

Recent Findings of Research in Economic & Social History

Traditionally the post-war Labour Party has been associated with public ownership of industry and the construction of a welfare state. They have been accused of pursuing these goals at the expense of industrial efficiency and the long run decline of the British economy. Here Jim Tomlinson examines the economic policies pursued under the Attlee government of 1945-51, and argues that Labour's concern with industrial efficiency has been understated.

Understanding Mr. Attlee: the Economic Policies of the Labour Government, 1945-51

The policies of the Labour government of 1945-51 under Clement Attlee continue to be debated widely by economic and social historians. One reason for this is the opening of the archives for this period under the 30 year rule (which operates to keep certain classes of government documents out of the public domain for 30 years, a period which is deemed sufficient to diminish their sensitivity). But, more important is the common belief that this government established the main lines on which British policy was conducted right down to the 1970s. If we want to understand post-war Britain, then we need to understand Mr. Attlee and his government.

Accounts of this period in general history books tend to concentrate on the politically most striking events, especially the major extension of the welfare state, and the nationalisation of approximately 20 per cent of the economy. But, while these changes were undoubtedly important, economic historians have recently put more emphasis on other issues, focusing on either the macroeconomic management of the economy (concerning the balance of payments, employment and inflation) or macroeconomic issues (such as the working of markets, planning, and government attempts to improve efficiency).

Differing interpretations

In 1985 Sir Alec Cairncross published the first major study of the economic policies of the period using the public records now available at the Public Record Office in Kew [6]. He concentrated on the macroeconomic aspect, especially on how the government grappled with the devastating effects of the Second World War on the

British balance of payments. The story he told was of an error-strewn, but ultimately largely successful, attempt by the government to correct the payments position. The Korean War (1950-53) disrupted progress on this front, but he suggested that, by the time Labour left office in 1951, policy had delivered a broad balance of payments equilibrium without sacrificing other goals, most important of which was full employment (see table 1). Cairncross noted the government's enthusiasm for 'planning' the economy, but suggested that much of this was ill-conceived; in general he showed how Labour moved eventually to the kind of 'Keynesian' demand management policies that were to characterise economic policy during the 1950s and 1960s. For him, Labour's socialist ideology was of rather minor importance set against the compelling forces of the economic circumstances which prevailed in the 1940s. Finally, while he noted the vast amount of discussion by Labour ministers and their advisers on the need to raise productivity, he did not seriously assess the policies which flowed from this concern.

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Table 1: British Trade and Payments, 1946-50
(£ million, at current prices)

	1946	1947	1948	1949	1950
Exports	960	1180	1639	1863	2261
Imports	1063	1541	1790	2000	2312
Visible Trade	-103	-361	-151	-137	-51
Current Account	-230	-381	26	-1	307
Government	-363	-230	-87	-140	-125

Source: J. Tomlinson, *Democratic Socialism and Economic Policy: the Attlee Years*, (Cambridge: Cambridge University Press, 1997), p.48.

In almost every way different from the work of Cairncross has been that of Correlli Barnett. In 1986 Barnett published a book about the Second World War [2] which argued that the conflict had exposed gross weaknesses in the efficiency of the British economy, but that the elite who governed Britain in the 1940s were unwilling to face up to the need for radical measures to reverse this situation. Instead, they put all their energies into constructing a 'New Jerusalem' of full employment and expensive state welfare. These same themes have been pursued in Barnett's more recent work on the Attlee period [3]. Where Cairncross had awarded Labour perhaps seven marks out of 10 for the conduct of policy, Barnett suggest zero would probably be about right. For him, the Attlee period set Britain on the road to decline, a decline which he sees as the overwhelmingly important feature of post-war Britain.

This theme of a historic 'decline' of the British economy first came to prominence in the 1960s, but became particularly widespread in the 1980s, as the contemporary despondency about the performance of the British economy in the 1970s and 1980s was projected backwards by historians. Barnett had published a very general book on this theme in the 1970s [1], but the *Audit of War* came at just the right time to fit in with Mrs. Thatcher's attempts to reverse Britain's 'decline' in her own idiosyncratic way; it caught the mood of the 1980s exactly. (Note, however, that, unlike Mrs Thatcher, Barnett is not an advocate of free competition, but of 'Prussian-style' state-backed economic modernisation.) However, where Cairncross was able to draw on his expertise in economics to assess the Attlee government, Barnett's background in military history left him poorly equipped to deal with the economic and social issues he wanted to tackle. The result was that most of his analysis proved implausible to the great majority of historians who knew anything of the period. Harris pointed out how limited the British welfare state was compared with those established in much of the rest of Western Europe in the 1940s, and how its British designers, such as Beveridge, were acutely aware of the need to avoid any 'extravagance' [9]. Edgerton has noted

That from being the soft-headed sentimental, anti-industrial ignoramus Barnett described, the British elite could more plausibly be seen as hard-nosed technologically-obsessed people for whom military technology rather than citizens' welfare should be given high priority in the allocation of national resources [8]. More recently, Tomlinson has reinforced the point about the 'austerity' of the 1940s welfare state, and questioned the general reliability of Barnett's historical methods [12].

The issue of decline

Even if Barnett's attempt to rewrite the story of the 1940s from a militant right-wing

perspective must be judged unpersuasive, the issue of decline which he emphasised has very much affected other work on the period. Most important are the critical assessments of the Attlee government's policies which have been made by economic historians proficient in modern economic and statistical techniques; these have to be regarded far more seriously than the overtly polemical writings of Barnett, Broadberry and Crafts, two of Britain's most prominent economic historians of the 'cliometric' school (which applies formal economic models in seeking to understand the past), have used this approach to study much of Britain's recent economic history. The story they tell about the Attlee period broadly follows a pattern established in their work on earlier periods [5]. They emphasise the importance for economic growth of 'human capital' (i.e. the accumulation of skills by the workforce). But they also stress heavily the significance of the competitive framework which governments establish. They believe that competition between firms, and a competitive labour market, are crucial in providing incentives for efficiency. They argue that, while Cairncross is right to suggest that the Attlee government achieved short term success in macroeconomic management, it did this at the expense of discouraging competition. The result was a set of 'cosy' economic arrangements which sheltered firms from market pressures and gave trade unions excessive powers to regulate the labour market. In the long run, they argue, this had a seriously detrimental effect on Britain's rate of economic growth.

Approaches to the history of labour

In contrast to Broadberry and Crafts, Tiratsoo and Tomlinson have argued that the Attlee government's policies were broadly favourable to economic efficiency. Their starting point is not the notion of economic 'decline' which informs so much of recent economic history, but the historiography of the Labour party and Labour governments [13]. The standard accounts of Labour's past tend to emphasise its concern with egalitarian and welfare objectives. The alternative view is that Labour has always been acutely aware of the need to

couple these objectives with a concern for economic efficiency. As a result, much of Labour's policy-making activity throughout its existence has focused on raising industrial productivity and pursuing economic 'modernisation'. From this perspective, the traditional accounts of the Attlee government need to be revised. As regards the 1940s programme of public ownership, what can be emphasised is the extent to which this was motivated by efficiency concerns. Nationalisation was commonly seen as the route to industrial 'rationalisation' through amalgamations and economies of scale. Also nationalisation was seen as a way of improving management, and of improving the conditions of the workers in the belief that this would improve morale and hence productivity. In the case of the welfare state, the concern with efficiency, and, especially, the desire to maximise resources going into industrial investment, led to a failure to deliver many of the promises of the early welfare state with, for example, house-building cut back sharply after 1947 and none of the new hospitals promised under the National Health Service even being started.

Such a story fits in with the macroeconomic evidence from Cairncross of the priority which the Attlee government gave to putting resources into exports and investment at the expense of consumption (see table 2).

But Labour was also concerned with trying to encourage greater efficiency in the private sector of British industry. To this end it launched a whole range of initiatives.

One of these, perhaps surprisingly in the light of common perceptions of Labour's attitudes, was the creation of the British Institute of Management, a largely state-funded body aimed at improving the quality of management. It also tried to encourage the amalgamation of small firms by pushing for development Councils in fragmented consumer goods industries. From 1947 the government strongly encouraged the revival of joint Production Committees in factories, with the intention of involving workers in issues of efficiency. The government also tried to stimulate Research and Development by creating the National Research and Development Corporation. Not all of these initiatives developed very far, partly because of opposition from private sector employers who often claimed to spot 'creeping nationalisation' behind every proposal. The government was also inhibited by the need to maintain the co-operation of the private sector in the drive to increase exports. Nevertheless, it is hard now to sustain an argument that the Attlee government was wholly obsessed with creating a 'New Jerusalem' and uninterested in matters of productivity and efficiency.

The sources of efficiency

Broadberry and Crafts suggest that much of this activity was wrongly focused, and that by other policies the government inhibited greater efficiency. First, they suggest that the government was limited in its encouragement of competition in product markets, maintaining high tariffs and quotas on imports, and doing little to disrupt collusion and anticompetitive behaviour amongst firms in the home market. Certainly this argument has some force: the Attlee government combined export promotion with tough controls on imports in its desire to correct the balance of payments. Despite the broad commitment given to the Americans to move towards a more liberal trading system, little happened on this front during Attlee's administration. Equally, while the government did introduce the first ever legislation on competition with the Monopolies Act of 1948, most would agree that this was largely ineffective and that levels of domestic competition were little affected by the new law [11].

Consumers expenditure	5.9
Government expenditure	-12.4
Investment expenditure	57.9
Exports	77.3
Gross National Product	15.3

Source: based on [6], p.24.

But this is not the whole story. First, the government actively encouraged multinationals to locate in Britain in order, at least in part, to provide more competition for domestic firms [4]. Secondly, while in the very early post-war years British firms faced little competition in export markets because of the damage and disorganisation of other export economies,

notably West Germany and Japan, this situation was changing sharply by the beginning of the 1950s. As a result, British companies did not face the comfortable 'sellers' markets' of the immediate post-1945 years for long, and this is evident in the 'bottom-line' of company profits. Whilst during and immediately after the war companies made good profits from being able to sell almost anything they were able to make, after 1950 profits were declining as competition started to bite [10]. So, Broadberry and Crafts may be said to have exaggerated the absence of competition in this period when they write, 'an important avenue to raising productivity, increasing competition in the product market, was *completely* closed (emphasis added) 15, p.77].

Restrictive practices?

More controversial is the issue of trade unions. Broadberry and Crafts suggest that the absence of competition amongst firms, coupled with the government's desire to secure full employment and maintain good relations with trade unions, resulted in restrictive practices on the shop-floor being - allowed to flourish. One of the reasons this issue is so much disputed

is its political connotation: are trade unions major culprits in the economic failings of post-war Britain? But this argument is hard to resolve because of the difficulties in finding compelling evidence. Broadberry and Crafts have searched for quantifiable indicators of union restrictivism, but their numbers actually relate to union *structure*, which, even if accurately measured, tells us little about the *behaviour* of the unions. Archival research tells us that the government was alert to the issue of union practices, and a survey was conducted amongst its members by the British Employers' Confederation. But, despite the anonymity promised to respondents, the survey produced no great mountain of evidence for the existence of such practices, certainly not in the core of British manufacturing industry. The author of the only Contemporary published survey of the issue concluded, 'when I started my inquiry I was under the impression that restrictive practices were increasing, because of the strengthened bargaining power of the unions. But fortunately the reverse is true.' [14, p.21].

This issue of restrictive practices is never likely to be resolved, partly because of the problems with evidence, and, even worse, because of the crucial issue of definition. As nobody ever works flat out for the whole of the working day, it is very hard to say what level of falling behind that standard constitutes a 'restrictive practice'. We can try to find a way around this problem by using a comparative, rather than absolute, standard, by comparing between countries. But if we try to do that for the 1940s, we find that while commentators very often suggested that American workers and unions in particular were much less restrictive than their British counterparts, experts on American industrial relations highlighted the allegedly restrictive behaviour of workers on their side of the Atlantic! [7]. Perhaps the most that can be said given the current state of research is that those who allege the existence of widespread and significant restrictive practices in British industry at this time have yet to prove their case.

The big questions

Part of the argument about the Attlee government turns on what one thinks are the important forces making for greater efficiency. Were the government's desires to raise investment, encourage organisational change and improve management the right things to do? Was their belief that offering the 'carrots' of security and co-operation to workers and unions was more likely to encourage pro-efficiency attitudes than using the 'sticks' of competition and the threat of job losses? Should they have encouraged more product and labour market competition? These are very big issues, about which nothing approaching a consensus exists. There is also a divide between those who believe sophisticated quantitative techniques can make a big contribution to resolving such arguments, and those who believe that, while quantification and statistical techniques should never be ignored, they commonly promise more than they are able to deliver and that painstaking accumulation of a range of archival and other evidence is likely to prove more fruitful.

It is because in trying to assess Mr. Attlee all these theoretical, methodological, as well as empirical, issues are involved, debate is likely to continue. This is not to say that the debates outlined above have led nowhere. The Attlee government's major concern with efficiency is now well established; much current research focuses instead on how it *Understood and acted* on that concern. The notion that, for purely political reasons, it was obsessed with public ownership and the construction of a welfare Nirvana should be laid to rest. Recent research and debate has led to greater understanding, although, as always, much remains to be done.

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