchy of relationships which were comfortable and fixed. If Conservative official statements on economic policy were to be taken at their face value, 1957 would stand out as the year of the delayed counter-revolution from the Right.¹⁸

However, such a dramatic reversal of post-war priorities was, at this stage, unacceptable to the Tory leaders and the priorities were slightly tempered. The "September Measures" had set a precedent in indicating the response of the state, and if the commitment to sterling continued together with the rejection of devaluation this response could be only in the direction of unemployment and incomes policies.

The immediate effect of the new monetary stringency was to encourage capital once again to be more aggressive in resisting wage increases. Moreover, the state, after November 1957, began to initiate the new stringency in regard to labour in its nationalized sectors. In addition to this action, it appeared that the state was exhorting "independent arbitrators" to implement a similar strategy. In response to these policies, organized labour announced that:

It appears that, instead of being able to enter into simple straightforward negotiations, the Transport Commission must

now have the kind permission of the Chancellor of the Exchequer and the National Union of Manufacturers... There is already growing doubt about the impartiality of wage tribunals... A period of arbitration based on Government instructions is being ushered in. The trade union movement will not stand for this.¹⁹

As we mentioned earlier, the state now intervened in those sectors which were directly accessible to its policies and, consequently, workers in health service, civil service, and public corporations had their wages held back. The state had not previously openly intervened in the machinery of collective bargaining but with the health workers it rejected a wage increase which had already been passed by the National Whitley Council for the Health Service. It should be noted, however, that this rejection only applied to the lower paid employees. Such anomalies were carried through in the Civil Service and B.B.C. Even more anomalous were the interventions over the threatened railway strike and the actual strike of London busmen in May 1958. The state decided on isolating the busmen in an attempt to set an example to the rest of the labour movement and yet, during this policy toward the busmen, the state intervened in favour of a wage increase for the railwaymen -- in contravention of an arbitration decision to reject the claim. It was perfectly legitimate, then, for the labour movement to feel that

The Tory Government has decided to declare war on the trade unions of this country in a more vicious way than any former Government. It has decided to use its political power in purely industrial [sic] issues and, therefore, the trade unions are free to use their industrial power in political issues.²⁰

These unusual interventions by the state can be fully appreciated mainly in the light of the Tory commitment to maintain the external value of sterling, together with their rugged determination to retain a stable price level. We noted earlier that between 1956 and 1958 the centre of

the political stage was occupied with the inflationary spiral. However, the problem of domestic inflation was in no way confined to the British economy. The French, for instance, experienced a more rapid increase in price levels during the nineteen fifties, but whereas Britain clung to a fixed exchange-rate for the pound the French devalued whenever the price-wage relation seemed to dictate this action. It should be fairly evident that the Tory fixation with the external value of sterling was a major factor contributing to the succession of crises between 1955 and 1957.

It seems somewhat ironic that throughout the mid-'fifties the Tory Government's strategy was predicated on the belief that the pressure of demand was the main cause of Britain's problems, while at the end of 1958, in the midst of the most serious recession since the war, the Government was assiduously trying to foster demand in order to employ the excess capacity in productive facilities. In this context of reversed priorities, the state relaxed its wages policy and temporarily withdrew from "industrial relations".

Between 1958 and 1961 the British economy was subjected to a series of rapid and enervating "stops" and "starts" which became known as the vicious circle of "Stop-Go" policies. Since 1956 the state had carried out a consistent attack on demand and by 1958 industrial expansion had ground to a halt. This gradually became to be identified as the peculiar contradiction of British capitalism: in the battle to stabilize prices, capital investment and employment opportunities were sacrificed. The most serious consequence of this policy was that a sustained high rate of economic growth was rendered impossible, and it was never officially conceded that the Tory strategy embodied a conflict between

the currency objectives of finance capital and the production requirements of industrial capital. This conflict between capital fractions is characteristic of capitalism as a mode of production and we discussed the implications of this in our initial chapter. However, the conflict between finance and industrial capital is much clearer in the case of British capital than it is in other European formations, and this is because of the importance which has been attached to preserving London as a major centre for international financial transactions. The conflict between these capitals is evident throughout the century and can be most clearly seen after 1920, when industry needed devaluation while the exchange rate was raised to an absurd level which was maintained until 1931. This same conflicting interest is evident during the nineteen fifties, when trade and currency objectives beckoned the state in different directions.

It was essentially the concern over the poor rate of economic growth which led sections of capital, rather than the state, to initiate the reassessment of national economic priorities. This initiative on the part of capital is hardly surprising, given its growing frustration at the "Stop-Go" strategy of the Tory Government. The F.B.I. leaders who led this initiative, articulated capital's general frustration, which had gained momentum since the publication of the indices of the poor growth rate. Since 1955 industrial production showed no increase while in 1958 it actually declined by 1.1 percent and by winter 1958 the unemployment figure was the highest since the war, standing at 620,000. Of more long-standing concern was the fact that fixed investment in manufacturing fell from 150 in 1955 to 100 in 1956, 50 in 1957 and 0 in

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1958. These alarming indices stood in sharp contrast to the rapid growth of the European formations and led to a fresh look at the latter's organizational "secret". It was these alarming indices which led the F.B.I. to reverse its past policies, and in the summer of 1958 it urged the state to increase its capital investment programme, even if this entailed increasing public spending. Expansion was the keynote for capital after 1958 when it was increasingly felt that the restrictive state policies were operating against the long-term interest of capitalist production.

This is the necessary background to understanding capital's initiative in leading the reassessment of British economic practice. One of the foremost bourgeois commentators, Samuel Brittan, called 1960 the year of the "great reappraisal".

The reappraisal of the nineteen fifties was most clearly manifested in the F.B.I.-sponsored Brighton Conference in November 1960, and this marks the beginning of a new periodization in British politics. It is significant that the major question facing the Conference was that of the opposed priorities of the previous decade, namely, the commitment to sterling as opposed to a policy of sustained economic growth. ²² However, by 1960, there was a general "consensus" in favour of a policy of sustained growth, indeed, this thesis appeared to win by default in that the history of the mid-'fifties seemed a total condemnation of the one-sided commitment to sterling. The Conference symbolized the end of "neo-liberalism", and the general consensus, among both capital and elements within the state identified sustained growth with a greater coordination between capital and the state. When these developments are presented, it

has been the normal practice to depict them as the "conversion to planning" etc., but it would be more accurate to refer to coordination rather than planning.

The general thrust of the new proposals, especially those of the F.B.I. leadership, consisted of a demand for the creation of new structures, whereby capital could play a more direct role in the formation and execution of national economic policy. This interpretation is verified by an enthusiastic supporter of the F.B.I.

Planning, as conceived by the industrialists at Brighton, referred less to the construction of an elaborate plan or design than to the establishment of relations with government which would significantly increase industry's influence on the policy-making process.²³

In the following year, the Beaver Committee expanded on the tentative proposals which had been initiated at the Brighton Conference and in its proposals we find a new light shed on the nature of capital's "conversion" to "planning" and coordination vis-a-vis the state. The most significant point about this new strategy was that a "plan" was proposed for state expenditure, especially for the vast investment programmes of the nationalized sector, while "targets" were proposed for the private sector which were to be voluntarily determined by private capital. This would seem to be a tempered reproduction of capital's inter-war ideal of "self-government in industry". However, in the radically altered conditions of the nineteen sixties, this ideal was to be modified to allow for increased state supervision, itself a reflection of the need for state subsidies and state assistance.

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The Brighton Conference and the Beaver Committee are generally seen as marking the final rejection, by capital of the traditional

"laissez-faire" conception of the relationship between the state and capital. This rejection is a stark recognition of the changes which had been wrought in the world market since the mid-'fifties, and, essentially, they consisted of the more intensive forms of competition being carried on within the developed European-North American context. This stands in sharp contrast to the traditional patterns of world trade between the developed and underdeveloped formations. ²⁵ This was the result of a process, already under way before the Second World War, which marked a shift towards technically advanced manufactures. The exports of the late nineteen forties increasingly concentrated on the European metropolises because the complex and highly priced goods were suitable for a large-scale sale only in high income markets. An important corollary of this process was the growing integration and interpenetration of the mature capitalist economies. In this context of more intensive metropolitan competition, it became increasingly urgent for the state to assist and coordinate British capital if the latter was to improve its position in the more dynamic world market.

The lurch towards "planning", which was initiated at the Brighton Conference, must be seen in the light of the transformations which had been wrought in the world market:

Planning breeds planning. A product of international integration and competition, it destroys the automatism of international adjustment...and the world market becomes an increasingly unstable environment, demanding faster national adjustment, increasing national articulation and so more planning. The distinction between the national economy in which competition is heteronomous, and the international economy where primordial competition still holds, grows sharper and sharper.²⁶

The determinants of "Brighton planning" must be set in these global dimensions because no capital can be an island and, once this is recog-

nized, it becomes easier to understand why "planning" seized European capital at roughly the same time. ²⁷ The task facing the state in Britain, as well as in the rest of Western Europe, was the "national articulation" of capital within its boundaries. Essentially, this involved an increased coordination of investment programmes between the private and public sectors in an attempt to render future decisions more calculable. However, the most intractable element, and therefore the most unpredictable, in long term policy-making is labour, and this makes a wages policy essential to any planning strategy.

A significant feature of the new "planning" initiative was the total absence of organized labour. However, although the trade union movement was not privy to the discussions, it was an important object of them because, as we have seen, an incomes policy is often an inextricable part of a planning strategy. This was particularly true for the British case, where an incomes policy was intended to restore some "order" to the apparent anarchic state of wage rates and wage drift. Moreover, it was hoped that such a policy would act as an informing principle to guide state intervention, thus avoiding the anomolous interventions of the mid-'fifties.

The inextricable nexus between "planning" and incomes policy became evident in July 1961 when yet another speculative rush against sterling evinced the traditional response, namely, the restrictive practices of the "Stop-Go" strategy. However, on this occasion a "pay pause" was launched and it was symptomatic of the Tory philosophy that it was christened a "Battle for Wages". This "pay pause" was the most determined effort by the state to use the public sector as an example to

the rest of the private sector, and once again the state discriminated against workers in this sector. The "pay pause" was intended merely as a transitory device which enabled the state to introduce the first formal incomes policy in British history entitled "Incomes Policy: The Next Step". Apart from the fact that no mention was made of prices, this document broke new ground in that it undermined the traditional criteria for determining wages, such as comparability and rises in the cost of

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living. However, the new policy had no visible effect because, in the words of one forlorn expert, the labour movement "ignored it". Before this had become evident, however, the incomes strategy was sold as part of the newly formed "planning" machinery, chief amongst which was the widely acclaimed National Economic Development Council. This marks the official "conversion" to "planning" and represents the fruition of the initiative, taken by capital and the state, at the Brighton Conference. The N.E.D.C. was to be a tri-partite forum, in which the three contracting parties -- the state, capital and labour -- were to participate in
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the formation of national economic policy.

The timing and presentation of this machinery was somewhat problematic because organized labour refused to participate in the forum until the pay pause had been terminated. Moreover, it is highly significant that the N.E.D.C. had already taken shape long before the T.U.C. had given its assent. The representatives of capital had already discussed the structure and functions of the new machinery long before the T.U.C. had entered the scene. The crucial issue facing the former was how to win trade union cooperation while, at the same time, proceeding with the creation of an incomes policy. Indeed, it was this problem that had

delayed the formation of the N.E.D.C. since the trade unions refused to participate in machinery which was to be used as a vehicle for producing a policy on incomes. It was precisely because of this impasse that the state created the National Incomes Commission which had the explicit function of regulating incomes, and, because of this, the trade unions refused to recognize it. It had become evident to both capital and the state that the N.E.D.C. would be unable to pioneer an incomes policy and, therefore, if progress was to be made in this direction, the task had to be shifted to another, "somewhat embarrassing", body. The semi-contradictory relationship between the N.E.D.C. and the N.I.C. set the precedent for the nineteen sixties when agencies, with even more contradictory aims, seemed to proliferate.

As we mentioned earlier, these developments have to be firmly set in their global context. The new "planning" structures were a belated recognition that monopoly capitalism, with its "new" forms of more intensive metropolitan competition, had rendered obsolete the traditional practices of industrial compromise. The ad hoc relations between the state, capital, and labour, together with the post-war reliance on voluntarism, were now deemed inadequate to meet the rigorous demands of the nineteen sixties. The "planning" structures mark an attempt at a new concentration and centralization of political and economic power, with the explicit aim of rendering state policy more calculable. We should emphasize that this marks a rupture with previous post-war practice because the "planning" initiative attempted to bypass the traditional process of "interest-group" politics. That this is not an over-dramatic conclusion can be seen from the comments of a proponent

of this new initiative:

The 1962-64 experiment adopted an essentially corporatist device, shifting the locus of decision in national economic policy from parliament to another body... It is, however, a matter for concern when the new corporatist organizations bypass the ordinary democratic process-neither throwing their own deliberations open to the public nor subjecting the bargains struck...to regular parliamentary scrutiny.³⁰

It should be noted that Keynes, in the End of Laissez-Faire, advocated the formation of "bodies" which would help to coordinate state policy vis-a-vis an increasingly complex economy, thus rendering such policy more calculable. Indeed, his prescient prescription sounds all too familiar given the rhetoric of the early nineteen sixties:

...progress lies in the growth and recognition of semi-autonomous bodies within the state-bodies which in the ordinary course of affairs are mainly autonomous within their prescribed limitations, but are subject in the last resort to the sovereignty of the democracy expressed through parliament.³¹

One of the central questions about the new "planning" machinery was how it was to function vis-a-vis the traditional political structures. It appeared that a separate decision-making system had been created alongside the existing one. Moreover, a disturbing feature of this new "experiment" was that public supervision of the "planning" structures was not seriously debated in Parliament.

If the N.E.D.C. and its attendant bodies are presented as an experiment in "tripartite participation", this should not blind us to the fact that, essentially, this machinery represents a new attempt at mobilizing support and consensus. This is an important feature of the "national articulation", which the state undertakes in order to forge a "consensus" on policy goals. That the "planning" initiative should be seen as a more sustained attempt at mobilization is clear from the fact

that the N.I.C. was designed to foist an incomes policy onto the T.U.C. Moreover, the T.U.C. was to be incorporated into more formalized relations with the state and capital (through the N.E.D.C. forum), whereby it would be "obliged" to police the activities and demands of its affiliated trade unions. The incorporation of the T.U.C. into the state sub-system had been an important part of Tory strategy throughout the nineteen fifties. It had been seen as a crucial factor in containing the demands of its more militant affiliates during the strike explosion of the mid-fifties. Not without good reason did Churchill call the T.U.C. an "estate of the realm".

The 1951-64 period represents a "full circle" in the Tory conception of state intervention. As we have stressed, this has to be situated in both global and national terms. The abortive attempt to resurrect a "neo-liberalism", whereby issues were decided by the "free play" of interests in the market, was increasingly seen to be ill-suited to the demands of a coordinated European capitalism. On the strictly national level the "neo-liberalist" strategy created distortions in the determination of wage scales, as well as hindering a sustained rate of growth. The "planning" initiative was intended as an antidote to both. On the one hand, it was designed to improve the position of British capital on the world market (through increased "national articulation"), while, on the other hand, it was intended as a device to restore "order" to the "anarchy" which obtained in the wage-productivity relation. We have already seen that the 1961 Incomes Policy attacked and undermined the traditional criteria of determining wages.

Despite the alternations between rapid prosperity and sudden deflationary measures, the Tory strategy of state intervention had

failed to contain the assertive position of organized labour in the market. This can be seen in its failure to appease the unions during the "Monckton period" when it tried to "win" the unions to material prosperity, as had been done in West Germany, and again during its "offensive" phase of the middle and late 'fifties. By the early 'sixties it had become clear that the British working class had established a strong defensive position vis-a-vis capital and the state. Indeed, it is not too much to say that by the early 'sixties the British trade union movement was the most powerful and well organized in Europe.³⁵ This position was in no small way attributable to the full employment conditions in post-war West Germany.³⁶ Given the favourable conditions of the British labour market, the trade unions were able to win a marked degree of control at the point of production. This can be seen in that in addition to wages they had succeeded in bringing such issues as work conditions and the methods and uses of labour into the sphere of workshop bargaining. A T.U.C. inquiry into "Disputes and Workshop Representation" confirmed, in 1960, that the majority of strikes involved issues of managerial control.³⁷

With hindsight, we can see that the most significant features of the 1951-1964 period are, on the one hand, the changes wrought in the world market, making for more intense metropolitan competition, and, on the other hand, the perceptible shift in the economic strength of organized labour in a relatively fully employed labour market. Moreover, the Tory Government had made little attempt to overhaul the basic structure of British capitalism and although this was less evident during the early 'fifties, it had become painfully clear by the beginning of the new

decade. The indices of the malaise of British capitalism could be seen in terms of the share of the world market and of the low levels of investment and productivity, and against which stood the fact that the British trade union movement was the most-well-organized in Europe. Given this background, it is not surprising that "From the early 1960's onwards the advanced sections of the ruling class' political and ideological leadership came to appreciate that new departures were needed to avert the maturing crisis".³⁸ The post-war settlement had been established by 1950, and in the following decade both capital and the state had become alarmed by its effects.

CHAPTER FIVE

THE FRAGMENTATION OF THE POST-WAR SETTLEMENT

The Labour Party returned to office in 1964, as their Conservative counterparts had done in 1951, on the wave of a new ideology which appeared to mark a radical departure from their former ideological orientation. However, it is impossible to appreciate the nature of this ideology or, for that matter, the developments of the nineteen sixties, without some understanding of the "revisionist" thinking that had lacerated the Party in the previous decade.

It is common practice, in both bourgeois and socialist analyses, to present the "revisionism" of the nineteen fifties as a "conversion" of the Labour Party to the technical needs of the advanced phase of monopoly capitalism. This is sometimes portrayed as marking the recognition of Britain's failure to adapt itself sufficiently to the changes wrought in the forms of metropolitan competition since the late nineteen forties.

Without seeking to deny the legitimacy of this thesis, we should be aware of the dangers involved in the view that the "revisionism" of the nineteen fifties marks a radical departure in ideological orientation. To admit of a change of emphasis in the Labour Party's form of ideology is not to neglect the very substantial continuity which runs from the inter-war period, through the immediate post-war era to the early nineteen sixties. The Labour Party has never been a monolithic entity. Indeed, its founding conference was characterized by an "unholy alliance" between the I.L.P. socialists and liberal trade unionists. This needs

to be stressed because the Labour Party has been far more resilient than many socialists have thought possible.

The main stimulus to the "revisionist" ascendancy was the electoral defeats of 1951, 1955, and 1959, and no party had previously won three consecutive victories. Even more important, although in no way unrelated to the electoral defeats, were the substantial improvements in living standards effected by the capitalist "boom" of the nineteen fifties. Between 1951 and 1954, British capitalism experienced the most sustained and uninterrupted expansion in its history. Moreover, this expansion had been executed without any of the traditional Labour Party "aids", such as increased state intervention or public ownership. It was but a short step to questioning whether these "historic" policies were consistent with the empirical evidence of the "growth" potential of capitalism as exhibited in the early nineteen fifties. This should occasion no surprise because we noted in the last chapter that the Party was heavily inclined towards an empiricist conception of capitalist development.

The Labour ideologues accepted the Tory celebration at face value and, as we have already seen, this celebration took the form of an identification of capitalist institutions with material abundance. Only on the basis of this empirical "evidence" are we able to understand the thrust of the "revisionist" thesis that capitalism, as a mode of production, had somehow mutated into a "post-capitalist society". Crosland, one of the leading figures of Labour "revisionism", articulated the essential thesis;

The power of the state has enormously increased, and it is now an independent [sic] intermediate power, dominating the economic life of the country... Another essential feature of

capitalism has thus disappeared -- the absolute autonomy of economic life. This one change alone would justify the statement that the capitalist era has now passed into history.¹

The essence of the "revisionist" thesis was the claim (and it was no more than a claim), that the shift in economic power from the "business class" to the state was paralleled by a shift from owners of property to the managerial class of working directors.²

We mentioned earlier that it is essential to appreciate the very substantial continuity between inter-war ideology and that of the nineteen fifties and nineteen sixties. This ideological continuity is vital to any real understanding of the Labour Party. It is in Crosland's emphasis on "managerial capitalism", which was supposed to be one of the defining characteristics of the "post-capitalist society", that this continuity is most clearly brought out. This conception is almost synonymous with the Morrisonian view of the "public corporation", which was hailed, in the inter-war period, as the triumph of the "managers" over the "rentiers". Moreover, we have seen that this thesis can be found in Bevin and Keynes and it is ultimately located in the incorrigible Fabian faith in the "ideologically disembodied expert".

The significance of post-1945 thinking, especially after 1951, was that the Labour Party sought a greater unity between its ideology and its political practice, and it is not too much to say that, in a sense, the Labour ideologues effected the synthesis between theory and practice by rationalizing the Party's past practice. The so-called "rethinking" found expression in Industry and Society, a Policy Statement, 1957:

The Labour Party recognizes that, under increasingly professional managements, large firms are as a whole serving the nation well...

We have therefore no intention of intervening in the management of any firm which is doing a good job.³

This policy document confirmed that state intervention would be predicated on inefficiency, that is, those industries or parts of industry which had "failed the country". This conception should be compared with the Morrisonian strategy of the Labour Party in the inter-war period, when the criterion for "public ownership" was technical efficiency.

The "revisionist" strategy involved a devaluation of such symbols as nationalization, which was described as "outmoded" and "irrelevant" to the problems of a "mixed economy". This strategy was part of the self-confessed "revisionist" policy of projecting a more distinct national image, which necessarily involved the attempt to jettison its historic class character.⁴ Electoral results appeared to exhibit a consistent pattern with each major party commanding some 40 percent of the electorate. It was therefore claimed that a more vigorous national orientation would enable the Labour Party to compete for the elusive "floating vote", which comprised some 20 percent of the electorate.

In failing to modify the Labour Party's commitment to Clause IV of its constitution, the Gaitskellite faction was unable to carry its "revisionism" through to its logical conclusion. However, in terms of political practice, the Gaitskellites had won the substantive battles, as the policy documents of the early nineteen sixties demonstrated.

In their search for a more distinct national image, the "revisionists" had seriously considered loosening the Labour Party's ties with the working class. However, with the Tory failure to foist an incomes policy on the trade unions in 1961, it was argued that Labour's

close alliance with the unions is an asset, which it alone enjoys, and not a liability. (Labour) must be able to show...

that the unions will cooperate wholeheartedly only if Labour is in office.⁵

Given the widespread belief that the relationship between the Party and the unions is in some way a "holy alliance", we should emphasize the pragmatic way in which this relationship was conceived by the "revisionist" leaders.

The above remarks have sought to demonstrate the continuity in the Labour Party's ideological orientation. We have also tried to show that the "revisionism" of the middle and late nineteen fifties should not be construed as marking the origins of the technological ethos because this has been an important strand in Labour ideology since 1918. However, the obsessive concern with technological innovation at the beginning of the nineteen sixties was characteristic of monopoly capitalism as a whole and is attributable to the more intensive forms of metropolitan competition between the developed capitalist formations.⁶ In the particular case of the Labour Party, this trend was reinforced by the neglect of technical innovations which had occurred under the previous thirteen years of Tory rule. Moreover, the legacy of this neglect, as well as the poor relative position of British capital, became fully clear only at the beginning of the new decade. Given the global and the national dimensions of the British malaise, we can readily appreciate the Labour Party's priorities, as expressed at its conference in 1963:

unless we can harness science to our economic planning, we are not going to get the expansion that we need...we are re-stating our Socialism [sic] in terms of the scientific revolution... The Britain that is going to be forged in the white heat of this revolution will be no place for restrictive practices or for out-dated methods on either side of industry.⁷

The motto of the "New Britain" was aptly summed up at the same Party

Conference as "innovate, modernise, plan, produce". As we have said, this preoccupation with technological innovation and growth stemmed from the belated recognition of Britain's poor position vis-a-vis the revamped European formations. This preoccupation is well illustrated in the Tory declaration that 1962 was to be "National Productivity Year", and again when the Labour Government instituted the "Queen's Award for Industry" as an additional boost to innovation and exports.

It is significant that the 1959 election saw the last attempt by the Labour Party to employ the traditional paternalist welfare image, orientated as it was to deprivation and inequality. Thereafter, this approach was abandoned in favour of the technological ethos, and the old pristine concerns were to be sought as a by-product of the "white-heat" of the scientific revolution. Although the Labour Party appeared to display a one-sided commitment to this ethos, we have tried to show that it is already present in the Webbs' notion of "expert", in Morrison's "public corporation", and in Crosland's "manager".

Throughout the early nineteen sixties the Labour Party had launched caustic attacks on the Tory "Stop-Go" strategy, which resulted in the subordination of sustained growth and industrial capital to the stability of the balance of payments and finance capital. The Labour leaders had given warm support to the priorities advocated by the F.B.I. in its dispute with the champions of "sound currency" in 1960. Thus it was no great surprise that the vigorous scientific image of the Party endeared it to sections of industrial capital, and this was made clear at the election because

Labour in 1964...appeared far less of a threat to British industry than at any time in the past. Industrial involvement in the election campaigns was minimal. Anti-national-

ization propaganda was carried on merely by a small deviant minority, and a number of business or industrial groups that had sponsored "free enterprise" campaigns in 1959 failed to do so five years later.⁸

The Labour Party's interpretation of capital's "technical needs" led it to view Keynesian "financial tinkering" as inadequate and therefore, it claimed that only a physical intervention by the state could guarantee the necessary restructuring of the economy. The Labour leaders portrayed their task in historical terms, emphasizing the magnitude of the task of restoring British capital to a more prominent position on the world market. At the 1963 Conference they declared

We are living perhaps in a more rapid revolution than some of us realize. The period of 15 years from...1960 to the middle of the 1970's will embrace a period of technical change, particularly in industrial methods, greater than in the whole industrial revolution of the last 250 years.⁹

The Labour Party Election Manifesto of 1964 was explicit to asserting that the restructuring of British capitalism would not be possible by "leaving the economy to look after itself", while the Prime Minister said that "monetary planning is not enough".

The continuity between the Labour Government and its Conservative predecessor was evident from the way in which the former adapted the "planning" strategy which had been tentatively fashioned between 1960 and 1964. An essential element in the Tory strategy, and one that they were unable to implement, was the development of an incomes policy which was acceptable to the trade unions. By 1964 significant elements within the state -- and this includes the Labour leadership as well as capital -- saw an incomes policy as essential to provide order and respite to the declining position of British capitalism. We have already noted that the Tory Incomes Policy, in 1962, had sought to undermine traditional bargaining

criteria in an attempt to confine wage increases to increases in productivity. Moreover, at the beginning of the decade, in 1960, capital had launched its own productivity offensive in initiating the first Productivity Deal at the Esso Oil Refinery at Fawley.¹⁰ This isolated attempt to fashion a new form of collective bargaining should not be seen in a partial light because it was the first phase in a general attempt to stem the bargaining power of organized labour, and, at the same time, to restore the falling profit margins of British capital. The rate of profit before tax had fallen from 16.5 percent in 1950-54 to 13.0 percent in 1960-64.¹¹ This steady decline in profit margins was compounded by low rates of industrial investment, which, in turn, made British capital less able to accommodate wage increases. This partly accounts for the relative cost inefficiency of British goods at the beginning of the nineteen sixties. With this in mind, we are able to appreciate that the Esso deal was part of the same logic which dictated the necessity of forging an incomes policy to which the trade unions would subscribe. Moreover, an inherited balance of payments deficit of 800 million, together with a speculative crisis against sterling, served to strengthen the Labour Government's resolve to restructure British capital and contain working class demands through an effective incomes policy.

The heavy reliance on income restraint as part of the "planning" strategy was common to both Tory and Labour policies. However, if this is their common denominator, the Labour Government distinguished itself in creating a more elaborate institutional edifice to serve its purpose of more vigorous physical intervention. The Labour Government had pledged itself to more extensive state intervention than their Tory counterparts,

as became evident with the creation of five new ministries, of which the most important were the Department of Economic Affairs and the Ministry of Technology. A further indicator of the Labour Government's commitment to more extensive intervention was the incorporation of the N.E.D.C. and its attendant bodies into the state system via the D.E.A.

The D.E.A. and particularly its Industrial Division, together with the new Ministry of Technology, extended the area of direct contact between the state and capital. This was most evident in the fact that individual representatives of capital served as "industrial advisors". The D.E.A. was empowered to focus on long-term economic strategy, but its most significant immediate task was the creation of an incomes policy and the preparation of a National Plan.¹² Yet another indicator of the Government's interventionist resolve.

On 16 December 1964 the D.E.A. triumphantly announced that it had forged a common basis between capital and labour, so that both would attempt to take a common stand on questions of prices, wages and productivity. This "historic moment" was embodied in the Joint Statement of Intent which was, significantly, described as "the end of the class war". The F.B.I. leadership also viewed the moment in historic terms

The Statement of Intent offers an opportunity to change the erratic and disappointing tempo that industrial affairs have followed since the war. This is the first time in our history that management and trade unions have jointly publicly declared that they can pull in the same direction.¹³

It is significant that this Statement was signed barely two months after the Labour Government had taken office, and the entire legislation on incomes policy was completed within six months. This alone is adequate testimony to the crucial position which the Government accorded to income

restraint. We should emphasize that the White Papers of 1965, particularly Prices and Incomes: An Early Warning System, never ruled out legislative sanctions despite their voluntary appearance.¹⁴ The machinery of the incomes policy was embodied in the Prices and Incomes Board, which was to replace the ineffective National Incomes Commission of the previous Tory Government. It is significant that the Labour leadership appointed Aubrey Jones, a former Tory M.P. and a proponent of corporatist structures, as chairman of the Board. Moreover, Jones was quite explicit about the inextricable connection between the Government's incomes policy and the new productivity deals which capital had launched in 1960:

We attach great importance to this relationship between the two for, just as we think productivity agreements can further the aims of the policy, so we believe a prices and incomes policy can provide the most favourable environment for successful productivity agreements.¹⁵

The drive to make British capital more productive, and therefore more competitive, was thus initiated on two fronts, on the strictly economic front through productivity deals and on the political front with the state's incomes policy. That the two were part of the same logic was further underlined by the fact that the income norm of 3 1/2 percent was based on the calculations of the National Plan which projected a general growth of 25 percent between 1964-1970 where annual productivity would increase by 3 1/2 percent. The Plan made it clear that the incomes policy was intended to maintain the share of profits in the national income and that any redistribution was to be within the working class.¹⁶

The principle of the incomes policy was accepted by the T.U.C. on grounds which were not too dissimilar from those proposed by the former Tory Government. Moreover, we should stress that in accepting this policy,

the T.U.C. was endorsing the maintenance of the existing national income distribution. In political terms, as Shonfield noted, the Labour Government beseeched organized labour to "consent to a particular type of social order".¹⁷ At the Trades Union Congress in 1964, the Labour leadership had justified such a policy in terms of an "equality" of sacrifice:

we have the right to ask for an incomes policy because we are prepared to contribute the three necessary conditions. First, an assurance of rising production and rising incomes... Second, an assurance of equity and social justice... Third, an assurance that what we ask for in wages and salaries will apply equally to profits and dividends and rent.¹⁸

We have already noted the speed at which the incomes legislation was passed through Parliament. The Labour Government saw the legislation as a top priority in restoring confidence to Britain's foreign creditors, U.S. capital being the most important. The Labour regime had entered office in the midst of a sterling crisis and an inherited balance of payments deficit 800 million. Furthermore, exports began to taper off during the first half of 1965, while imports continued to grow and, despite the import surcharge, the trade deficit was approximating its 1964 level. These indices were sufficient to precipitate a heavy speculation against sterling and the Government responded in the grand style of "Stop-Go" strategy with a 200 million deduction in its current programme.

The July 1965 measures provided the first real indicator of the extent of the Labour Government's commitment to the growth targets embodied in the National Plan as well as to its proclaimed aim of reversing the economic priorities of the previous thirteen years. Despite the caustic attacks which the Labour Party had launched on the Tory fetish with balance of payments stability, it had devised no policy by which

sustained growth and balance of payments stability could be mutually secured. Indeed, it would appear that the Party misread cause and effect in not understanding that the balance of payments is a barometer of capital's international fortunes, reflecting the productivity and general competitive position of a particular "national" capital. As we argued earlier, the relative backwardness of British capitalism fully emerged only when the devastated economies of West Germany, Italy and Japan entered the world market in the late nineteen fifties and early nineteen sixties.

After July 1965 the Labour Government appeared to view the balance of payments as an end in itself and determined to achieve "equilibrium" by the end of 1966. Moreover, the Labour leadership began to make tentative inroads on the post-war settlement by declaring that the "incomes policy is a necessary condition of maintaining full employment". To this end the Labour Government began the search for more secure forms of restraint in the shape of a statutory incomes policy. We should note that U.S. capital had, since July 1965, exerted great pressure on the Government to avoid devaluation and to seek instead a more rigorous policy of incomes restraint.¹⁹ It needs to be stressed that state policy in this area sought statutory backing before either the bitter Seamen's strike or the infamous "July Measures" of 1966.

As early as the 1964 election, if note before, it was hoped that the Labour Government would be able to exploit its "bond" with the unions in a way that was not possible for their Tory counterparts. "Paradoxically [sic], one of the strongest economic arguments for a Labour Government is that, beneath layers of velvet, it might be more prepared

to face a showdown in dealing with the unions".²⁰ The force of this argument gathered momentum from the outset in 1964 and became increasingly more evident as the decade wore on. We have said that the voluntary nature of the incomes policy was tenuous at the initial state in early 1965. However, although statutory powers were "latent" in the original voluntary agreement, the persistent balance of payments deficits gave the statutory "solution" an added appeal. Moreover, international finance capital, in the form of the Central Banks and the U.S. Government, consistently canvassed for a more rigorous statutory policy. Given the many interpretations of this "pressure", which primarily view it as a "conspiracy" by the "gnomes of Zurich", it should be emphasized that this suggests that the Labour Government was compelled, against its will, to impose such a policy on the trade unions. The point about this view is that it understates the extent to which the Labour leadership actually shared this view, despite such external pressure.²¹

As we have tried to stress, the impetus towards a statutory incomes policy began before the infamous "July Measures" of 1966, when the Labour Government announced, in December 1965, that it would introduce legislation for a statutory "early warning" system. This policy was intended to achieve advance notification of pay and price increases. However, the most significant feature of this policy was that the T.U.C. was required to engage in a wage vetting scheme while the C.B.I. was not prepared to assume a price vetting function or dividend review. The main rationale for the spring election in 1966 was the need for greater statutory powers to reinforce the Labour Government's incomes policy. The Labour leadership calculated that a larger parliamentary majority would

ease its position in regard to its own party opposition and providing the national mandate to pursue a more aggressive role towards the trade unions.²²

The more rigorous interventions of the Labour Government became evident with the introduction of a statutory Prices and Incomes Bill²³ and even more in its treatment of the National Union of Seamen, who, on 2 May, unanimously declared strike action. The strike lasted for six weeks and was widely regarded in the labour movement as one of the most acute industrial battles in post-war history. The Labour leadership responded by invoking the Emergency Powers Act and, quite significantly, described the strike as "a strike against the State". More importantly, the Government launched one of the most scathing "with-hunts" of the post-war period in its attempt to "expose" Communist "subversion". The Labour leaders justified their aggressive policy toward the seamen by claiming to protect the balance of payments and the incomes policy, but even at the time it was widely understood to be a symbolic gesture to the Central Banks. Moreover, as early as 15 January 1966 the Economist argued that the only way to achieve a rigorous policy of restraint would be for the Labour Government to defeat the "trade unions on some big national wage struggle".

The introduction of the statutory Prices and Incomes Bill, parts II and IV of which provided for fines of up to 500 where increases were contrary to the provisions of the Bill, had failed to stem the heavy speculative crisis against sterling. At the beginning of July 1966 the pound fell to its lowest level since November 1964 and Treasury forecasts indicated that balance of payments "equilibrium" would not be realizable

as had been planned. Moreover, the available policy alternatives were further reduced by the Labour leader's one-sided refusal to consider devaluation. This rabid insistence to maintain the sterling parity at \$2.80 provides ample evidence that the Labour Government had in no way broken with the old Tory fetish of viewing the exchange rate as sacrosanct. Given the Labour Government's attitude towards the sterling crisis, deflation and wage freeze remained the only response. As we have noted, this policy was strongly canvassed by the U.S. Government, the Central Banks and the British Treasury. Moreover, the Bank of England had indicated that without severe deflation continued support for sterling was impossible.

On 20 July 1966 the Labour Government introduced the most severe deflationary policy of the post-war period, the main effect of which was that the full employment commitment was jettisoned so that a 2 percent level of unemployment was to be acceptable. Equally significant was the fact that the entire "planning" strategy was effectively "lost" with the abandonment of the National Plan which implied that the D.E.A., so heroically created, was to be devalued in institutional terms. In addition to these drastic measures, the 3 1/2 percent pay norm was reduced to a six month "standstill", followed by a further six months of "severe restraint". The July measures should be seen as a watershed of post-war history:

The total result was that the four main pillars with which union agreement to the incomes policy had been secured -- full employment, economic planning, tripartite economic decision-making and voluntarism -- had all been broken.²⁴

We have already demonstrated that the Labour Government's incomes legislation was part of a wider attempt to raise the productivity levels

of British capitalism, and in this way it was inextricably connected with the productivity deals which capital had initiated at Esso in 1960. The initiatives on the part of capital and the state were originally projected as part of an integrated economic strategy and this had been endorsed by the chairman of the Prices and Incomes Board. However, the claim to an integrated strategy was effectively demolished by the July watershed.

The year 1966 marks a watershed in more ways than one because, in broad historical terms, it marks the beginning of the major, State encouraged, post-war restructuring of British capital. We have seen that this was the Labour Government's central strategy on taking office in 1964. Productivity was to be increased through state interventions designed to restructure Britain's industrial base. Moreover, this was to be accompanied by an incomes policy so that wage costs per unit of output would be decreased by the joint effect of lower money wages and higher real output per man.

An essential part of this process of restructuring was the need to shift both labour and capital to more productive areas. Up until 1966, manufacturing industry accounted for a decreasing share of total employment, and it was with this in mind that the Labour Government introduced its Selective Employment Tax, designed to shift labour from service sectors to manufactures. Moreover, it was to this end that the Industrial Reorganization Corporation was set up in December 1966. The highly suggestive name of this new agency indicates that its task was the reorganization of British capital. It was designed to promote the capital concentrations which the market was either unable or unwilling

to undertake,²⁵ and it operated as a state merchant bank with assets of some 150 million.

This is the carefully constructed background to what became known as the "merger boom" of the middle and late nineteen sixties. It would be more accurate to see it as a deliberate attempt to speed up the concentration and centralization of capital in order to achieve greater economies of scale and, therefore, greater productivity. Its most notable achievement was the help given to the GEC-AEI-EE merger. However, we should stress that rising productivity is usually paralleled by the displacement of labour, and this was clearly seen in the G.E.C. merger, which involved the sacking of at least 10,000 employees. Indeed, the displacement of labour is one of the most obvious indicators of the restructuring of capital and it is no coincidence that both began to appear in the middle 'sixties. This was also the beginning of a trend whereby a lower level of employment was associated with a given level of output.²⁶

We referred earlier to the Labour Government's statement that a 2 percent level of unemployment would be acceptable to it. Between 1954 and 1964 unemployment levels fluctuated between 1-2 percent of the labour force. After July 1966, however, unemployment never fell below the half-a-million mark while between 1966 and 1969 the figures almost doubled, from 1.28 to 2.35 million.²⁷ The increase in unemployment was a direct consequence of state policy partly attributable to the deflationary response to the balance of payments deficit but, more importantly, to the effects of restructuring British capital. The effects of the latter resulted in increasing the average duration of unemployment and were most starkly illustrated in the rapid displacement of labour from the coal and

railway industries. The coal industry provides the clearest indicator of the effects of the productivity offensive. Between 1965 and 1970 pits were shut down at an average of one per week, which resulted in the loss of four jobs in every seven throughout the country. This process was paralleled by the notorious Beeching "axe" which "streamlined the railways in the early nineteen sixties.

The Labour Government was intent on making the most of its trade union "asset", and it is highly unlikely that a Tory Government could have won trade union quiescence had it presided over this first major phase of restructuring with its consequent loss of jobs. We should note, however, that although the Government retained the formal support of the General Council of the T.U.C., this support was not forthcoming from the rank and file. The effects of the productivity offensive, together with the continued effects of statutory policy, led to a more aggressive response from the more militant sections, "the same output has been shared out among fewer men and the dole queues have lengthened. The Government got the productivity and the workers got the sack".²⁸ These remarks serve to underline the inextricable connection between state policy of incomes restraint and the drive, by capital to increase its profit margins through concentration and centralization.

When we appreciate the necessity of this process of restructuring, the Government's manpower policies appear in their legitimate context, namely, that of lubricating and assuaging the effects on the working class. The Redundancy Payments Act of 1965 could be only a cosmetic measure in that it was designed to compensate labour for the increase in unemployment and the changes in traditional skills. In addition to this, the Government

developed its Government Training Centres which were intended to supplement the Industrial Training Board system. Both were designed to provide an adequate supply of quality labour as well as break the resistance and rigidity of the labour market.

As we have tried to emphasize, the attempt to restructure British capital was originally projected as part of an integrated "planning" strategy which included an incomes policy. However, after July 1966, this "planning" strategy degenerated into a one-sided drive to maintain the incomes policy which appeared to be an end in itself. This became clear after the devaluation of the pound from \$2.80 to \$2.40 in November 1967. The incomes policy had, since the outset in 1964, been presented as an alternative to both unemployment and devaluation, while after November 1967 it was justified as a measure to reap the benefits of the lower exchange rate.

It is not too much to say that, in the two years following the "July Measures", the trade union movement suffered the most devastating attacks it had ever experienced from a Labour Government. Originally created to further trade union interests, the Labour Party was prepared to jeopardize its "bond" with the unions in order to achieve a balance of payments surplus. The effects of this attack on the trade unions were manifested in the decline of Labour Party membership, and in March 1967 the Party lost two by-elections in solid working class areas, in Rhondda West and Glasgow Pollok. An even greater indicator of the degenerated "bond" with the Government was provided by the termination of the political levy to the Party:

This Government is totally anti-trade union, and it is time the rest of the Trade Union movement woke up to the fact. We

shall not be making any further payment to the Labour Party for the time being -- we are not going to provide the ammunition for the Government to shoot us down with.²⁹

It is essential to appreciate the extent of the Government's attack on the trade unions. The real rupture came with the "July Measures" and their massive deflationary effects, and were carried further with the post-devaluation measures designed to depress living standards even more in order to shift resources to exports. However, "despite" the effects on working class living standards, the Labour Government launched a political assault on practices and symbols which had long been held in the highest esteem by the trade union movement. For instance, after the July freeze, prominent members of the Cabinet warned the unions to prepare for the effective end of collective bargaining rights because "nothing can be quite the same again". Again, in the wake of the post-devaluation deflation, the Government put an end to free school milk for secondary schools together with the introduction of prescription charges. Perhaps only those with an intimate understanding of the British trade union movement can fully appreciate the symbolic importance of these measures. Conversely, it should not be forgotten that the Labour Government succeeded in winning T.U.C. quiescence, which was, more than anything else, due to the tenacious way in which General Council affirmed its "bond" with the Labour leadership. However, despite the fact that two T.U.C. Congresses, in 1966 and again in 1967, endorsed the incomes policy, the T.U.C. voting patterns had already posed the question of whether, or in what sense, the Labour Party could continue to masquerade as the party of the working class.³⁰

The renewal of legal reserve powers, in the Acts of 1967 and 1968, was paralleled by a growing groundswell of rank and file opposition against

both the Labour Government and the General Council of the T.U.C. The general incomes strategy was mixed in its effects. It was clearly effective in the period between July 1966 and June 1967, because wages rose by no more than 2 percent as compared with rises of 4.1 percent and 5 percent in the comparable periods of restraint of 1957-1958 and 1961-1962. However, after June 1967 a thaw set in, and between 1967 and 1968 total wages rose by 7 percent.³¹ The P.I.B. calculated that the net effect of the policy up to then had been to arrest the rate of increase in incomes to 1 percent annually. It has been noted, however, that this modest effect should not be taken at face value because if this 1 percent is taken as a fraction of the actual wage increase this amount is reduced by 10-30 percent in any given year. Moreover, if this is seen in the light of the PIB's comment that prices exhibited a "perverse tendency" to rise faster during the incomes policy, we are able to appreciate the growing groundswell of rank and file opposition.³²

Trade union opposition to the Labour Government's policies became dramatically evident at the 1968 Congress, when a motion calling for the repeal of "existing legal powers" and a rejection of further legislation was carried by 7,746,000 to 1,022,000 votes. This was the end of the trade union's formal support of the Labour Government.

Without further cooperation from the labour movement, the Labour leadership had exhausted its strategy of trying to contain the trade unions through a voluntary-statutory use of state power. The Labour leaders had reneged on each of its commitments on which the "bond" between the unions and the party had been forged.

With the publication of the Donovan Report³³ in June 1968, the Labour Government adopted a form of state intervention which was designed

to impose a quasi-corporatist "solution" on the working class. The Donovan Commission had been set up to examine problems of the post-war "industrial relations" system, specifically the "problem" of how best to contain the bargaining power of shop stewards at the point of production. We saw in the last chapter that shop stewards' strength was identified with the phenomenon of "wage drift" between industries. The Commission recommended that the shop stewards be incorporated into the official bargaining structure in the hope that this would prevent "unofficial" strikes, which were the clearest sign of shop stewards' power. We should recall that the vast majority of strikes since 1951 were "unofficial" and were therefore identified as the most serious threat to the hegemony of capital at the point of production. The Commission held that the "unofficial" power of shop stewards could best be undermined by greater legal and managerial discipline. To this end it was suggested that the definition of trade unions be modified to exclude "temporary combinations" of workers and that only registered unions should receive the legal right of protection against civil damages.

The most vociferous proponents of legal powers to contain "unofficial" strikes were the sectors of capital in the motor industry. This was no accident because the shop stewards in this industry can be regarded as the vanguard in the process which led to "wage drift".

As early as October 1965 Ford had issued a statement declaring that legal action to prevent strikes was only a matter of time and since that date the company, together with British motor capital, consistently urged the Government to take effective action against the shop floor militants.³⁴

Having exhausted its other alternatives, the Labour leadership launched its assault on the traditional practices of collective bargaining by imposing new restrictions on unions involved in a strike.³⁵ Should trade unionists fail to comply with the new restrictions, the Government would require officials or individual strikers to pay fines. This new form of state intervention was embodied in the Government's White Paper In Place of Strife. The new strategy focused primarily on "unofficial" action by workers rather than wages, as had been the case with the strategy between 1964 and 1968. This political assault must be seen in quasi-corporatist terms because, essentially, it marked an attempt to drive a wedge between the state and the T.U.C. on the one hand and the militant sections of the rank and file on the other. The Labour leadership held that an identity of interest could exist between the state and the General Council over the issue of "unofficial" strikes, which, it claimed, both found troublesome.

However, we should see this new strategy as a culmination of the Labour Government's anti-working class policies since July 1966,

In Place of Strife gave full expression to the ideological theme that one of the main functions of a Labour Government is to impose harmony in the national interest over the industrial expression of class conflict. [It] was also raising the question of whether the labour movement any longer regarded the Government's definition of the national interest as embracing the interest of the working class.³⁶

It is one of the particular ironies of the Labour Government that its document, In Place of Strife, precipitated the most acute conflict ever experienced between the two "wings" of the labour movement. In its attempt to subsume class conflict under a vacuous national, even corporate, harmony, the Labour leadership sent shock waves through the

movement which lacerated every level. By March 1969, the entire labour movement was arraigned against the Labour leadership and this opposition included even the Party's National Executive Committee: a situation which the Times said "must be unprecedented".

It is not too much to say that at no time, in the entire post-war period, had the British working class been so highly mobilized and, significantly, this occurred under a Labour Government which was, ostensibly, a government of the party of the working class. The extent of the rupture between the trade unions and the Labour leadership can be seen from the fact that in 1969 the labour movement set up ad hoc committees to fight against the destruction of traditional trade union rights.

The most significant point to emphasize about the developments of 1968 and 1969 is that the initiative against the Government came entirely from the base of the labour movement. This is evidenced by the fact that, at the 1969 Congress, the General Council had alienated itself from its rank and file, who, against the Council's advice, voted for the repeal of the 1966 Act in full. This resulted in the third defeat of the General Council since 1945 and, as we have said before, is an important barometer of working class militancy.

However, although the Government was forced to jettison its White Paper, it continued to pursue the quasi-corporatist logic embodied in its former proposals. This logic was contained in the Government's proposal that it would forego legislation on the condition that the T.U.C. itself agree to legislate against its more militant members. It is highly significant that the T.U.C. had itself created the basis for this strategy because, in its attempt to placate the Government, it had published its

Programme for Action, which was fairly similar to the Donovan view that centralization of bargaining was the most viable means of curbing "unofficial" strikes. However, there are objective parameters to T.U.C.-state collaboration, set by the efficacy of class struggle within the trade union movement. These class parameters were clearly the crucial factor in the T.U.C. refusal to modify its rules to take the more stringent action against militants as the state demanded. It was precisely these parameters which led a T.U.C. leader to say that:

The T.U.C. cannot become an agent of the Government because the unions cannot become agents of the T.U.C. Trade unions are essentially representative bodies ultimately responsible to their members.³⁷

The Labour Government, although roundly defeated in its attempt to impose its quasi-corporatist strategy, succeeded in passing Part II of its 1966 incomes legislation in December 1969, but this was little more than an empty electoral gesture because it was not endorsed by the trade unions.

There was no more fitting answer to the Labour Government's anti-working class strategy than the wage and strike militancy which shook the country in the last months of 1969. A significant feature of this militancy was that it included sections of the workforce which had traditionally been the most quiescent about strike action. The Government's strategy had succeeded in politicizing the less class conscious sections of the labour movement. Indeed, such widespread industrial militancy was the largest expression of unrest since the explosive sequel which attended the 1914-18 war.

Throughout 1968 and 1969 the working class gave an unequivocal answer to the attempt by the Labour Government to appropriate its organ-

ization into the Procrustean bed of quasi-corporatist politics. However, if we are to avoid a one-sided understanding of the 1966-1970 period, it should be emphasized that this massive industrial action did not and, given the objective alternatives, could not translate itself into effective political action. In this sense, the fact that the Labour Government was able to impose its 1969 legislation, as well as retain the support of the General Council until 1968, is a testament to its resilience in containing the fissures which had characterized the Labour Party since 1966.

Despite the fact that the 1964-1970 period exhibits many new features, it is worth isolating its invariant theme, namely, the political attempt to contain and control the working class by making its central organization an adjunct of the state. We have seen that this attempt was initiated through legal assaults on traditional trade union bargaining rights. Moreover, this should not be seen as a "technical" modification in the structures of industrial compromise. It was, rather, an attempt to illegalize certain practices of the industrial class struggle.

We have tried to show that this invariant theme was embodied in the twin attempts by capital and the state to restructure British capitalism in an effort designed to raise its productivity levels. We have already seen that, as early as 1964, industrial capital felt that a Labour Government was more likely to accomplish this task because of its "bond" with the working class. Moreover, we can say with some certainty that the Labour Government will again turn to the "solutions" it sought in the 1964-1970 period. The basis for this seemingly summary conclusion lies in the realization that, being committed to social reform through the crucible of capitalist production, the Labour Party must act as the bearer

of its logic. As we have seen, without the productivity and profit margins which alone make the "consensus" possible, the state must contain the pressure which is placed on capital.

CHAPTER SIX

SUMMARY AND CONCLUSION

We have sought to decipher the forms and determinants of state intervention in the post-war period, and in this chapter we will attempt to isolate some of the dominant themes in order to assess their political significance. In contrast to the period before the war, state intervention after 1945 is as encompassing as it is determined. Given the tremendous accretion of the area covered by state surveillance, we have obviously been very selective and have focused on the most important political interventions, that is, on those that have had the most pertinent political effects on the British working class movement.

We began our study by noting the bourgeois notion of the state as the "political arm" of the "community", whose main function is to guarantee political equality or, as in variants of Keynesian theory, to guarantee full employment. However, against the apparent weight of "common sense" [itself dangerous because of its empiricism] we have argued that the state, far from striving to maintain full employment, is forced, on occasions, to create unemployment.¹ In Britain this was most clearly demonstrated after July 1966, when Britain's share of the post-war "boom" exhibited a marked decline, exposing the relative backwardness of British capital vis-a-vis the competitive capitals of Europe and North America. However, as early as September 1957, the Tory Government had demonstrated that it intended to subordinate full employment to the exchange value of sterling.

The "radical" Keynesian wing views the full employment commitment as being in the "national interest" which the state must promote. This concept of the "national interest" is ubiquitous within the ranks of the labour movement, as is evident from the tenacious appeal of "social contract" strategies. However, the danger of equating full employment with the "national interest" is that the national interest is, and can only be, abstracted from the material conditions of capital accumulation and the class structure which is generated from them. Whatever the "national interest" is taken to be, and it can have only a limited applicability in view of the class structure, we should emphasize that in capitalist formations it is predicated on the successful accumulation of capital.

We have tried to show that the state is compelled to intervene in order to secure successful accumulation of capital whether through incomes policies or legislation against trade union organizations. On the other hand, the state must use these policies in the labour market as a complement to its restructuring of capital through nationalizations, direct financial aid and tax relief. These policies are usually used in conjunction with each other. Moreover, these policies are essential to raise the productivity levels of capital so that it is able to exert what Keynes called its "animal spirit". The general application of these policies, providing they are successful, enables capital to accumulate on the basis of the enhanced levels of productivity.² In this sense the interventions of the state consciously fulfill what was, in the nineteenth century, fulfilled through the unconscious play of the trade cycle.

The most rapid periods of capital concentration in Britain, in the 1920-1940 and 1960-1970, demonstrate the importance of state inter-

vention in order to ensure that this process is successfully carried out. However, the state interventions during these different periods provide a good example of the more direct role of the political in the phase of monopoly capitalism. During the inter-war period the "rationalization" of capital was effected through the medium of the Industrial Reorganization League acting in concert with capital organs such as the trade associations and the F.B.I. As we have seen, the role of the state was confined to securing the general conditions of this process, while its direct interventions were effected in an ad hoc manner, confined to particular problems in particular industries. The ad hoc nature of the state's interventions is attributable to the fact that this period represents a transition between the "competitive capitalism" of the pre-nineteen twenties and the more concentrated monopolistic capitalism which became consolidated after the Second World War. But if the state played an indirect, coordinating role in the inter-war period, it played a direct and increasingly vigorous role in the concentrations of the mid-nineteen sixties. The restructuring of capital was effected through the direct interventions of a state agency, namely, the Industrial Reorganization Corporation, with some 150 million at its disposal.

This comparison demonstrates that the agencies of restructuring were increasingly of a political nature, as opposed to the relative self-reliance of capital in the inter-war period on its own agents of restructuring. This should not be taken to mean that capital did not initiate its concentrations itself in the nineteen sixties but that these initiatives were increasingly supplemented with direct political interventions. In case this intervention be misconstrued, we should note that

the prime function of the Labour Government's I.R.C. was, in the words of an Under-Secretary, "not to encourage Socialism to creep, but to encourage private enterprise to gallop".³ Capital accumulation via the medium of state intervention ushered in the further concentration and centralization of capital, which was characterized in the late nineteen sixties as the "merger boom".

The obsessive concern with raising capital's productivity levels was due to the recognition that although British growth rates had been much higher than in the pre-1945 period, British capital had stagnated in relation to its major capitalist rivals. The following table⁴ gives some indication of this relative decline.

| Underlying Rates of Growth 1955-68 | | |
|------------------------------------|--------|----------------------------|
| Annual Percent Rates | G.D.P. | G.D.P. Per Person Employed |
| Belgium | 3.9 | 3.5 |
| France (1959-68) | 5.5 | 4.9 |
| W. Germany | 5.0 | 4.3 |
| Italy | 5.3 | 5.8 |
| Japan | 9.7 | 8.3 |
| U.K. | 2.8 | 2.3 |
| U.S. | 3.9 | 2.4 |

This relative decline in the growth rates of British capitalism is itself an index of the malaise that led its representatives, at the Brighton Conference in 1960, to initiate the lurch for greater coordination and "planning" between capital and the state. However, if this growth rate is seen alongside the decreasing rate of profit,⁵ we are able to appreciate the nineteen sixties in their full perspective.

Rates of Profit on Net Assets of Industrial and Commercial Companies

| | 1950-1954 | 1955-1959 | 1960-1964 | 1965-1969 |
|----------|-----------|-----------|-----------|-----------|
| Pre-tax | 16.5 | 14.7 | 13.0 | 11.7 |
| Post-tax | 6.7 | 7.0 | 7.0 | 5.3 |

It is only through recognizing the relative decline in growth rates, coupled with this declining rate of profit, that we are able to appreciate the drive, on the part of capital and the state, to link wage increases to rises in productivity -- a policy that was pursued with a vengeance after 1964. We saw that the first major attempt to implement this policy was the 1960 productivity deal at the Esso refinery.

The most significant feature of the productivity offensive was that, until the incomes policy of the Labour Government in 1966, six years of such deals had resulted in covering only some half-a-million workers, but in the three years after the 1966 Incomes Policy such deals embraced some six million workers, or 25 percent of all employed workers. We noted that the Prices and Incomes Board saw its task as "encouraging the spread of productivity agreements" because these were inextricably linked to the incomes legislation. The conclusion to be drawn from this remarkable rise in productivity bargaining is that capital, left to itself at the level of its own economic existence, was unable to generalize its partial policies throughout the labour force. Indeed, we should stress that these deals were seen as a means through which capital might reassert its dominance over the labour market.

I find it difficult to see how the accumulated disorder [sic] which is the heritage of two decades of post-war growth in the unofficial system of collective bargaining, can be cleared up without the help of productivity agreements. The re-establishment of order and control is central to...productivity bargaining.⁶

We have seen that the question of control and discipline had been canvassed by sections of capital at the time the post-war settlement was being forged. The question revolved around whether full employment would seriously impair the power of capital to discipline its labour force because, before 1940, unemployment had functioned as a regulator of working class demands. The creation of the British Institute of Management in 1947 must be seen in this context. This was the result of a Labour Government-appointed committee to advise on "the steps which should be taken to form a central institution for all questions of management".⁷ The B.I.M. was even partly financed from state funds.

The function of the productivity offensive was, then, to reassert the economic dominance of capital which, it had been argued, had been partially eroded through a satiated labour market. However, this question of control cannot be severed from the other function of increasing productivity levels while simultaneously freezing the national income distribution. This is an important point and one that we shall examine in relation to working class strategy and the class struggle within its own economic and political organs.

The point that we have been trying to emphasize is that, in contrast to the pre-1945 period, the state has been increasingly disposed to enter capital's "economic" struggles after 1945. This should not be misconstrued as meaning that the state never had this function in the past, since, on the contrary, its presence was embodied in the state's relative "non-intervention". This is a difficult concept to grasp, but our point is that, in the nineteenth century and even in the inter-war period, such interventions were not needed by capital. This point was

well put by Franz Neumann when he said that the "night-watchman" state should not be seen as "weak" because of its relative "non-interventions": it was as strong as it needed to be. That the state has increasingly been forced to enter capital's "economic" realm can best be seen from the fact that, while in the inter-war period it was confined to the creation of what we called the general social conditions of production, after 1945 state interventions have centred on the production process itself. The significance of this can hardly be overstated, because it means nothing less than that the political and ideological conditions of production are now directly involved in the process of capital accumulation.⁸ The effects of this direct political presence in a process which has hitherto characterized by a relative absence of the political are seen in the way in which the working class increasingly confronts not its employers on the economic level, but the state at the political level.

The evidence of the nineteen sixties has dealt a fatal blow to the Labour "revisionists" of the early nineteen fifties, because one of their central tenets was that the state represented "an independent intermediate power" because the "absolute autonomy of economic life" had disappeared. We have argued that the tremendous expansion which occurred between 1951 and 1954 created the illusion that capital was, of itself, able to generate the growth levels which would secure material abundance. Even this most sustained expansion of the century, however, was very far from being able to provide the "last Hottentot [with] a Rolls-Royce car".⁹ It was Britain's share of the post-war "boom" that allowed the Tories to rely on the most indirect state interventions, such as Keynesian demand management. The Tory celebration was in many ways a little tragi-comic in

the sense that British capital had yet to prove its mettle in the face of competition from the revamped European capitals. Few reiterated the notion of the independent status of the political in the mid-'sixties, when state interventions became enmeshed in the dash for productivity deals. It is not too much to say that, by the mid-'sixties, the problems of capital accumulation had drummed a new political imagery into the Labour "revisionists" inasmuch as they began to talk less of "autonomy" and more of the state being in a position of "pawn".

Earlier we noted that in the post-war period, but especially after 1966, the political became directly involved in the production process, whereas hitherto the state had been only indirectly involved. The most significant political effect of this presence was that it left little doubt that the state could be above and beyond a purely economic process. This significance was most forcefully revealed in that the working class increasingly found itself confronting the state in its demands for wage increases. This phenomenon was perpetuated by the fact that capital, especially in the motor industry, demanded political and legal action to undermine "unofficial" action on the part of militant shop stewards. This, as we have seen, was vociferously demanded as early as 1965 by Ford. However, capital already possessed legislation, in the form of the 1963 Contracts of Employment Act, as a result of which it could sue workers for breach of contract. The Donovan Commission clearly recognized that capital was reluctant to press this legislation, as the strikes, especially in the motor industry, were of a relatively short duration. Besides, and more importantly, employers wished to shift the responsibility for disciplining the workers onto the state. This strategy was extremely pre-

carious because of its effect of bringing the law into disdain. As early as 1911 Churchill had recognized this danger because "where class issues are involved...it is impossible to pretend that the courts command the same degree of general confidence".¹⁰ However, what had been poor political strategy in 1911 was, by the nineteen sixties, becoming an essential economic strategy.

Political interventions, reinforced with legal powers, at the point of production have the effect of bringing class issues more directly to the foreground.

This is the reason why a certain political consensus, based on the state as the guarantor of expansion and expressed in particular by the whole ideology of Keynesianism, is no longer effective. The state's subordination to the logic of monopoly capitalist reproduction, which is thus experienced as "its" inability to respond to the needs of the masses, has never been more flagrant than it is at a time like the present, when the state is intervening in all the domains in which these needs present themselves.¹¹

This citation underlines our point, made at the outset of this study, that the state condenses within itself all "social conflicts, needs and interests", and for this reason state interventions cannot be viewed as some "rational" political incursion into an anarchic "civil society". This is further reinforced by the fact that the determinants of such intervention are to be located in the sphere of production, that is, the base of "civil society". It was not without reason that Marx referred to this sphere as the "theatre of history".

That the state was not "above" social conflict became increasingly more evident to the British working class after 1955, when it found itself directly confronting the state in its "economic" struggles for wage increases. Wage struggles are never purely economic affairs, although

in the pre-1940 period there had been a relative absence of the political because individual employers negotiated with the trade union concerned. While, during the war state regulation of wages could pass off as an abnormality, after the 1949 wage freeze, wages became directly related to state policy. The first major post-war confrontation between workers and the state, excepting the 1948 experience, was the period between 1955 and 1958. We have already noted that the interventions of the Tory Government were seen as being entirely anomolous, which was especially the case with the London busmen and with the railwaymen. In an attempt to isolate the busmen the Tories awarded an increase to the railwaymen, in contravention of an arbitration decision to reject the claim. Such interventions gave rise to the view that the Tories had decided to "declare war on the trade unions".

The 1955-58 wage struggles, however, evinced a form of state intervention that was to become the norm throughout the next decade, namely, the use of the "public sector" to lead the way in the drive to restrain incomes. This policy was applied to the "public sector" in 1957, but, because its success demanded the cooperation of employers, it was not carried out through the "private sector". This policy served to exacerbate wage differentials because the Tory Government refrained from penalizing both unions and employers in those sectors which refused to conform with its policy. This strategy also led to the conviction, among the working class and the press, that militancy pays, as was most dramatically demonstrated in 1962 when the powerful dockers violated the policy while the nurses were refused a pay increase. The Observer noted that

militancy was effective when it said that "the meek...have no chance of inheriting the earth".¹²

The state is forced to pursue this policy because the "public sector" is the only part of the economy over which it has direct control. Moreover, this policy was often exacerbated by capital, especially in the motor industry, where a "quick" pay increase was preferred to a protracted disruption, and therefore it became more than a little difficult for the state to articulate its policy on both the economic and political levels.¹³

An important feature of incomes policy since 1962, when the Tories issued their Incomes Policy: The Next Step, was that the only justification for increases was through higher productivity. However, this criterion is highly problematic for the service sectors in the state-owned spheres. These sectors had traditionally relied on the criterion of comparability, which was undermined in 1962, and even more under the Labour Government's Prices and Incomes Board. An unintended effect of the productivity offensive was the destruction of the post-war pattern of wage determination. The current problem of differentials is to be understood in this context, and it represents the greatest source of fragmentation within the British working class movement. It is no coincidence that white collar unionism has been a marked phenomenon of the nineteen sixties and that "public sector" workers are almost 100 percent unionised.¹⁴

These points must be emphasized if we are to appreciate fully the wage and strike explosion of 1968-1970 because in this period, especially in the last months of 1969, state-employed workers made the initiative. Teachers, firemen, dustmen, nurses, social workers, and in the early

nineteen seventies the miners, were all in the fore, demanding that their earnings be raised in order to catch up with the more technologically-dynamic (and hence higher productivity), sectors. Although we cannot examine this here, we should note that some of these sectors, notably the "welfare workers", demanded the full use of resources within the state sector.¹⁵

We should reiterate that an incomes policy which attempts to peg wage increases to higher productivity levels means, in the narrow economic sense, that the working class must accept a freeze in the national income distribution. In the nineteen sixties this policy was asked of the working class in return for its representatives' being allowed to participate in the N.E.D.C. After 1966, however, this body increasingly became shifted to the periphery as far as its participation in policy-formation was concerned. Moreover, the usefulness of this type of policy can be devalued, in the eyes of the trade unions, through deflationary policies.

However, the principle of an incomes policy is highly significant because, as Shonfield pointed out, it entails the endorsement of a particular type of "social order". It is somewhat paradoxical, at the theoretical level at least, that although the labour movement acceded to incomes policy it did not endorse the social conditions which generated such a policy. In this sense the trade unions are fighting effects, and this will continue to be the case until the British working class can assault the social conditions through a political initiative. However, the ideological basis of any incomes policy is itself an index of the distance that monopoly capitalism has come since its competitive phase,

when the ideological underpinnings smacked of "struggle" and "social Darwinism". The present appeal is heavily cooperative in nature because incomes policy entails

the attempt to obtain the working class' consent to more exploitation by means of a communitarian conception, defining a community of interests between capital and labour in the name of a supposed interest transcending social classes.¹⁶

Only on the basis of appreciating the full political meaning of incomes policy can we understand that, after the experience of the nineteen sixties, the most important question facing the British working class is the role and nature of its own organizations.¹⁷

One of the most essential lessons to be drawn from the post-war history of British Social Democracy is that the concept of crisis has been severely devalued. This history demonstrates that we can no longer apply the concept in such an indiscriminate fashion because, in the strictest sense, the concept is applicable only in relation to class struggle; the pace and intensity of this struggle alone merit a situation which is crisis-ridden.¹⁸ Too often British socialists, particularly among the "fring-groups", have reverted to this concept as if it were itself the catalyst of class struggle. This readiness to apply the concept has resulted in its being used to depict even such phenomena as a balance of payments deficit, and it is not sufficient to reproduce what aways appears in the press because there, instead of being a conceptual tool, crisis becomes an advertising gimmick. To reinforce our point, we need only recall that, in the entire post-war period, the General Council of the T.U.C. was defeated only three times. This should not be underestimated, since the defeat of the General Council is an

important barometer of the degree of opposition between the working class and the state, when it has been the function of the Council to act as a mediator between its base and the state. This role is played far more rigorously during the tenure of office by a Labour Government because the latter is so often depicted as the "political arm" of the trade union movement. Moreover, those socialists who view this relationship as an "asset" would do well to remember that capital itself views the relationship this way but for precisely the opposite reasons. This was clearly the case with Fords in 1965, and with some financial editors of the bourgeois press, such as Samuel Brittan.

The role of the General Council complements, on the economic level, the political role of the Labour Party in that both seek to contain and regulate the pressure of the rank and file of the labour movement. If this appears as some kind of "conspiracy" theory, we would say that nothing could be further from the truth because this role is fully demonstrated in 1948-1950 and again in 1965-1969. In the latter case the full extent of T.U.C. manoeuvrability was achieved but fell far short of the demands of the Labour Government who, it will be recalled, attempted to impose a rule change on it so that it would be more able to deal with its recalcitrant members. As we have seen, this was impossible because affiliated unions are not bound by T.U.C. decisions. However, if the parameters of T.U.C. action are presented solely in this way we miss the crucial point, namely, that after 1967 the rank and file were highly mobilized and, more importantly, were already leading the fight against the anti-trade union thrust of In Place of Strife. Indeed, such was the pace from "below" that the T.U.C. was forced to issue "official" sanction

to "unofficial" strikes, and its policy in this period has been aptly depicted as a dash for "controlled militancy".¹⁹

We have argued that this role of the T.U.C. should be seen in conjunction with what we have said about the role and nature of the Labour Party. Both these "private bodies" represent the economic and political mediations between the state and the working class, and their functions can only increase in importance if British capitalism fails to generate the surplus which alone can cement the fragile post-war "consensus". In an analysis of the wage-tax spiral, together with the fiscal policies of the Labour Government, two Cambridge economists conclude that:

it almost appears...as if the objective economic-historical role of the British Labour Party is to do (no doubt despite itself) those things to the workers that Conservative Governments are unable to do.²⁰

It is not too much to say that, in many ways, the struggle for socialism in Britain is partly a struggle against the history and practice of the Labour Party. The basis for this seemingly summary conclusion lies in that, having to bear and contain working class demands within the parameters of capital accumulation, the Labour Party is forced to follow the inexorable logic of this position.

NOTES TO CHAPTER ONE

1. R.M. MacIver, The Modern State, pp. 484-485.
2. K. Marx. As quoted in V.I. Lenin, What the Friends of the People Are and How They Fight the Social Democrats, Collected Works, vol. 1, p. 162 n.
3. R. Miliband, The State in Capitalist Society, p. 4.
4. A. Gramsci, Prison Notebooks, pp. 243-44.
5. N. Poulantzas. As quoted in R. Blackburn ed., Ideology and Social Science, p. 241.
6. A. Gramsci. As quoted in N. Poulantzas, Fascism and Dictatorship, p. 299.
7. This concept of externality between class interest and state-power is crucial to understanding state intervention. This is not to be confused with what Marx wrote about the state being "beside and outside civil society". I am indebted to Cyril Levitt for pointing to the dangers of confusion here. However, that this concept is crucial can be seen from the remarks of N. Poulantzas, Classes in Contemporary Capitalism, p. 161 n.
8. A. Gramsci, op. cit., p. 182.
9. R. Miliband, New Left Review 55, p. 85.
10. K. Marx, Capital I, p. 989.
11. N. Poulantzas, New Left Review 86, p. 73.
12. E. Altvater. As quoted in E. Mandel, Late Capitalism, pp. 479-80.
13. R.C. Tyson. As quoted in J. O'Connor, The Fiscal Crisis of the State (New York: St. Martin's Press, 1973), p. 181.
14. That the state "takes over" only when capital has either failed or is unprepared to assume full responsibility is well shown in the West German municipal laws which says that the state can only intervene "on the condition that the state extends its scope meaningfully and...does not merely deprive private business of its activities, but supplements and aids them". Elmar Altvater examines this in Kapitalistate 1/1973, pp. 96-108.
15. By the sphere of production is meant that sphere which generates surplus-value. The increase of productivity, of surplus value, and of the accumulation of capital is the same process.

16. J.M. Keynes, The End of Laissez-Faire, p. 42.
17. F. Engels. As quoted in R. Hyman, Industrial Relations, p. 133.
18. This is vividly demonstrated in P. Mattick, Marx and Keynes: The Limits of the Mixed Economy, pp. 51-149.
19. B. Fine and L. Harris, Socialist Register (London: Merlin Press, 1977), p. 170.
20. See his remark in The General Theory of Employment Interest and Money, p. 379. "I see no reason to suppose that the existing system seriously misemploys the factors of production which are in use". Again, "It is in determining the volume, not the direction, of actual employment that the existing system has broken down".
21. A. Gramsci, op. cit., pp. 110-11.
22. G. Williams, "Gramsci's Concept of Egemonia", Journal of the History of Ideas 21 (1960), p. 587.
23. J.T. Winkler, Law, State and Economy, British Journal of Law and Society, 2/2 (1975), p. 122.

NOTES TO CHAPTER TWO

1. We are using the term "social democracy" in the sense ascribed to it in the 1940's and thereafter. This usage explicitly employs it to depict the "consensus" which formulated the post-war settlement with its commitment to full employment and social security. This sense of the term was given currency in The Times, March-April, 1949. This usage is to be distinguished from the pre-1918 sense when Lenin used it to depict the revolutionary party of the working class.
2. A. Gramsci, Prison Notebooks, p. 155.
3. W. Bagehot. As quoted in H.J. Laski, Parliamentary Government in England (London: Allen and Unwin, 1948), p. 179.
4. R. Miliband, The State in Capitalist Society (London: Quartet Books, 1973), p. 177.
5. The "social democratic" type of party has increasingly sought to maintain its base in the working class through redistribution of wealth. However, such focus on the sphere of distribution tends to neglect the structural unity between the relations of production and distribution. The mode of production determines both the form and content of distribution. The full extent of what can be redistributed cannot be deduced from this abstract proposition because the relative autonomy of the state ensures that the political is no mere epiphenomenal expression of the economic.
6. R. Luxemburg, Reform or Revolution, in Mary A. Waters, ed., R.L. Speaks (New York: Quartet Books, 1970), p. 57.
7. Report of the Committee on Trusts (1919 Cd. 9236), p.13.
8. These figures are given in J.H. Dunning and C.J. Thomas, British Industry: Change and Development (London: Hutchinson Press, 1968), p. 27.
9. The inter-war reorganization of capital provides an excellent example of the relationship between the state and the dominant fraction of capital. Together with the I.R.L., the state tried to hasten this process. However, the I.R.L. was made up of the more dynamic sectors of capital and this explains the hostility it received from smaller, less efficient capital which was, for the most part represented by the F.B.I. Not surprisingly, few F.B.I. leaders were active in the League.
10. One of the most revealing documents of the inter-war period was that of the Liberal Party, entitled The Next Five Years. This was the

sequel to an earlier one, Britain's Industrial Future. The former, issued in 1935, reveals that "socialization" has nothing to do with socialism. A symbol of the inter-war crisis, it was willing to sacrifice whole sections to "public control", including rail and road transport, electricity, coal and insurance.

11. H.J. Laski. As quoted in E. Eldon Barry, Nationalization in British Politics (London: Cape, 1965), p. 314.
12. This was not, obviously, the phrase of the manifesto, but of H.N. Brailsford.
13. "Report of the General Council". As quoted in J. Skelley, ed., The General Strike (London: Lawrence and Wishart, 1975), p. 386.
14. Contrast the T.U.C. Report, 1929, pp. 129-200 with the evidence of Arthur Pugh to the MacMillan Committee, 1930, and Bevin's speech at the Labour Party Conference, 1930.
15. J.M. Keynes, The Economic Consequences of Mr. Churchill, p. 23.
16. The Economist, 2 April 1938.
17. The Times, 3 February 1938.

NOTES TO CHAPTER THREE

1. The "interventionist state" is one of the distinctive features of Social Democracy as we are using the term in this context. We have said that it is being used to depict the "consensus" that characterized the new commitments to full employment and social security etc.
2. Given that the state is unable to abolish crises, it follows that full employment cannot be guaranteed. Beveridge had described "full employment" as 3 percent of the labour force out of work. The "politically acceptable" level of unemployment will vary with the severity of crisis as it did with the Labour Government in July 1966. However, we should note that as early as 1948 Cripps was prepared to increase unemployment by 50 percent, from 300,000 to 450,000, unless greater labour mobility was achieved. See the 1948 Economic Survey.
3. P. Mattick, Marx and Keynes, The Limits of the Mixed Economy (London: Redwood Press, 1971), p. 132.
4. This interpretation is borne out by a careful reading of the last chapter of his General Theory, entitled "Concluding Notes". This is an important part of the General Theory because Keynes expounds on his "social philosophy". It is beyond doubt that he equates the state with the "common will" of the community. He is unable or unwilling to grasp the relationship between state power and class interest.
5. W.H. Beveridge, Full Employment in a Free Society (London: George Allen and Unwin, 1944), p. 200.
6. This is well demonstrated by M. Kalecki in his article "Political Aspects of Full Employment" in E.K. Hunt and G. Schwartz, (eds.), A Critique of Economic Theory (London: Penguin Books, 1972), pp. 420-31. Especially his argument that "It is true that profits would be higher under a regime of full employment... But "discipline in the factories" and "political stability" are more appreciated by the business leaders than profits".
7. Economic Cooperation Administration Report. As quoted in R. Brady, Crisis in Britain (London: Cambridge University Press, 1950), p. 6.
8. S. Cripps. As quoted in J.C.R. Dow, The Management of the British Economy 1945-60 (London: Cambridge University Press, 1964), p. 35.
9. C. Attlee. As quoted in A.A. Rogow, The Labour Government and British Industry, p. 41.

10. The restoration of the market was the goal of Labour "planning" and it was "towards this goal...that the Labour Government was moving throughout its period of office and with considerable speed between 1948 and 1950". A.A. Rogow, op. cit., p. 25.
11. In this, the F.B.I. was true to its origins because it was formed in 1917 out of the Manufacturers' Association of Great Britain and the remains of the Employers Parliamentary Council. The former was explicitly founded to keep the state out of industry.
12. See Rogow, op. cit., pp. 61-66.
13. In 1951 A. Maude observed that "since the war ended, it has been easier to make high profits without being really efficient than probably in any period in my lifetime". As quoted in Rogow, op. cit., p. 68.
14. The Development Councils were to be created by Working Parties whose terms of reference were unambiguous. In the case of the Cotton Working Party, the goal was that of "maintaining a sound and efficient system of private enterprise operating in the national interest". Quoted in R. Brady, op. cit. p. 543.
15. A Shonfield, Modern Capitalism (London: Oxford University Press, 1970), p. 98.
16. Ibid., pp. 98-99.
17. The inter-war period is a good example of this rejection of its "true mode of existence". Marx discussed this in Capital: "As soon as... adverse circumstances prevent the creation of an industrial reserve army and, with it, the absolute dependence of the working class upon the capitalist class, capital...rebels against the "sacred" law of supply and demand, and tries to check its inconvenient action by forcible means and state interference." Quoted in A. Gamble and P. Walton, Capitalism in Crisis (London: Macmillan Press, 1976), p. 172. Note however, that the reference to "state interference" is absent from the Pelican edition (1976), the reference is on p. 794.
18. Report of the Reconstruction Committee, entitled, "Economic Controls, Public Ownership and Full Employment". Quoted in R. Miliband, Parliamentary Socialism (London: Merlin Press, 1972), p. 276. No mention was made here of "public ownership".
19. Labour Party Manifesto: Let Us Face the Future. As quoted in Brady, op. cit. p. 99.
20. H. Morrison. As quoted in R. Dahl, "Workers' Control of Industry and the British Labour Party". The American Political Science Review, vol. XLI (1947), pp. 875-900.

21. J.M. Keynes, The General Theory of Employment, Interest and Money, p. 378. The most incisive article to have appeared on the differences between Keynesian and Marxist conceptions of state interventions and their determinants is that of B. Fine and L. Harris, "Controversial Issues in Marxist Economic Theory", in The Socialist Register, R. Miliband and J. Saville (eds.), p. 170. However, Fine and Harris are not without their defects. Concerned to avoid the very real dangers of "over-politicization" (which locates the determinants of state intervention in the context of the political class struggle rather than primarily in the sphere of production), they are led to deny that state intervention is an intervention of the political in the economy. However, such interventions can be seen as political interventions although they are not primarily determined by political factors and this is because the state (political) is the factor of unity of the social formation in its entirety and this includes the economy. The debate is vital to Marxist political economy and must revolve around the concept of relative autonomy, a concept which is more often cited than examined.
22. "Looking back on the documents and the speeches of these years, one is struck by the extent to which economic policy was conducted on a year-to-year piecemeal basis", S. Brittan, Steering the Economy, p. 181.
23. The social security benefits were not inflation-proof. By 1948 the adult benefit was only three-quarters of what Beveridge regarded as an irreducible minimum. See J.C. Kincaid, Poverty and Equality in Britain, p. 60.
24. R. Brady, op. cit. p. 345.
25. Challenge to Britain: Labour Party Policy Statement. Quoted in A.A. Rogow, op. cit. p. 36.
26. "It was to this goal -- Butskellism as it later came to be called -- that the Labour government was moving during most of its period of office". S. Brittan, op. cit., p. 181.
27. L. Panitch, Social Democracy and Industrial Militancy, p. 26.
28. U.S.D.A.W. delegate at the 1948 Congress. Quoted in L. Panitch, pp. 32,34.
29. W.H. Beveridge, op. cit. p. 199.
30. A. Shonfield, British Economic Policy Since the War, p. 176.

NOTES TO CHAPTER FOUR

1. We saw in the 1st chapter that the physical interventions of the Labour Government were part of the short-term management of the economy in conditions of scarcity and reconstruction. We should point out that if there appears to be a lack of continuity between this chapter and the last, this is because the national economy and world market shifted the priorities of economic policy, thereby allowing for different forms of state intervention.
2. A. Shonfield, British Economic Policy Since the War, London, 1958, p. 181.
3. This "progressive" ideological thrust is captured by Q. Hogg in his discussion of the "New Conservative" who "will not engage in the dispute between Nationalization and private enterprise. He sees in the modern extra political form of public control a Nationalization which has lost its terrors, and in the larger joint stock companies with limited liability a private enterprise which has lost its meaning [sic]". It is significant that Hogg could talk of a "nationalization which has lost its terrors". He was aware that the nationalization acts of the Labour Government involved neither the expropriation of former owners nor the transformation of the power structure in the industries concerned. For further analysis of the "Right Progressive" faction, see A. Gamble, The Conservative Nation, pp. 33-37.
4. There is a danger that "monetary policy" could, like unemployment during the inter-war period, masquerade as a "neutral" force, necessitated by the "natural" demands of the market. For example, part of Tory economic philosophy between 1952-54 held that rising prices were automatically disinflationary because they increase profits at the expense of the "consumer" income and thereby more money would be saved. But as Shonfield has noted "The essential point is that the use of this particular disinflationary technique is a political act . . . The Conservatives refused to recognize this for a long time; the whole issue was treated as a piece of simple and inescapable economics. But it is no use expecting to convince people by talk about the impersonal forces of the market, when it is a well-advertised fact that the Government has deliberately let these forces loose". Shonfield, op. cit. p. 190.
5. The most obvious challenge to the post-war settlement was the Tory acts de-nationalizing steel and road haulage.
6. Shonfield, op. cit. p. 192.

7. This is the fortuitous element referred to in the text. It should be noted that this "windfall" was directed to consumer goods. Investment and the re-equipment of British industry made little demands on this extra surplus.
8. R.A. Butler, as quoted in N. Harris, Competition and the Corporate Society, p. 158.
9. The tremendous growth of the world economy could hardly fail to involve Britain to some extent and the remarkable thing about the "Tory celebration" was the extent to which the Labour ideologues were converted by this mass of "empirical" evidence. The facts seemed to vindicate capitalism. The chief revisionist theorists, Crosland, Strachey and Gaitskell, all assumed that the battle for production had been won and that the future issue would be redistribution. However, it was not a case of instant conversion because the Labour Party had never been noted for its theoretical rigour, unless, of course, we count "empiricism" as a suitable "theory" for a workers' party.
10. The level of capital investment in manufacturing industry alone should have tempered the "celebration" of the early nineteen fifties. The Labour Government was quick to cut industrial investment on each balance of payments crisis in 1947, 1949 and 1951. This pattern was followed by the Tories and, as a result, Britain's share of investment in productive industry was very low compared to this overhauled economies of Germany, Italy and Japan.
11. Before the "price plateau" agreement between capital and the state in July 1956, the F.B.I. attacked the Government, claiming that it was the prime mover in the inflationary spiral. In March of that year it claimed that "effective action by industry to restrain prices was... almost impossible, in view of recent and prospective increases in coal, power, transport, manpower, and raw material costs". Quoted in S. Blank, Industry and Government in Britain, p. 134.
12. F. Cousins, as quoted in V.L. Allen, Trade Unions and the Government, p. 104.
13. Minister of Labour 1951, as quoted in E. Heffer, The Class Struggle in Parliament (Gollancz, London, 1972), p. 48.
14. See A. Glyn and B. Sutcliffe, British Capitalism, Workers and the Profits Squeeze where they argue that in the nineteen fifties "the important thing was simply the rate of increase in money wages". The incidence of both short-term strikes and wage increases (in money terms), set the stage for the confrontations in the mid and late nineteen fifties.
15. Shonfield argues that an essential part of "neo-liberalism" was the notion that "consumers" should, after the "distortions" of war-control and Labour control, pay the "true economic cost" of goods etc. The

important point to note is that this strategy created "a powerful engine for the generation of massive wage claims". Shonfield, op. cit. p. 192.

16. After 1954-1955, as we have seen, the Tory Government interfered in collective bargaining, and this ranged from exhortations to actually rejecting claims that had been awarded through the legitimate machinery. In the case of hospital workers, the Tories intervened to propose a drastic reform of bargaining machinery, in this case the Whitley Council.
17. In proposing a "balanced budget", the "September Measures" were a partial repudiation of the "Keynesian State" in that full employment would be sacrificed to "sound currency". Moreover, the responsibility for full employment was to be shifted to the unions so that they would have to temper their claims in accordance to the plight of capital. However, this assumption, as we have seen, is already present in the second Beveridge Report.
18. Shonfield, op. cit. p. 248.
19. Allen, op. cit. p. 107.
20. E.J. Hill, General Secretary of the United Society of Boilermakers, as quoted in Allen, ibid., p. 110.
21. These figures are given in J.C.R. Dow, The Management of the British Economy 1945-60, p. 93.
22. The clash of priorities was personified by D.H. Amory and the F.B.I. boss H. Beaver. In typical Treasury fashion, Amory argued at the Conference that the priorities should be a strong currency first and increased production last. Beaver, articulating the frustration felt by many sections of productive capital, strongly opposed this policy which he identified with the disastrous "Stop-Go" fiasco of the nineteen fifties. He reversed these priorities arguing that all other aims, including that of sterling, were predicated on a sustained increase in production.
23. S. Blank, op. cit. p. 154.
24. In 1962 the F.B.I. Issued its distinct call for state support of funds for civil research and development. This is made clear in its pamphlets Civil Research Policy and Overseas Trade Policy.
25. This was the second, technological phase in monopoly capitalism after the Second World War and it is specified by the tendency for metropolitan capital to be invested within its own boundaries rather than in the "Third World". Essentially, this was due to the fact that, since the nineteen forties, there had occurred a massive penetration of capital into the sphere of raw materials, leading to a fundamental upheaval in technology and organization of labour. The increasing

reliance on synthetic fibres reduced the metropolitan dependence on primary producers. This tendency is most evident in the pattern of long-term investment away from its pattern between 1880-1940 where it was concentrated in "underdeveloped areas" to the post-1940 pattern. For instance, of the \$50 billion U.S. capital invested since 1945, two-thirds went to the metropolitan areas up to 1960 and three quarters in the period after 1960. (These figures are taken from E. Mandel, Late Capitalism, p. 64). These global determinants had and have the effect of making competition between metropolitan capital even more intense, necessitating increased control over the "national economy", especially at the point of production. This is no mere "technical" issue, on the contrary, it is highly politically charged because it is not simply a matter of having new technological innovations on the patent books -- they have to be introduced into the labour process as quickly as possible. The speed of introduction is dependent on the political and economic relations at the point of production. The political nature of this process is clear from the fact that such technological "improvement" has the immediate effect of displacing labour from that particular industry and thus increasing unemployment. These remarks are supported by the engineering disputes, especially those in the motor industry in Britain, Europe and even in the U.S.

26. M. Kidron, Western Capitalism Since the War, p. 23.
27. Ibid., p. 22
28. It should be noted that the Tories were still smarting from the fact that their "Battle for Wages", that is, the 1961 "pay pause" had been broken by at least 77 industries, all of which received increases above the "norm". The main victims of the "pause", as with previous "restraints", was the industrially weak nurses. The state encouraged the belief that "might is right" and the Observer remarked that "the meek...have no chance of inheriting the earth". Quoted in N. Harris, op. cit. p. 166.
29. This marks the first determined attempt since the war to "fix" agreements between organized labour, capital and the state. The T.U.C. leadership was expected to speak on "behalf" of its affiliated unions and then to police these affiliates if they endangered the "bargain". Both the state and capital were to receive a lesson on the organizational structure of the labour movement because the T.U.C. could speak, but this in no way bound the affiliated unions to listen.
30. A. Shonfield, Modern Capitalism, p. 161.
31. J.M. Keynes, The End of Laissez-Faire, p. 41.
32. See Shonfield, op. cit. p. 162.
33. There had been no real consensus in the Tory Party on what policy should be adopted towards the unions. Since the post-war political settlement, the more class conscious elements, like Churchill, Butler

and Macmillan, saw that the T.U.C. could be a vital "ally" in containing the demands of the more militant sections of the trade union movement, hence Churchill's illuminating description of the T.U.C. as an "estate of the realm". The other extreme, and utterly naive, attitude was represented by Thorneycroft who saw the situation in terms of a "good" membership and a "bad" leadership. It is worth quoting his "analysis" of South Wales as "a country in which there were many happy valleys, where honest God-fearing citizens tried to do an honest job until Mr. Arthur Horner [Communist and miners leader] and his friends arrived and started to exploit every grievance, every mistake, to trade on bitterness and hatred and all the wicked emotions of mankind". Quoted in N. Harris, op. cit., p. 119.

34. After the engineering and shipbuilding strikes in 1957, the Tories set up the Council on Prices, Productivity, and Incomes "(Cohen Council) to examine the wider issues involved in the determination of wages and prices". This question was to dominate the political scene in the following years but in March 1957 Macmillan wrote "we are now paying the price for the Churchill-Monckton regime -- industrial appeasement with continual inflation". Quoted in A. Gamble, op. cit., p. 149.
35. This is no mere assertion, it is based on structural and economic principles. The proportion of the labour force organized in trade unions rose during the war, reaching 45 percent of total employees by 1945. In structural terms, this exceeds that of any major competitor except Belgium. Moreover, the British unions had the "benefit" (it was not given to them), of full employment conditions after the war in which to increase their economic strength in the market. Finally, the unions were never destroyed in Britain as they were in Germany and Italy and were not crippled by the internal divisions as in France. These advantages were not operable after 1960.
36. Shonfield says that "The German authorities behaved as if the revolution in economic thinking which derived from the work of Keynes in the late 1930's had never occurred at all". Shonfield, op. cit., p. 273. Full employment was not a serious object of state policy in Germany and this is in no small way attributable to the fact that the German labour movement had been destroyed by the fascist powers.
37. This is another index of the economic strength of the British labour movement and, as we have said, it was due to the satiated conditions of the labour market in the post-war period. Moreover, this shift in control to union bargaining coincided with the increased dependence on technological innovation since the late nineteen forties, and capital saw this challenge as crucial to its competitive position vis-a-vis metropolitan capital. The Tories had already sounded the alarm in 1961 when Macmillan bewailed the "utter irresponsibility of labour in some of the new industries (motor cars, aviation and the like), and the hopeless conservatism [sic] of labour in some of the old industries (shipbuilding etc.). So what with "wildcat" strikes in one and "restrictive practices" in the other group, our poor economy suffered grievously". Quoted in Gamble, op. cit., p. 155.

38. D. Purdy, Marxism Today (October, 1976), p. 315. Purdy argues that these new departures consisted of a greater collaboration between the state and capital in restructuring the economy, a new global realignment of British capital away from the "special relationship" with the U.S. to the E.E.C. and, thirdly, a concerted attack on the relations of production to re-establish the "managerial control" of capital. He argues that management (in both its political and economic sense), had to "reassert ascendancy through a thoroughgoing reform of the collective bargaining system, reorganization of working practices, and the reconstruction of workplace relations. On the wages front, the prevailing anarchy, unleashed by a regime of permanent full employment combined with administered company pricing, had to be suppressed by means of an incomes policy". (p. 316) This new thrust was made clear by the new bargaining procedures which had been initiated by capital at the Esso Oil Refinery in Fawley, Hampshire. This was the first of the notorious productivity deals which were to proliferate British industry in the nineteen sixties. These deals mark an important offensive on the part of capital to shift the balance of forces in industry. The nineteen sixties showed that this was to be a total offensive.

NOTES TO CHAPTER FIVE

1. C.A.R. Crosland, "The Transition from Capitalism", in R.H.S. Crossman (ed.), New Fabian Essays, p. 39. It is certainly no coincidence that this thesis appeared in the middle fifties. The "boom" in British capitalism was part of the overall growth in the world market, and the relative stability enabled the state to withdraw from "direct" intervention and thereby created the illusion that the political level enjoyed an autonomous existence.
2. We do not deny that a shift occurs in the form of ownership and control. The essential point is its implications. Crosland et. al view this as a mutation from capitalism whereby the "managerial class" was less reliant on profit margins. Without entering into the theoretical errors of this view, the period 1964-1970 provides the "empirical" proof of this misconception.
3. Quoted in R. Miliband, Parliamentary Socialism, p. 338.
4. The attempt to project a more distant national image is a logical development in that the Party's ideological theme had always, since its inception, subsumed class beneath nation.
5. Quoted in an unpublished article by Leo Panitch. I would like to thank Panitch for his kindness in sending me this article. His analysis of the Labour Party in this work is, essentially, taken from his Social Democracy and Industrial Militancy. This is by far the most comprehensive study of the 1964-1970 period and, by that token, it is difficult to avoid covering the same ground.
6. In Late Capitalism, Mandel deals with these new mutations in bourgeois ideology whereby political decisions are increasingly presented in terms of "technological determination".
7. Labour Party Annual Conference Report, 1963, pp. 134-40.
8. S. Blank, Industry and Government in Britain, pp. 223-224.
9. Labour Party Report, op. cit.
10. The essence of productivity deals was clarified by A. Flanders, one of their strongest proponents, he said that the "re-establishment of order and control is central to...productivity bargaining...this may be far more important than the immediate gains that can be found in terms of increased labour productivity". Quoted in T. Cliff, The Employers' Offensive, p. 51.

11. A. Glyn and B. Sutcliffe, British Capitalism, Workers and the Profits Squeeze, p. 66. Although these figures are in some dispute, the essential point for our purposes is that the dispute is focused on how much, and not whether, profits declined.
12. The National Plan is probably the best example of the tenuous nature of the Labour Government's commitment to "planning". At no time did the Labour Party develop a "mechanism" which full employment, growth and balance of payments "equilibrium" could be secured. In this sense, the Labour Party's attacks on traditional priorities were little more than a cheap electoral platform.
13. P. Runge, as quoted in S. Blank, op. cit., p. 226.
14. This is established by L. Panitch, op. cit., pp. 71-72.
15. A Jones, as quoted in T. Cliff, op. cit., p. 20. Jones was described as "an enemy of the Party and of the working class". See Panitch p. 75.
16. See Bob Rowthorne, "The Trap of an Incomes Policy", New Left Review, (November-December 1965).
17. A. Shonfield, Modern Capitalism, p. 218.
18. H. Wilson, as quoted in Miliband, op. cit., p. 365.
19. U.S. capital forcefully canvassed deflationary measures, together with a more stringent incomes policy. The Labour leaders were compelled to act on such "advice" because it was a condition of I.M.F. support. The Government had already aroused disfavour because of its import surcharge in breach of the G.A.T.T. agreement.
20. S. Brittan, as quoted in E. Heffer, The Class Struggle in Parliament, p. 51.
21. See Panitch, op. cit., p. 88.
22. Before the 1966 election Wilson wrote "Sooner or later, there would be a confrontation". Quoted in Heffer, op. cit., p. 56.
23. Prices and Incomes Bill, Bill 77. Earlier the Government had issued its "Prices and Incomes Policy: An Early Warning System", an intermediate policy which prepared the way for the full statutory legislation.
24. Panitch, op. cit., p. 116.
25. The most telling description of the functions and purpose of the I.R.C. was that of the Under-Secretary to the D.E.A. when he said that it was designed "not to encourage Socialism to creep, but to encourage private enterprise to gallop". Quoted in Cliff, op. cit., p. 117.
26. For the most penetrating analysis of state interventions designed to restructure capital, see the work of Ben Fine and Lawrence Harris in

26. For the most penetrating analysis of state intervention designed to restructure capital, see the work of Ben Fine and Lawrence Harris in the Bulletin of the Conference of Socialist Economists, especially Volume IV:3(12).
27. See the figures in A. Fels, The British Prices and Incomes Board, pp. 29-31.
28. J. Jones, as quoted in A. Fels, op. cit., p. 30.
29. A statement by the National Society of Pottery Workers, as quoted in Panitch, op. cit., p. 138.
30. This mounting groundswell of opposition is illustrated by the voting figures of the T.U.C. At the 1966 Congress, they narrowly endorsed the Government's policy by 4,567,000 to 4,223,000: in 1967 the General Council only just carried the day against repeal of the Prices and Incomes Bill by 4,227,000 to 4,109,000; but in 1968 the rank and file demanded its repeal and rejected further legislation by 7,746,000 to 1,022,000 votes. See J. Corina, "Planning and the British Labour Market" in J. Hayward and M. Watson (eds.), Planning, Politics and Public Policy, p. 189.
31. These figures appear in T. Cliff, op. cit., pp. 19-20.
32. See Panitch, op. cit., p. 159.
33. Royal Commission on Trade Unions and Employers Associations, 1965-68.
34. In 1965, P. Hennessy of Ford said "It is my conviction, following the latest moves -- the co-operative action between industry, the trade unions and the Labour Government -- that it may not be long before we see action to prevent unofficial stoppages". Quoted in E. Héffer, op. cit., p. 51.
35. These restrictions were compulsory strike ballots for some official strikes, a compulsory "cooling-off" period for unofficial strikes, and, above all, fines on trade unionists which could be appropriated directly from their wage packets or salaries.
36. Panitch, op. cit., p. 175.
37. G. Woodcock, "To Reason and Persuade", Financial Times (31 May 1968).

NOTES TO CHAPTER SIX

1. The state is compelled to intervene in crisis "to facilitate it and ensure that it results in the increased production of relative surplus value. In other words, the State rather than being the saviour which overcomes, or postpones crises, participates in the creation of crises. This process necessarily involves an increase in unemployment at any given rate of accumulation, for to be fruitful, it involves an increase in labour productivity". B. Fine and L. Harris, "The British Economy Since March 1974", in Bulletin of the Conference of Socialist Economists (October 1975), vol. IV, 3(12), pp. BF+LH 1-15.
2. We said earlier that an increase of productivity, of surplus value and of the accumulation of capital is one and the same process.
3. Under-Secretary to the Department of Economic Affairs. As quoted in T. Cliff, The Employers' Offensive, p. 117.
4. These figures are taken from National Income and Expenditure (1966), and are reproduced in A. Gamble and P. Walton, Capitalism in Crisis, p. 6.
5. These figures are calculated and found in A. Glyn and B. Sutcliffe, British Capitalism, Workers and the Profits Squeeze, Table 3.3, p. 66.
6. A. Flanders, as quoted in T. Cliff, op. cit., p. 51.
7. Terms of reference. Quoted in A.A. Rogow, The Labour Government and British Industry, p. 103.
8. To the extent that state agencies are directly involved at the economic level, they are actually a part of a crisis situation. See N. Poulantzas, Classes in Contemporary Capitalism, pp. 165-174.
9. A phrase attributed to J.M. Keynes. See P. Mattick, Marx and Keynes: The Limits of the Mixed Economy, p. 126.
10. W. Churchill, as quoted on the frontpiece to E. Heffer, The Class Struggle in Parliament (London: Gollancz, 1973),
11. N. Poulantzas, op. cit., p. 172.
12. The Observer (20 May 1962).
13. This cannot be overcome because capital can exist only as individual capital units, whose mutually antagonistic relations are regulated by the laws of competition. This is the basic source of disunity among the bourgeoisie at the political level.

14. The continual victims of public expenditure cuts, public sector workers tend to be in the forefront of wage demands. Moreover, it is in no way alarmist on our part to say that militant sections in the "welfare state", i.e., social workers, those in unemployment and social security offices and educational workers, may well be the object of an ideological and political offensive on the part of the state. It is a reflection of the a-social nature of capital and "business" generally that has resulted in the great appeal of social work to an increasing number of the disaffected youth. This is related to the consequent "loss of appeal" to graduates of entering industry, etc.
15. This is a reflection of the fact that British capital is now confronted by the problem of the under-utilization of resources, which is itself a major criticism of Keynes' belief that it was only the volume and not the direction of production that was/is problematical. Note his view that, "There is no reason to suppose that the existing system seriously misemploys the factors of production WHICH ARE IN USE." The General Theory of Employment, Interest and Money (New York: Harcourt, Brace and World Inc., 1935), p. 379.
16. V. Foa, as quoted in L. Panitch, Social Democracy and Industrial Militancy (1976), p. 4.
17. This is the real significance of the daily struggles waged from the local branch of the union to the General Council and similarly in the Labour Party between constituency party and Party leadership. The rupture between the two has never been as great as it is at present.
18. We attribute the primary role in the reproduction of social formations to class struggle; its pace, intensity and maturity alone can merit the possibility of a situation being crisis-ridden. Indeed, the concept of power (the subject of great confusion in bourgeois theory), can be fully appreciated only in relation to class interest and class power. Moreover, the primacy of class struggle provides the antidote to a mechanical conception of capitalist crises as some internal "break-down". We hold that there are no absolutely unsolvable situations for capital at the level of its economic existence. The initial transcendence of the capital relation can be effected only through the political actions which are made possible by the crisis.
19. Given the fact that some 95 percent of post-war strikes have been "unofficial", it was a reflection of the crisis that, in the late nineteen sixties, "unofficial" strikes tended to receive "official" sanction. Some of these strikes were anti-official as well as being "unofficial". See R. Hyman, "Industrial Conflict and the Political Economy", in R. Miliband and J. Saville (eds.), The Socialist Register, pp. 101-153.
20. D. Jackson, H.A. Turner and F. Wilkinson, Do Trade Unions Cause Inflation?, p. 76. This is an extremely important point, which under-

lines the importance, for the working class movement, of understanding the role and nature of its own organizations. To continue merely to denounce the Labour Party in terms of "betrayal" can lead to a serious, and therefore dangerous, misinterpretation of its dual functions of articulation and control. This point has been put in exemplary fashion by Leo Panitch: "to a very large extent, what are seen as Labour's failures are really its successes. The function of the Labour Party...consists not only of representing working class interests, but of acting as one of the chief mechanisms for inculcating the organized working class with national values and symbols... The Labour Party...acts simultaneously as a party of representation and as a major political socialization and social control agent, mediating between nation and class". L. Panitch, op. cit., pp. 235-236.

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