

The Years of Lead: Politics in the 1970s

Introduction

In common classification, the 1970s is the decade best forgotten. If the 1960s was the decade of dreams and butterflies then, as the Italians styled it, the 1970s were the years of lead. The Italian term refers to bullets but it can also mean weight. If the 60s were the light years then the 70s were the heavy ones, the years of heavy lifting. Such classifications are always wrong but only because the waves of social and political change do not fit into strict ten-year cycles. Even so, such cycles do exist and it is often convenient to group them by decades.

The purpose of this paper is to review the main pattern of politics in what might be seen as the 'long decade' of the 1970s, that is from 1969 to around 1984. It is not intended to cover any of the topics raised in any depth; that is the point of the accompanying papers. Its intention is to provide a context for them; a beginning and an end, an international context and also, inside the long decade, some further periodisation. Inevitably this will involve summaries of complex events with resulting elision and omission. However it is hoped that such defects will be compensated by the benefits of an overall vision of one of the key passages of British history in the twentieth century.

The basic thrust of the argument is as follows: that the mythologised decade of the 1960s refers roughly to a period from around 1962 to 1968 when the British Labour Party, in power from 1964 until 1970, moving on a general wave of cultural change instituted far-reaching social reforms but failed totally in its efforts to bring in any of the economic reforms championed by the advocates of what may be termed social-democratic planning. After 1968, Labour started to crash into the electoral buffers and had to begin to come to terms with the failure of classic social-democracy. The following fifteen or so years, our long decade, can be split into three phases. The first, lasting from 1969 to the return of Labour to power in 1974 can be seen as in many ways the most critical of the post-war half-century, the time when Britain hovered on the edge of decisive political change, even revolution in some form. The second, lasting roughly until 1978, marked a period in which this possibility was defeated. The third defined the effective destruction of the militant labourism which had finally come to represent the most important component of the British left with its climax in the long-drawn out miners' strike of 1984/85.

The patterns of change summarised in this brief way were far too complex not to contain several components which ride over such periodisation. The environmental movement, for example, which started to develop in the 1960s, partially stalled in much of this long decade until towards its end it found its first decisive challenge in opposition to the nuclear industry, first at the Windscale and Sizewell public inquiries then at subsequent attempts to build more nuclear power stations. There are also components which saw a steady shift, up or down, in their political significance. The long-term decline of an organised industrial working class centred around large-scale manufacturing was a particular feature of the period which continued without break whilst the steady rise in political importance of the pressure group centred on sectional interests was something which effectively began in this period and can, indeed, be seen now as the major lasting development in political process of the time. Even so, the periodisation chosen reflects most effectively the shifts of this complex period.

Prologue: The years of dreams

The 1960s are usually seen, for better or worse, as a time of radical social change, in particular as a period when, under a Labour government, a series of far-reaching legal measures were introduced within a wider cultural context of sexual freedom, rock and roll and general social licence. The ones most often remembered as a legacy of the 1960s relate to the partial decriminalisation of active homosexuality and abortions but divorce and marital property law reform, the first laws on racial discrimination and on equal pay for women, reform of environmental control, introduction of redundancy pay, judicial reform, removal of theatre censorship, and the abandonment of capital punishment were also carried through. Additionally, the first important reordering of English education since 1944 in the form of comprehensive schooling replacing the previous tri-partite system was begun¹; there was an expansion of new universities; and there was a major shift towards the provision of council-housing with new national records being set for the construction of houses. The foundation of the Open University and greatly increased funding for the Arts Council can be added to this impressive list.

However, a good deal of this programme with the exception of the educational reforms was undertaken almost as an afterthought, an impression strengthened by the strategy adopted by Roy Jenkins, the Home Secretary for much of this period, of allowing some of the most controversial measures to be passed as private member's bills albeit with tacit government support. The main basis on which the Labour Party had been elected in 1964 and re-elected in 1966 with an increased majority was the central plank of revitalising an economy seen as stagnating. The key claim by Harold Wilson in 1963 had been:

We are redefining and we are re-stating our socialism in terms of the scientific revolution...the Britain that is going to be forged in the white heat of this revolution will have no place for restrictive practices or out-dated methods on either side of industry²

The key feature of the economic revolution that Wilson promised was 'revitalisation'. Although the 1950s had been a period of moderate prosperity for most of Britain, by the end of the decade the fragile nature of this was increasingly exposed. In particular, the greatly superior performance of the economies of continental Europe and, a little later, of Japan in terms of economic growth could no longer be explained away as a post-war 'bounce' based upon reconstruction of destroyed industry. International competition was becoming as serious threat to British industry. The first to feel this pressure was the cotton textiles industry, the first major sector to begin to undergo the process of 'restructuring' which was to become so notorious throughout manufacturing industry in the succeeding twenty years. World trade in goods was expanding rather fast but the British share of this expansion proceeded much more slowly whilst, inside the domestic market, imports took larger and larger shares particularly of the new consumer goods. These were increasingly valued not just because of price but also because of quality; foreign cars, white goods and electronics began to acquire a cachet of reliability,

¹ Though, crucially, the recommendation of the Newsom Committee to integrate private schools into the public sector was ignored.

² Wilson never used the oft-quoted phrase 'the white heat of technology'. Instead and in a way more significantly, he appropriated and re-defined the socialist idea of 'revolution'.

innovation and design lacking in most British equivalents. In the 1960s, for example, Honda effectively destroyed the British motor-cycle industry by the simple device of installing electric starters, an innovation which the British manufacturers had stoutly resisted on the grounds of lack of consumer demand. A consequence of this general reversal of the balance of trade was that Britain began to run increasingly large trade deficits. The customary solution to these, currency devaluation, was blocked partly by dogma and partly by the real problem of the sterling balances held by Commonwealth countries and which required Britain to act as reserve currency, albeit a minor one in comparison with the dollar. Devaluation was seen as something practised by unstable Continental countries such as France and Italy.

The Labour government proposed to turn back the process of economic decline by using the tools which were believed to be at the heart of overseas success, micro-economic intervention by central planning agencies coupled with Keynesian techniques of demand management at the macroeconomic level. This was in fact a process which had been tentatively initiated by the Conservatives in 1962 when the National Economic Development Council (NEDC) had been set up as an active agent in what had to that point been an effectively implicit tripartite agreement between the state, employers and the unions, the so-called 'post-war settlement'. One additional element was incomes control, again something which had been started under the Conservatives with the Selwyn Lloyd 'pay pause' in 1962 and the formation of the National Incomes Council (NIC) but which had had virtually no impact at the time. Labour proposals on incomes policy were essentially almost as vague but there was some degree of commitment to the idea that pay rises should be linked in some way to productivity increases. Some elements of this planning process could be dated back to Harold Wilson's time at the Board of Trade in the Attlee government, a residue of the time before the moment when that government had, decisively, turned away from using wartime controls as the springboard to a planned economy. But the main sources were the apparent success of Continental indicative planning plus, although not on prominent display, the continuing economic gains of full-scale central planning in the Soviet Union and the Communist states in eastern Europe.

The main elements were conceived as a path between unfettered capitalism and the kind of state-takeover envisaged as the path to true socialism then enshrined in Clause 4 of the Labour Party constitution. In a sense, Wilson and his associates, amongst whom could be numbered the young Tony Benn, were attempting to reach out for a social-democratic vision of modernisation and revitalisation of a moribund Britain which could transcend the kind of socialism based upon nationalisation and controls seen, somewhat unfairly, as characterising the 1945-50 Labour government. Achieving this process of modernisation was tasked to two new ministries, the Department of Economic Affairs, conceived as a deliberate counterweight to the Treasury, which was to handle macro-economic planning, and the Ministry of Technology which was, loosely, to deal with the detailed issues of modernisation of industry. The failure of the former was absolute. The National Plan it produced in 1965 was a pathetic document based upon almost no research and based on optimistic assumptions of economic growth which, oddly, were to be achieved without any assistance by the Plan itself. It sank without trace in the economic storms of 1966 which led up to the 1967 devaluation and public expenditure

squeeze. (Despite this, it should be noted that the rate of growth of GDP between 1963 and 1968 was faster than in any other post-war 5-year period before or after.)

The Ministry of Technology had a more ambiguous trajectory. Its Minister, Tony Benn, was ambitious and dynamic and, distrusting most civil servants, he acquired the support of a disparate band of industrialists with whom he collaborated, via the Industrial Reorganisation Corporation (IRC), to assist in one of the largest periods of mergers and takeovers in British history. It was an article of faith of the time, that only very large industrial groups could be internationally competitive and so MinTech and the IRC promoted Arnold Weinstock's mergers of GEC with Associated Electrical Industries and English Electric into a single giant electrical conglomerate, the rump of which now exists as Marconi. Similar mergers were pushed in cars, shipbuilding, aviation, some sectors of engineering such as machine tools and bearings, and computers. Steel re-nationalisation in 1968 can be seen as an alternative way of achieving the same result as was the final gathering together of the gas and electricity industries under single national umbrellas. The ultimate success of these ventures is outside the scope of this discussion. The fact that virtually none of the corporations so set up now survive³ is no real evidence given the subsequent collapse of most other British-owned industry, state-supported or not. The significant political point is that MinTech, set up with the promise of a tripartite alliance,⁴ rapidly shed its support from the trade unions and moved into open confrontation with them over the processes of plant closures and job losses which followed each industrial takeover. At the time, the evidence of Benn's own published diaries suggest that he was almost oblivious to the resentment that, for example, Weinstock's abrupt closure in 1968 of the Woolwich plant of AEI together with several research laboratories, was causing. Similarly, in late-1969, the new car giant, BLMC, announced 10,000 redundancies apparently with tacit government approval.⁵ Benn continued to believe in the virtues of state planning though with a cybernetic twist. In 1968, he wrote in his diary that during a visit to Romania, a Communist country but one which was, at that time, seen as breaking away from the constraints of the Soviet system, he had joked with his hosts that their two systems were like a piece of cheese and a piece of butter, both in the same bowl of hot soup and both being melted away into the general broth, the soup being the pressures of modern industrial and technological development.

This shift into outright support for large-scale industrial restructuring was a precursor to the climactic of the second Wilson government, the conflict with the trade unions over the labour legislation planned in the White Paper, *In Place of Strife (IPS)*, following the Donovan Report into industrial relations. In view of the central place this arena would hold in the coming decade, it is curious that the Labour government slid rather unknowingly into conflict as though they were unaware of its magnitude. Crossman and Benn both record that the scope of the proposals came as a surprise to them when they were revealed to the Cabinet at the end of 1968. The most surprising thing about IPS was that it went against a central part of the Donovan recommendations,

³ Only one company, Rolls Royce, can now be clearly identified as a beneficiary of this period given the long-term success of the state-funded RB211 engine.

⁴ One of its original ministers was Frank Cousins, who was lifted straight out of his job as General Secretary of the Transport and General Workers Union. He failed, however, to provide any real union input.

⁵ Richard Crossman referred to this as '*deliberately creating transitional redundancy in order to prevent mass unemployment*' a view which, perhaps wisely, he only expressed in his diary.

that the legal structure of industrial relations should not be altered but that the voluntary system should be enlarged and strengthened to include shop-stewards and workplace bargaining. Oddly, the most intransigent immediate opposition to the proposals of Castle's subsequent Bill came from the firm right-wingers, Callaghan and Richard Marsh, whilst the initial reaction of Benn was to support them. Benn's initial view on IPS was that "*First of all industrial life is more complex now than ever it has been and you simply cannot have a disturbance in the system anywhere without us all suffering, and second, the democratisation of pressure groups, which is the case for strike ballots, seems right to me.*"⁶ This initial reaction might have been conditioned by the notorious strike at Girling Brakes, a components manufacturer, which had effectively stopped production throughout the entire British-Leyland complex, one of the giant flagships brought into being through the good offices of MinTech.

The proposals of IPS now seem rather mild and might be thought contain a good deal that was positive for trade unions. The requirement for a 28-day 'cooling-off' period and for compulsory strike ballots could form a reasonable trade-off for the concessions on industrial democracy and company information also proposed and, in fact, opposition to IPS was far from unanimous though, in the end, decisive. The dilemma faced by the Labour government seems obvious now though obscure at the time. The strategy of modernisation and revitalisation through a form of consensual planning required some concrete participation in and explicit agreement by all parties to the previously implicit post-war settlement. This meant that the trade unions needed to be involved which, inevitably, meant some kind of incomes planning. This was not an obvious lesson which could be drawn from the Continental experience as the political involvement of the trade unions varied rather widely as did their level of national importance. In some countries notably Scandinavia, the incumbent Social Democratic governments had good links to unions which were well-disciplined within a national framework. In other countries, notably France and Italy, the unions were split along party lines and were weak at the national level. Britain had a unique combination of a very strong trade union movement which penetrated right into the ruling party but which was comparatively poorly organised at a national level in the sense that the Trades Union Congress (TUC) was seldom able to exert decisive influence. But perhaps the most important difference was that incomes control on the Continent, whether implicit or explicit, functioned in the context of reasonably successful efforts to involve employers in some form of national planning. It was possible in Sweden, Germany and Italy, to take three widely different political contexts, to see a *quid pro quo* operating on a day-to-day basis. These varied widely. In Scandinavia, a trade-off between welfare and other benefits and incomes control was implicitly recognised whilst in Germany, there was union participation on management boards. In Britain, with the National Plan foundering soon after its birth, with industrial reorganisation resulting in redundancies as soon as the new giant enterprises were formed, and with the squeezes on public expenditure required after the 1967 devaluation crisis, no such mutuality could be seen. Incomes control was accepted by the unions immediately after 1964 as part of a loose tripartite bargain but after 1967, such controls rapidly became seen as a bilateral conflict between an incompetent government and a blameless labour movement. British employers showed no great appetite for consensual involvement with trade unions outside Benn's small group of

⁶ *Diaries*, vol. II, p. 141

turncoats. Incompetence combined with bloody-minded class intransigence would continue to be the hallmark of British industrial management pretty much up to the present day.

The Labour Party, founded by the trade unions and with blood-ties to them at all levels, would have seemed an obvious vehicle to carry through the necessary institutional shift required to incorporate trade unions into a cohesive national force integrated into a consensual planning process. However, historically, the British trade unions, although embedded in the political processes of the Labour Party, had always resisted any counter-flow of influence. The main political importance of Labour governments to the unions had always been to free them from legal constraints. Indeed historically, the only reason for the initial formation of the party had been the perceived necessity to remove by political means, legal judgements bringing unions inside the net of legal responsibility for the actions of their members. The attempt to reverse this process, that is for the Labour Party in power to apply legal controls to the unions was seen as an affront to history by a deeply traditional movement.

It is also of crucial importance that from the mid-1960s, an important pendulum of union organisation was beginning a swing back from its extreme position. For decades, the main impetus of trade union organisation had been a centralising force. This had varied between unions in the form which it took. The miners had formed a single national unit out of virtually independent regional federations whilst the general unions such as the transport workers formed national trade groupings. The common feature of all of these was the rise of national negotiations with unitary employers' groups and a strong central leadership. The best known of these were the Fed/Confed agreements between the Engineering Employers Federation and the Confederation of Engineering Unions whose complex agreements, the Procedure which had been first agreed in the late-19th century, formed almost a national yardstick for wage agreements. Nationalisation meant that the miners, gas- and steel-workers negotiated national agreements as did education and other municipal workers. One important example of the way centralised authority could work was the acceptance by the miners of a controlled run-down of their industry in areas such as the north-east. Only the small skilled trade units like boilermakers in the shipyards and print-workers tended to cling on to their Byzantine local agreements, a counter-process which led to many internecine disputes.

National agreements between national union and employers groups would seem ideally suited to the development of consensual incomes policies, something which was not widely disputed by national union leaders. However, three factors disrupted this. First, in many, though by no means all, industries, local forces independent of national leadership began to assert themselves. This was most obvious in the engineering sector with the various kinds of shop-stewards' organisations. These were local groupings in single factories which crossed across union lines and then spread out into the combines which owned the factories. The tendency towards centralised management in national multi-plant companies emphasised the importance of these. Such shop-stewards' organisations were far from general outside engineering but they had a crucial impact in refusing to toe the line of national agreements. The second factor came from a simple growth in democracy in unions such as the Transport and General Workers with a rise in importance of elected lay members rather than full-time appointed officials. Again, these lay members were much less likely to accept the constraints of national agreements. The

two main agents in this were the Amalgamated Engineering Workers (AEU) and the Transport and General Workers Union (TGWU) with Jack Jones and Hugh Scanlon replacing the authoritarian leadership of Deakin and Carron. Third, unionisation had spread beyond its traditional heart of manual workers into the professional workers organised by such as Association of Scientific Technical and Managerial Staff (ASTMS) and the Draughtsmen and Allied Technicians Association (DATA). These were led by men who were ambitious, often seen as upstarts by the established union leaders, and who were organising across trade boundaries that were often uncertain. The supposedly sacrosanct Bridlington agreements on membership boundaries were often treated in a cavalier fashion and the new white-collar unions grew very fast on the basis of their perceived achievements. Local rather than national agreements forged by sharp local industrial action, often of an innovative kind, was the basis of their growth. The membership of these unions were products of the tri-partite post-war education system; armed with night-school HND's rather than degrees, they were class-conscious, mobile and argumentative. All this meant that a union framework which was apparently well-suited to consensual incomes policy formed at the national level was, in practice, increasingly under internal strain.

In the early years of the Wilson governments, trade union involvement in the planning process had been a relatively symbolic, a matter of various forms of participation in the NEDC and the various sectoral 'little Neddies' set up after 1964. Increasingly, a series of wage restraint policies, both legal and informal, had been agreed with TUC as part of the packages necessary to cope with various economic crises rather than as components of an overall economic plan. In 1966, the TUC Conference accepted, reluctantly, a six-month pay freeze followed by a period of pay restraint. In 1968, a compulsory incomes policy was rejected at the TUC annual conference though support for a voluntary system was accepted albeit by a small majority. Castle's *In Place of Strife* can be seen, ironically, as the effort of someone who was by nature on the left of the Party to produce a blueprint for incorporating unions into a consensual tripartite framework that was by 1969 dead in the water. In 1966, it might have been accepted, probably to be subsequently blown apart. But by 1969, the Labour government was sinking. It was already wildly unpopular electorally. In 1967, the Conservatives took control of 27 out of 32 Labour boroughs in London leaving little but the East End under Labour control whilst in 1969, it was left with only 28 out of 342 boroughs in England and Wales. Three by-elections took place in March of that year and revealed a 16% swing against Labour. In June, 1970, a Conservative government was elected. As usual, it only obtained a minority of the votes cast (46.4% as against 43% for Labour and 7.4% for the Liberals) but it gave them a comfortable 37 seat majority. The scene was set, quite openly, for a resolution of the conflict between government and the unions.

1970-74: The Wrestlers Grapple

Memory softens pain and exaggerates profit. The years 1974-76 serve in the late 1980s political controversy as a horrid warning _ though less so than the over-played 'winter of discontent' of 1978-79. But individuals who lived through it recall a dangerous, disorientating time when what counted most was to survive. To recapture the feeling of being without landmarks, somewhere between panic and exaltation, requires an effort of imagination comparable to understanding

the consequences of an immense natural disaster, eruption or earthquake... Perceptions in an earthquake are first overwhelmed by the shock, then left suspended. After the first stunning impact which temporarily disables the mind's capacity to order what is going on and leads to physical or psychic panic, there comes an immediate reaction to the fact that the landscape has ceased to be familiar. This second stage is where survival or extinction is determined. There follows an awareness of a deeper, permanent disorganisation, paralleled in historical events by the realisation that existing relationships, expectations, the long-accepted habits of reciprocity or obligations have altered. This is the worst stage as when, in a real earthquake, vital supplies of water or energy fail.

The fourth stage brings about the start of reconstruction, novel expedients, pragmatic solutions. Finally and over a much longer period, occurs a psychological response, a reordering of the world in order to come to terms with what has happened, and what has been lost...

Only a profound historical crisis could produce this. Britain underwent one during the Second World War, but came through with relative ease, compared with most European belligerents...The mid-1970s crisis was different...whereas the post-war settlement apparently evolved naturally, almost organically from initial responses to the fear of defeat in 1940-4...the solutions derived from the 1970s crisis were strongly contested and were largely _ and without much resistance _ repudiated in the early 1980s.⁷

Middlemass' history of state power in Britain between 1945 and 1990 is the kind of work which has epithets such as 'magisterial' and 'definitive' attached to it. It is urbane, displays little obvious prejudice and appears to be based upon interviews with everyone who matters and a knowledge of all the sources which are important. Most of all, it has an explanation for everything in terms of an interplay between those agents which Middlemass wants to recognise as providing the proper basis for power in any state. Yet some thirty years into this story comes a strange spectre, a shift in social behaviour which cannot be contained within this interplay and for which only physical metaphors of cataclysm are deemed appropriate. Essentially, it cannot be explained within the structures defined by those 'proper' agents.

Some of the overall parameters of this crisis are that the FT 30-Share index reached a peak of 543 in May, 1972 then collapsed to 146 in December, 1974 whilst house prices, that reliable indicator of middle-class values, dropped by nearly 40% between 1973 and 1976. Possibly of more fundamental concern was that in 1974 there was a liquidity crisis in the banking sector which required emergency measures to protect the major clearing banks, the so-called Lifeboat into which 25 secondary banks eventually climbed, almost a third shortly to suffer financial extinction. Meanwhile, unemployment soared to the one million mark in 1972 and inflation climbed for the first time into double-digit levels in 1974 almost hitting 16% in 1974. There was some international replication of these problems _ in the USA and Germany there were major bank collapses _ but on nothing like the scale of Britain. It was a situation which seemed at the time quite literally inexplicable with an unprecedented combination of inflation and recession. Adding to

⁷ K. Middlemass, *Power, Competition and the State*, vol. 3, p. 3

this uncertainty, there was a state approaching civil war in Northern Ireland in which any normal democratic political process seemed to fail. In mid-1974, a mass strike by Protestant workers broke the Sunningdale Agreement of December, 1973, the laboriously negotiated effort by the Conservative government to end the decades of Protestant supremacy which had brought about the turn to violence by Catholic nationalism in 1969.

The final seal to crisis seemed to have been made by the general election of February, 1974 fought by Edward Heath explicitly, if unwisely, on the grounds of who governed the country, the elected politicians or the unions as represented by the miners who were to go on strike in that month. Labour narrowly, very narrowly, won the election and took power with the support of the Liberals. It was a result which appeared as if the very legitimacy of parliamentary authority was being challenged. In Middlemass' concluding sentence: "*The real question in February and March 1974 was not 'who governs Britain', but 'how should Britain be governed'*".⁸

The Heath government had been elected four years before on the back of the collapse in confidence in Labour as much as any clear perception of Conservative policy. The clearest summation of this had been of 'Selsdon man' which had allegedly been created at a policy conference held at Selsdon Park in January, 1970 and which had been bitterly attacked by Wilson as a reversion to old right-wing positions. In fact a good deal of the reaction of the Selsdon conference was based upon just one component of it, a perceived need not to be outflanked by Enoch Powell, a Conservative M.P. just beginning his strange trajectory of embittered nationalism and racism which was to lead to joining the Ulster Unionists and calling on Conservatives to vote Labour in 1974 because of their partial opposition to the European Economic Community. When in government, the Heath government repealed none of the extensive measures of social liberalisation which had characterised such 'left' policies as the Wilson government had attempted. In his 3_ years of power, Heath essentially sought to undertake four tasks.

First, and most successfully, he negotiated entry into the EEC and in 1972 carried this through Parliament. As ever afterwards, he was unable to do this on the basis of his party majority. The second reading of the Europe Bill was only passed by eight votes with the support of sixty-nine Labour M.P.'s voting against a Labour three-line whip, a defection which laid the basis for the splitting of the party eight years later and an open split within the Conservatives which was to haunt them even thirty years afterwards.

Second, he attempted to limit the power of the trade unions by an Industrial Relations Act (IRA) which came into effect in October, 1971. The IRA, like IPS before it, seems relatively mild legislation compared with what came after. It contained no attacks on issues like contracting out of the political levy nor the closed shop nor on fundamental rights to industrial action. It was essentially a managerial response to what was seen not just by employers but by some trade union leaders as a growing anarchy in industrial relations. Trade unions were required to register as such. This would give them significant advantages in terms of recognition rights and information disclosure and would give their negotiated settlements a degree of legal status. A new court was set up to preside over industrial disputes. The key proposition was that unregistered unions would become liable for damages caused by the actions of their members and could be fined unlimited amounts by the new court.

⁸ *ibid* vol. 2 p. 394

Heath's gamble was that registration and the accompanying powers given to central union leaders would appeal to right-wingers frightened by the shift towards decentralised and more democratic control within their unions. It was a gamble doomed to a failure which could have been predicted by anyone with a knowledge of the history of British trade unions, an insight conspicuously lacked by Heath. British unions had been created within a legal vacuum, institutions whose exact status remained cloudy and who reacted strongly against efforts to define it. As noted, the Labour Party had been virtually created precisely to remove legal constraints on trade unions. At the same time, they remained strongly committed to sticking to voluntary agreements, to being 'responsible' and 'disciplined'. Both these factors co-existed in the period of the Heath government.

Third, after initial hesitation, direct control over both wages and prices was instituted in the form first of efforts to set up various voluntary restraints then in November, 1972, a formalised legal structure, the Counterinflation Act, which set out three stages of legal restraint, the first being a ninety-day standstill on all wages, prices, dividends and rents followed by less severe constraints until normal processes were to be restored under a promised Stage 4, a kind of promised land after a time in the wilderness.

Fourth, British industry was to be revitalised not so much by the direct intervention attempted by the previous Labour administration as by freeing up competition and removing credit controls. In fact, faced by a prospect of imminent collapse in several industrial sectors, a move towards direct intervention was introduced in 1971, when there was a virtually forced nationalisation of Rolls-Royce, a shift formalised in 1972 by the introduction of an Industry Act which allowed for direct subsidy. However, it was the Competition and Credit Control (CCC) policy which proved the dominant economic move of the Heath government and, arguably, its single most catastrophic mistake.

Interestingly, CCC was a brainchild not of the Conservatives but of the Bank of England, possibly operating on the assumption of Labour losing power but, apparently, without direct consultation with the Conservatives. The central premise of CCC was that once the basic trading position of the economy had been corrected by devaluation, a situation reached in 1970 just as Heath came to power, it was necessary to maintain the competitive position of British industry by freeing up sources of credit, the argument being that under-investment and consequent low-productivity were caused, at least in part, by a reliance upon rigid and old-fashioned methods of finance, notably overdrafts from the clearing banks. The impact of CCC can be judged from Table 1 which shows the explosion of credit which took place between 1970 and 1974. Some part of this went to industry but this was dwarfed by a massive increase in personal credit and by loans to property and financial services. The result of this was a predictable boom in property with a spiral of frenetic lending from both dubious secondary banks and the respectable clearing banks, the latter once again proving the maxim that there is no one so easily conned as a respectable banker. The spiral was further inflamed by a massively expansionary budget in 1972 which pushed up an already large public sector borrowing requirement.

Table 1: Advances to U.K. residents, 1970-73

	1970	1971	1972	1973
Manufacturing	3667	3669	4977	6658
Other Production	1108	1280	1878	2903
Financial:				

Hire-purchase	94	179	284	440
Property companies	341	499	1153	2321
UK banks	76	98	208	487
Others	508	777	1709	2737
Services	1799	2196	3101	5167
Personal	1009	1404	2625	4076
Total:	8602	10102	15953	24789
Growth in money supply, %	8.8	15.4	25.0	27.4

Source: Middlemass, vol 2, p.450

In 1970, bank advances to manufacturing and other production formed 55% of the total whilst in 1973, they took only 38% whilst personal advances almost quadrupled and loans to property companies went up nearly sevenfold.

The giddy speculative boom of the early 1970s would inevitably have been doused by its own crazy desire but it hit the buffers very hard in 1974 when the precipitate increase in oil prices created a world-wide deflationary shock and credit squeeze. As noted above, the British financial sector was saved only by emergency action by the Bank of England who whipped the major banks into line and allowed the necessary insolvencies to occur in a measured way. The greatest personal bankruptcy ever recorded, the £110 million owed by the property developer William Stern, was followed by his doing the decent thing and committing suicide.

The spectacular nature of this boom and bust together with the failure of the I.R.A. in persuading most unions to register tends to obscure the fact that in some respects the Heath government came quite close to achieving its objectives. The official trade union movement was reluctant to engage in open confrontation with the government and the industrial court had begun to work in an awkward kind of way. The real problems in its success lay not with major companies and unions but with rather petty disputes with small companies, notably ones associated with the docks and road transport where industrial relations had always been bitter, violent and fragmented. Heaton Transport and Midland Cold Storage became notorious examples of this. The brief imprisonment for illegal picketing of the 'Pentonville Five' in July, 1972 was an occasion for a startling mass mobilisation but the fact was that the official union, the Transport Workers, had concluded an agreement with the companies concerned which the imprisoned picketers defied before the miraculous and still-unexplained intervention of the Official Solicitor on their behalf defused the situation. By the autumn of 1972, sixty out of eighty-four cases brought before the court had been settled and several major unions had actually appeared before it to defend themselves despite pledges to act as if it did not exist. Heath may have been willing to amend the Act to make it more acceptable to the unions but preferred to defer this to after an expected electoral victory. In the words of two left commentators of the time:

The miners strike [of 1974] was a sectional dispute which broke out long after the peak of a general industrial struggle based upon the early phases of

*Conservative government had become subdued to the extent of a virtually universal acceptance of statutory wage restraint.*⁹

Similarly, the counter-inflation strategy showed some signs of success. The initial boom in wage settlements in 1970 slowed and even the miners' strike of 1972 with all its accompanying traumas of a three-day week did not provoke an all-out assault on wage controls. It was generally accepted that the miners were a special case and that their wages had got seriously out of line. Inflation actually dropped in 1972 from 9.4% down to 7.2% and though it rose again in 1973 to 9.1% it was only in 1974 with a jump to 16% that things got out of control. There was an boom in wage rises throughout the world in the early 1970s for reasons which are not clear. Only in the USA was there relative restraint with rises of under 10% annually. In Japan, for example, wages rose by 26% in 1974 and in Germany by 12%. There were undoubtedly many factors at work as much cultural as political and economic. The problem in Britain was that wage rises were being conceded without significant compensating productivity gains with the result that profit margins of British companies were being steadily eroded.

The evidence for this was revealed in a rather startling fashion. In 1972, Penguin published as a 'Penguin Special' a rather academic text on profits in British industry written by two left-wing academics, Andrew Glyn and Bob Sutcliffe. This showed that the commonly held belief that the share of wages and profits in the overall GDP was over time a rough constant was false and that in Britain, though not apparently elsewhere, the proportion going to wages¹⁰ had been systematically increasing for some time. Their statistics actually finished in 1970 but subsequent work showed that this profit squeeze intensified in the early 1970s to reach a low point in 1974 when aggregate after-tax profits dropped to as low as 3.3% once stock inflation was removed. The exact numbers were contestable but the overall message was clear and largely uncontested _ the British economy seen as a capitalist enterprise was running close to empty, a fact confirmed by the succession of manufacturing enterprises which were folding. It was at this time that *The Times* began to publish a monthly listing of job losses, a small-scale epitaph to British manufacturing industry. Internationally, although profits were under pressure from wage rises, compensating productivity rises appeared to have eased the strain. In 1974/75, British industrial profitability was a half that of France, one-third of German industry and a staggering one-quarter of that in Japan and, perhaps surprisingly, the USA. The higher profitability of overseas industry emphasised just how much Britain was lagging in international competitiveness. One of the factors driving down profits in Britain was intensifying competition from imports and in export markets. The lowering of tariffs under the GATT agreements was factor in this. But the productivity gains of foreign industry meant that they could maintain profitability even when they were impacted by their own domestic wage campaigns.

The Penguin Special proved exceptionally popular for such an academic text and its message reached a wide audience. But even such a clear statement of the statistics failed

⁹ B. Warren and M.Prior, *Advanced Capitalism and Backward Socialism*, Spokesman Pamphlet No. 46, 1975, p.3

¹⁰ The rather simple methodological flaw they uncovered was that other studies had only counted weekly wages in the accounting, ignoring the growing number of people who were paid monthly and therefore were classified as 'salaried' rather than 'waged'. In itself this was an interesting reflection on class attitudes of the time.

to provide any resolution of the underlying problem of just why this collapse in profits was occurring in Britain rather than elsewhere to the same extent. Four broad answers could and were proposed: British capitalists were refusing to invest in industry and taking their money elsewhere; British managers were incompetent and unable to make profit from an ice-cream stall in a heat-wave; British unions were unduly powerful and able to force undeserved wage rises on employers. Each of these arguments were deployed and each could find statistics or anecdotes to support them. A fourth response was influential within the Labour Party; that the profit squeeze was largely illusory and a product of multi-national 'meso-corporations' being able to move profits overseas into lower taxation regimes. This latter argument was propounded by Stuart Holland, a major strategist of the Labour left and a key adviser to Tony Benn in the drafting of the Labour election manifesto in 1974.¹¹ Its interest lies in the denial by the left of the Labour Party as well as the far-left that there was actually any crisis in British capitalism which could not be laid at the door of some wider capitalist dynamic.

Pitt the Younger when challenged to deny that the country was being ruined is said to have replied that there was an awful lot of ruin in a country. Yet it was apparent that Britain in the early 1970s was in a state of near-complete confusion and in several ways close to ruin. There was so much about it that was contradictory. Unions were able to get wage increases that, at the very least, ran ahead of inflation under the so-called 'threshold agreements' that were their way of showing voluntary responsibility. Meanwhile unemployment was rising, manufacturing companies were closing down and those sections of the middle-class dependent upon dividends, government securities or other forms of interest payment were being squeezed as inflation forced real interest rates into negative territory. On the other hand, other social strata were doing rather well as house-prices boomed and equities soared. Investment in secondary banks, property companies and investment houses such as Slater Walker was particularly profitable. It was at this time that Edward Heath coined the phrase 'the unacceptable face of capitalism' when referring to a particularly unpatriotic though highly profitable financial manipulation.

The 1960s are often characterised as a time when the dominant social characteristic was a revolt against deference and conformism, a period when the Beatles were everyone's favourites, when class barriers were said to be breaking down and British society was open to all. Whatever the truth of this, the early 1970s was a period when this lack of deference turned into outright mutiny.

The most significant and public mutiny was that of Irish Catholics which had moved from the civil disorders of 1968 very rapidly into outright confrontation with the state, the first armed rebellion by an integral part of the country since the Stuart expedition in 1745.¹² It was a mutiny which took concrete form in Free Derry, the Catholic part of the divided city of Londonderry from which all police and army were excluded with clear barricades marking the frontiers of the liberated areas. In later years, the Irish nationalist movement became insulated from mainland influence but at this time it was at least engaged with the British left even though the process of mutual dialogue was to lead nowhere. Parallel to the revolt of the Catholics, the Protestant majority

¹¹ The description 'meso-corporation' seems to have been coined by Holland and refers to international corporations with near-monopoly control over market sectors possibly in more than one country which facilitated such profit transfers.

¹² This excludes various other Irish uprisings such as Easter, 1916.

showed its own capacity for mutiny, one which had the relatively recent antecedent of Carson in 1914. In 1974, they destroyed the Sunningdale agreement by the simple expedient of withdrawing workers from the power stations and declaring a general strike.

The uprising of Irish Catholics was spectacular as was, in its own way, the general revolt which was taking place inside the trade unions, a revolt as much against the procedures which had governed trade union activity for decades as against employers. There were very few industry-wide strikes in this period and those that did occur, for example the postal workers and threats from the power workers, were mostly defeated. The miners were the hugely important exception to this, first in 1972 in actual action and then in 1974 when, crucially, it was not actual industrial action which precipitated Heath's suicidal electoral dash but its threat. The main feature of the period was the unofficial strike, actions taken often against official union advice by small groups. The most spectacular of these was the occupation of UCS shipyards after these had been threatened with closure. The adoption of this tactic, taken in part from continental Europe though also influenced by the recent student occupations of university buildings, and its subsequent successful public relations made a huge impact. The occupation brought industrial action much closer to a political statement about ownership and control than a simple strike. Efforts, mostly abortive, to actually continue production during an occupation heightened this. The impact of the UCS was such as to make it seem that a new leader of the left, Jimmy Reid, had emerged.¹³

In a number of situations, notably various actions by dockers and in the car industry, local groups seemed quite outside the control of central authority, union head offices where officials were often terrified by the prospect of unlimited fines under the IRA but who could not rein in local activists. In practice, although fines were sometime levied these were usually based on complaints by small companies and were often paid by unknown outside agents to avoid the possible martyrdom of union leaders for non-payment. Large companies resisted any temptation to break financially the unions in their combines when presented with the possibility of doing so.

The widespread revolt of industrial workers had parallels in other parts of society. In some, though by no means all, universities, student unrest reached proportions which verged at times on anarchy with haphazard occupations often sparked by issues which seemed incomprehensible to their academic supervisors. Radical feminism was moving towards advocating a complete break with men and, although such extremity was never a majority position in the women's movement, many feminists in effect mutinied against the oppressive position which they held in personal relationships with men. Gay men asserted their demands that the apparent decriminalisation of homosexual relationships be made real by socially recognised partnerships between men. Even some school children were caught up in effective mutiny against traditional pupil-teacher power relations.

All this can be very loosely classed as a left mutiny against existing power formations. It was matched, if not in numbers then in subsequent influence, by the growth of a right-wing revolt against the centrist Conservatism which had characterised the previous twenty years, the so-called Butskellism in which Rab Butler was twinned with Hugh Gaitskell. There had always been a Conservative faction opposed to Butskellism notably the group around Thorneycroft who had resigned in 1957. Enoch Powell had

¹³ In 1974 on election night, TV cameras were present at the Clydebank count where a victory for the Communist Reid was widely predicted. In fact he trailed a poor third.

always been part of this. Some elements of the 'New Right' are public¹⁴; the *Black Book* of Rhodes Boyson which in 1972 inveighed against educational reforms; the Festival of Light and the beginnings of Mary Whitehouse's long campaign against what was seen as immorality in the mass media; the academic economists, such as Alan Walters, who adopted the monetarist position of Milton Friedman and began to destroy the influence of Keynesian economics and win over Conservative politicians such as Keith Joseph. Other aspects are still in the shadows but there is no doubt that in this period, the right-wing backlash encompassed direct, possibly military intervention, in the democratic political process. The accusations made in *Spycatcher* have often been denigrated as one man's fantasy but there is little doubt that the intelligence services became much more closely involved in domestic politics than ever before and that there may have been military involvement in this. The catalyst for this was probably the developing situation in Northern Ireland where these state bodies began their long involvement with large-scale databanks and surveillance, with underground agents, the use of torture and with authorised assassination both direct and by the use of intermediaries. The involvement of such Conservative politicians as Airey Neave remains unclear but there can be little doubt that the shadowy forces and alliances which surfaced most obviously in the miners' strike in 1984 had their formation in this period.

It was this complex concatenation of social forces which hit the economic buffers in 1974 and which precipitated Middlemass' inexplicable cataclysm, a 'typhoon' as he calls it. In a previous time it might have been called a revolutionary situation based upon a clear confrontation between classes and between differentiated political agents. In 1974, the problem was that there was no such clarity. As Middlemass notes, the central question became 'How was Britain to be governed' but, as he fails to note, with the additional question of just who would supply the answer to the question.

1974-78: the debate

The political and economic crisis of 1974 provoked an urgent need on both the right and the left to provide answers. The need was however crucially different between the political wings. On the right there was no real problem with the cause of the crisis. The increasingly mutinous working class, no longer corralled by the niceties of the established union movement, and its growing, if undefined, alliance with other disaffected social groups, provided a convenient, if objectively problematic, cause. Nor was the remedy a problem; a crackdown on class militancy and unions which had been touted for some years within the Conservative Party. The issue was essentially how to give such a policy sufficient legitimacy to ensure electoral success over at least two elections. The mystical nostrums of Hayek and the non-economics of Friedman¹⁵ were used to provide intellectual cover whilst the growing fears of the middle-class so eloquently expounded by Middlemass gave a solid, if sectional, class basis for hopes of such success. Even so, it needs to be emphasised just how fragile and limited was subsequent support for the rightward swing of Thatcher. Never given even an electoral majority in the popular vote, Thatcher was sustained by one piece of political good

¹⁴ The term 'New Right' was probably coined by Nick Bosanquet in a Fabian pamphlet in 1969.

¹⁵ It is an oddity of Friedman's reputation that although widely touted as a major academic economist, his essential position was the almost total rejection of all academic economics as a legitimate field of study rather than any particular assault on, for example, Keynesian economics.

fortune and one moment of contingent chance. The latter was the Falklands War and, even more narrowly, the mistakes of the Argentine air forces in fusing their bombs. The former was the defection of the Social Democrats in 1980 and, subsequently, the effective mutiny of Denis Healey in the 1983 election over the issue of unilateral nuclear disarmament which decisively split the Labour vote and opened it to charges of factionalism.

It strays too far afield from this essay to go further but one intriguing counterfactual question is relevant. The famous 'gang of four' were able in the final analysis to make the centre-piece of their defection the Labour Party's continued opposition to the European Common Market, a position which could quite legitimately be seen as a wilful intransigence based both upon the facts of the 1974 referendum and also the economic experience of Britain's membership. The split on the broad left over the EEC, first seen in 1972 when British entry was gained on the back of Labour votes defying a three-line whip, was brought to fever-pitch by Wilson's politically astute decision to hold a referendum in 1974 after his return to power on just the issue of continued membership. The Labour left, egged on by all groups to their left, committed themselves to a fervent campaign of rejection which included acceptance of a *de facto* alliance with the racist forces of Enoch Powell, by now an Ulster Unionist M.P., and his allies¹⁶. They went down to a solid and completely foreseeable defeat which two consequences for them. First, Benn's extremism on this issue allowed Wilson to effectively sideline him inside the Cabinet and, second, the very fervid nature of the left's campaign effectively committed it to a long-term, though increasingly oddball and undefined, position of hostility to Europe which gave the gang their chance. If Benn had instead opted, if not for silence – probably a physiological impossibility – then some kind of mild distaste, Williams, Jenkins and company would have found it much harder to leave and would have attracted much less sympathy.

In 1974, however, the immediate impact of the referendum campaign was to divert attention in a crucial period away from the central problem of who and how was Britain to be governed or at least partially to transform it into spurious claims about the loss of sovereignty entailed by EEC membership. One sign of the nature of this diversion was the claim made on the left that membership of the EEC was incompatible with Britain 'going socialist' in some undefined way with a hint that a EEC-badged Wehrmacht would redress their failure of 1940 if soviet democracy were to be installed by some unspoken mechanism. This lunatic idea effectively clouded the fact that the left had three serious questions to answer which encompassed the issue of just how Britain would in any practical way turn to socialism.

The first was theoretical though with very practical implications. Inflation had been growing throughout the 1960s but had been seen as matter of secondary, if significant, economic importance. There had been a view that a little inflation was no bad thing and, for a time, an odd, though respectably sourced, belief that a gulf existed between 'normal' inflation up to around 6% which could be handled within the Keynesian portfolio of policy measures and high possibly leading to hyper-inflation which went above 20% and was the consequence of Latin American economic management by men who wore white shoes to the office. This belief was smashed from 1970 onwards when

¹⁶ Even today men like Tony Benn and Jack Jones become flustered when asked if they appeared on platforms with Powell and his associates and tend to bluster. The straight answer is that they did.

inflation, routinely above 6% and edging into double figures, emerged as a central issue of economic management, potentially a political ballsbreaker in later parlance. The shift in the political importance of inflation came as a surprise across the political spectrum as its potentially explosive social impacts had been largely ignored by both Labour and Conservative politicians up to the end of the 1960s. In the words of one solid, establishment economist writing in 1975,

*By the time it ceases to be easy to fool the electorate inflation will be endemic. The politicians may also learn only from experience that their old tricks no longer work. If they thus try two or three electoral booms after the public wakes up both rapid inflation and political disenchantment set in. Popular demand for the reduction of the established rate of inflation leads to a political contest as to who can best slow it down.*¹⁷

No one in 1970 had any clear ideas as to why inflation had become such a pressing issue and although there had been various academic excursions into the field, it was only by around 1974 that all political groups were required to adopt their own theoretical positions in order to justify the anti-inflationary policies they put forward and gain or regain political credibility. Thus one can see the Thatcher-led Conservative Party increasingly adopt a monetarist explanation for inflation, despite its lack of theoretical credibility, as a cover for its remorseless deflation and the need for a touch of pain to redeem past sins. The left in its various forms was also required to do this, a difficult process detailed elsewhere and one which, like all other issues, proved much less easy for the left to solve than for the right.

The second issue was how to renew the macro-economic project of the first Wilson government in a form which could encompass both anti-inflationary policies and the need to improve the productivity and competitiveness of British industry. A central part of this was the debate over the need for an incomes policy not only as part of an inflation strategy but also as a way to bring trade unions back into a new consensus about industrial development. The strands of the industrial development strategy were contained in the proposals for planning agreements and various kinds of industrial partnership as set out in the 1974 Labour manifesto which had been effectively drafted by Benn and his advisers. The counter-inflation strategy was a much tougher nut and its failure was a crucial part of the collapse of the Labour government in 1979. In no small measure this failure can be laid at the door of the confused and often contradictory answers given by the left to the first problem.

The final problem was one particular to the left and can be loosely characterised as a search for agents of change. The process leading to the actual achievement of socialism had been the defining touchstone of left allegiance for over fifty years and the cause of much internal debate. On one wing there stood a relatively small, at least in Britain, band of adherents to a belief in a revolutionary surge by the industrial proletariat led by a vanguard Leninist party and probably involving some kind of violent overthrow of the state machine. On the other was the process of parliamentary democracy again embodied in a basically working-class party which would transform the nation through the gradual adoption of measures sanctioned by parliament. The fundamental unifying factor of these two apparently opposing factions was that they had relatively little disagreement as to the

¹⁷ J. Flemming **Inflation**, OUP, Oxford, 1976, p. 131

ultimate objectives of the process_a systematic takeover of private industry by the state. There were, of course, a considerable number of Labour politicians who doubted the value of this. Hugh Gaitskell, for example, would apparently have liked to remove the commitment to wholesale nationalisation enshrined in Clause 4 of the Labour Party's constitution. However, broadly speaking throughout the broad mass of the Labour Party and leftwards there was a general agreement that large amounts of state ownership of industry probably coupled with nationalisation of the banks and, possibly, land was an ultimate objective of a Labour administration and an effective working definition of socialism.

However, even given an underlying unity of ultimate objectives, it would be a mistake not to emphasise just how committed was much of the left reaching well into the ranks of the Labour Party to a revolutionary change which effectively bypassed parliament. This was a confused, even inchoate idea but it nevertheless held sway over many of those who would call themselves socialists. There was no neat split between 'revolutionaries' and 'reformists' except for a small Trotskyist faction who totally rejected parliamentary activity as a sham. In the wider left there was a recognition both that a parliamentary mandate was a key to any shift to socialism and also that parliament was not enough. A view which would have been accepted by the Communist Party and by a significant number of Labour M.P.s, perhaps a majority, was that put forward by Holland in his influential book *The Socialist Challenge* published in 1975 and based upon work done to develop the 1974 Labour manifestoes.

To expect eighteen or twenty people round a cabinet table to initiate such a change [as the transformation of capitalism] would be unrealistic unless they were backed by the economic and social force of the organised working class. It will only be through the negotiated and bargained support of the trade union movement that such a critical change will prove to be possible¹⁸.

This marked a crucial shift from the Leninist ideal and one that seemed wholly realistic to all but a handful of diehard Bolsheviks.¹⁹ However, it was a remarkably cloudy concept, one in which a crucial agent of change was invoked from outside the ranks of a political party though closely linked with one. Remarkable, because although the falsity of the reformist/revolutionary dichotomy had been exposed for at least twenty years²⁰, there had been little attention paid to the question of just how extra-Parliamentary agents of change would be identified and what their role would be. It was this which, belatedly, formed the third issue which the left had to address to retain political credibility.

Each of these three strands need to be considered separately if only to provide some coherent structure. However they are clearly linked together and in the rushed and confusing years of the early 1970s it was in practice very difficult to separate them. What has been titled here as a 'debate' was in fact a matter of arguments which often seemed secondary to issues of left political practice. In the end the debate petered out under the

¹⁸ *The Socialist Challenge* p.38

¹⁹ Even so it is worth noting that Holland devoted a section of his book to patiently explaining why an armed uprising was an unlikely scenario for a British revolution.

²⁰ It was probably the British Communist Party's basic policy document *The British Road to Socialism*, first published in 1948 and seen even twenty years later by some Party members as a fundamental betrayal, which openly refuted the dichotomy.

shock of Thatcherism and the shattering of socialist ambition in the 1980s. But, to extend Trevor Griffith's phrase, these were real arguments as well as real dreams.