Conservative and Labour Research Departments, Economic Thought, and Party Policy, 1970-79

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Abstract

This thesis considers the influence of professional policy experts on the ideologies of the Conservative and Labour parties in 1970-9. By focusing on the Conservative Research Department and the Labour Party Research Department, the thesis seeks to connect intellectual and political practice during a decade often seen as a turning point in post-war British historiography. To do so, the thesis examines three policy areas that defined the high politics of the decade: economic governance, industrial relations, and European integration. By tracing the research departments' adoption or rejection of policies, the thesis constructs a systematic account of the departments' ideological leanings, intellectual impact, and positions in the parties' ideological traditions. The thesis argues that economic thought was a primary battleground, laying the basis for the parties' approaches to other questions. In this sphere, the Conservative Research Department contributed to the party's shift towards neo-liberalism, while the Labour Party Research Department promoted a programme of leftist state interventionism. In industrial relations, the Conservative policy unit advocated cooperative relations with trade unions, while Labour's policy experts found their radical aspirations obstructed by party and trade union leaders. In respect of Britain's membership in the European Economic Community, the Conservative policy unit's enthusiastic pro-Community views stood in contrast to the Labour experts' trenchant Euroscepticism. The thesis argues that both research departments were able to exploit their privileged organisational positions to act as intermediaries between intellectual and political practice. During the ideologically fluid 1970s, the parties' policy experts were, for the most part, effective in promoting ideas that aligned with their intellectual preferences. The result was a radicalisation of politics, where Conservative and Labour ideas were set on diametrically opposed trajectories. The research departments contributed to this divergence, and therefore, to the transition from post-war social democracy to Thatcherite neo-liberalism.

Extended abstract

This thesis considers the influence of professional policy experts on the ideologies of Britain's main parties in the period 1970-9. Focusing on the Conservative Research Department (CRD) and the Labour Party Research Department (LPRD), the thesis asks: in what ways did the party research departments influence the ideologies of the Conservative and Labour parties in the 1970s?

The introduction (Chapter 1) begins with a discussion of the historiography of the 1970s. Popular histories tend to portray the 1970s as a dismal decade, when Britain came perilously close to political and economic collapse. Academic history treats the decade as a turning point in the standard periodisation of British post-war history. The 1970s represents a transition from a social democratic 'consensus' to Thatcherite neo-liberalism. Despite its centrality in post-war history, and a burgeoning revisionist literature, the 1970s is relatively underserved by the historical profession. Two broad approaches to the history of the 1970s can be identified: a structural approach and an ideas-based approach. This thesis contributes to the ideas-based revisionist literature on the 1970s, filling a gap by providing a comparative and systematic study of the party research departments, a previously underexplored topic. In addition, Chapter 1 provides an overview of the CRD and the LPRD in the 1970s. Attached to their parties' national headquarters, the departments were modestly-sized offices of approximately 11-30 staff. They shared similar responsibilities, but in practice, their roles within the parties differed markedly from each other, shaped by different traditions and institutional arrangements. The CRD saw itself as a 'shadow civil service' for the party leadership, whereas the LPRD was a guardian of party policy, acting against the parliamentary leadership if necessary. Lastly, the chapter offers brief remarks on sources and methodology.

To outline the main political ideas available to the research departments, Chapter 2 investigates the ideological and intellectual context of policy-making from 1945 to the start of the 1970s. The Conservative and Labour parties experienced a period of ideological evolution after 1945, despite the ostensibly non-ideological nature of post-war politics. Traditional Toryism, with its emphasis on organic society, hierarchy, and property, was on the decline in the Conservative Party. Traditionalist ideas were replaced by the right progressive tendency, which sought an electorally viable accommodation between post-war social democracy and Conservative sensibilities. A reaction against right progressivism began to develop in the 1960s, first in the form of Powellism, which gave way to the less personalised new right. The new right combined market liberal economic thought with a moralistic critique of post-war social democracy, but their ideas did not win broad acceptance until the 1970s. As for the Labour Party, the immediate post-war years represented the triumph of social democracy, manifested in the Attlee governments' promotion of public ownership, economic planning, and the welfare state. During the 1950s, the party's cohesion was tested by a struggle between leftist Bevanism and the emergence of right-wing socialist revisionism. Revisionism, based on Keynesian management of capitalism and pursuit of equality, maintained a dominant position in the party until the end of the 1960s. In the early 1970s, revisionism was challenged by a revival of left-wing thought, influenced by eclectic intellectual currents, including a Marxist-inspired understanding of global capitalism. Beyond factional ideologies, at the beginning of the 1970s the research departments could draw from a reservoir of ideas in

economics, industrial relations, and foreign affairs. Keynesian economic governance was challenged by neo-liberal monetarism and *dirigiste* interventionism. Voluntarism in industrial relations came under pressure from liberal-pluralist regulation, Tory reformism, and the poorly defined idea of industrial democracy. The cold war, decolonisation, and increasing integration with Western Europe defined the British foreign policy position, interacting with different partisan and factional interpretations of Britain's post-imperial world role.

Chapter 3 discusses the research departments' influence on their parties' economic thought. Economic troubles played a major part in the perception of the 1970s as a crisis-ridden decade. The emergence of stagflation challenged established economic ideas, undermining the credibility of Keynesian demand management, which had been successfully used in the post-war period to maintain full employment. During the Heath government, the CRD's economic advice was characterised by caution, and the department remained in the Keynesian and right progressive fold. After the election of Margaret Thatcher as party leader in February 1975, the research department contributed to the party's shift from Keynesianism to neo-liberalism. The department played a central role in the party's conversion from demand management and full employment to monetarism and counter- inflation policies. Adam Ridley, a senior research department official, was instrumental in the rethinking of the party's economic fundamentals. Ridley was, however, unconvinced by Friedmanite theoretical monetarism, instead arguing for a multi-causal understanding of inflation. This led to an eclectic economic policy that combined monetary policy with public expenditure cuts and privatisation. The CRD maintained its independent character and avoided factional affiliation with the new right. This brought the department into frequent conflict with the ardently neo-liberal think-tank Centre for Policy Studies, but not in a way that would have threatened the department's status in the party.

The LPRD was swept up in the early 1970s wave of left-wing radicalisation, manifested in the party organisation as an active phase of policy development. Through its work for the party's policy committee system, the research department became associated with the industrial policy ideas of Stuart Holland, which eventually morphed into a radical programme known as the alternative economic strategy. The research department spent the 1970s working with the party's internal left-wing opposition, in an attempt to pressure the revisionist front bench to implement the alternative economic strategy, including key elements such as *dirigiste* industrial policy and the nationalisation of financial institutions. The research department's main contribution to the economic strategy was trade protectionism. By integrating the protectionism of the New Cambridge School with the party's industrial policies, the research department was able to make import controls a leftist cause, against the original ideas of Stuart Holland. By assuming an openly factional role, the LPRD gained influence on party policy, at the cost of poisoning its relationship with the largely revisionist parliamentary leadership.

Chapter 4 focuses on the research departments' ability to influence their parties' thinking on industrial relations. The crisis-focused narrative of the 1970s reserves a special place for industrial relations as a major source of political and economic disruption. The spread of decentralised workplace bargaining in the 1960s, the Heath government's industrial relations reforms, and attempts by both Conservative and Labour governments to sustain counter-inflationary incomes policies sparked repeated waves of industrial action. During the 1970s, the CRD advocated a conciliatory approach towards union militancy, in line with the department's right progressive orientation. Once the Conservatives found

themselves in opposition after 1974, the research department formed a close working relationship with James Prior, the Shadow Employment Secretary. The department supported Prior in his efforts to steer the party to a cautious conciliatory path, aimed at refashioning the party's anti-union public image. The conciliatory policy was challenged by the new right faction and the Centre for Policy Studies, but the department was able to moderate or neutralise these threats. The research department also supported industrial democracy, mainly as a way of modernising the party's image and winning over working class voters. Advocacy of German-style corporatism was, however, a bridge too far, running against Thatcher's vehemently anti-union ideas. The CRD's main contribution was to prolong the influence of right progressive moderation on the trade union question, and in doing so, sustaining the party's barely concealed intellectual divisions over industrial relations.

Compared to the openly factional role of Labour's policy staff in economic affairs, the LPRD had a more ambiguous role in industrial relations. The creation of the Trades Union Congress – Labour Party Liaison Committee marginalised the party's policy-making machinery by elevating party-union negotiations to the leadership level. As a result, the research department's attempts to promote the party's ideas on industrial relations were rejected or simply ignored. Furthermore, the research department's enthusiasm for centralised state interventionism was in tension with the trade unions' insistence on free collective bargaining. The research department was influenced by the Institute for Workers' Control and its radical ideas on industrial democracy. In the early 1970s, the department attempted to promote workers' control, but over time, trade union and party preferences narrowed the debate to workers' representation on company boards, a considerably more modest proposition. The LPRD's consistently leftist ideology found almost no outlets in the area of industrial relations. Labour's revisionist parliamentary leadership effectively sidelined the party and its professional staff from industrial relations debates.

Chapter 5 explores the research departments' impact on their parties' thinking on European integration. The question of Britain's membership in the European Economic Community divided the political class across partisan and factional lines, creating shifting configurations of pro-Community and anti-Community alliances. The uniqueness of the debate was underscored by the unholy alliances formed around the 1975 referendum. Few other issues could have united Tony Benn and Enoch Powell or Harold Wilson and Margaret Thatcher. The CRD positioned itself in the enthusiastically pro-Community section of the party. The department's intellectual position was based on Heath's right progressive idea of national modernisation. In this thinking, Community membership and domestic structural reforms would combine to revive Britain's economic fortunes. Accordingly, the research department promoted the expected benefits that British businesses would accrue over time through expanded markets and increased competition. Importantly, the department also emphasised the political advantages of membership: by joining forces with like-minded nations, Britain would increase its diplomatic influence and safeguard its strategic interests. Thus, the intellectual basis of the department's pro-Community stance was based on foreign policy realism rather than federalism. Thatcher's election as leader just four months before the referendum had no perceptible effect on the party's or the research department's orientation. Despite the CRD's obvious ideological attachment to European integration, the department's impact on party thought was slight. The department reinforced the party's prevailing direction rather than providing new variations on the theme.

The LPRD was in many ways the ideological opposite of its Conservative rival, basing its thinking on leftist defensive nationalism. Inspired by Stuart Holland's economic ideas, and despite his protests, Labour leftists saw the European Economic Community as a capitalist league that posed a structural obstacle to Britain's transition to socialism. The party's alternative economic strategy depended on far-reaching state interventionism, which was in conflict with the Community's perceived *laissez-faire* bias. In this way, the research department prioritised domestic, partisan, and factional objectives above common market membership. The department's main impact on party thought came in its sustained efforts to argue that the Community was, at best, an irrelevance, or at worst, actively harmful to socialist aspirations. These arguments focused on economic and industrial questions, and to a lesser extent on the idea that membership offered no concrete diplomatic advantages. The research department was instrumental in sustaining leftist Labour Euroscepticism in the years after the referendum. By connecting the party's industrial policy, trade protectionism, and the Community, the department provided intellectual justification for the notion that Britain's socialist future lay outside the common market.

The conclusion (Chapter 6) is divided into two parts. The first part compares the organisational roles of the CRD and the LPRD. Both approached policy-making as a technical and short-term activity, but the CRD was loyalist and ideologically adaptive, in contrast to the LPRD, which pursued an oppositional and ideologically inflexible agenda. The second part provides three complementary answers to the main research question: in what ways did the party research departments influence the ideologies of the Conservative and Labour parties in the 1970s? Firstly, in the context of post-war professionalisation of politics, the research departments acted as 'second-hand dealers in ideas' in their parties. Their impact on party ideology was based as much on their unique institutional positions as their intellectual contributions. Secondly, the research departments were actors in a 1970s 'marketplace of ideas'. Through a contested process, the research departments were able to influence their parties' thinking in important policy areas, such as economic thought and the question of European integration. They were less successful in industrial relations, where their ideas went against dominant party thinking. Lastly, the CRD and the LPRD can be seen as proactive participants in the radicalisation of politics. In the 1970s, Conservative and Labour ideologies were diverging and moving in diametrically opposed directions. The research departments contributed to this divergence, and therefore, to the transition from the post-war social democratic settlement to the era of Thatcherite neo-liberalism.

Acknowledgements

We are born alone and we die alone. Between those two moments, few undertakings are more solitary than the writing of a doctoral thesis. The existential void of the blank page brings to mind Friedrich Nietzsche's warning about gazing into the abyss. I gazed into the abyss for too long. The result is this thesis.

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Abbreviations

CAC	Churchill Archives Centre
CPA	Conservative Party Archive
CRD	Conservative Research Department
EEC	European Economic Community
LPA	Labour Party Archive
LPRD	Labour Party Research Department
NEC	National Executive Committee
NEDC	National Economic Development Council
TUC	Trades Union Congress

Chapter 1

Introduction

Political history tends to be written as a play where the cast is composed of politicians and senior civil servants, trading arguments, appeals, and retorts with each other. The focus is the stage and the actors, rather than the back-room where anonymous writers toil to provide the actors with their lines. This thesis explores the political back-room operations of the Conservative and Labour parties in the 1970s. The Conservative Research Department (CRD) and the Labour Party Research Department (LPRD) were modestly-sized policy units attached to their parties' national headquarters. Through briefings to Members of Parliament, writing of memoranda and research papers on myriad topics, and production of party manifestos and policy statements, the research departments were involved in the never-ending labour of developing, refining, and promoting party policy. When the parties were in opposition, the work of the research departments was particularly important, as a substitute for the civil service. When the parties were in government, the research departments assumed less prominent roles, but remained engaged in matters of special political importance. The party professionals who staffed the research desks remained largely anonymous, though occasionally one or two of them managed to escape to the green benches of the House of Commons. Self-effacing if not always conventional, the policy experts nevertheless exercised important influence on what their parties said about the great and not so great political questions of the day.

Apart from drawing attention to the party research departments as historically interesting yet underappreciated entities, this thesis aims to interrogate their roles as

ideological influences on their parties. Freeden's call to integrate ideology to British political history remains relevant, even if scholars in the last three decades have made considerable strides towards meeting his challenge.[1] Rather than viewing the parties' policy units in isolation, this thesis connects them to the broader ideological struggles and intellectual changes that took place in the period from 1970 to 1979. The 1970s was not only a pivotal moment in post-war British history, but also in the ideological evolution of the Conservative and Labour parties. During the decade Britain drifted into political and economic crises that called into question the social democratic settlement that had defined politics since the Second World War. This led to intellectual contestation and political radicalism in different areas of society, which inevitably reflected on the ideological positions of the main parties. This thesis concentrates on the CRD and the LPRD as participants in the ideological debates that arose from Britain's decade of crises.

This thesis aims to answer the following question: in what ways did the party research departments influence the ideologies of the Conservative and Labour parties in the 1970s? This thesis focuses on three policy areas that defined the high politics of the period: economic governance, industrial relations, and Britain's membership in the European Economic Community (EEC).[2] To illustrate the research departments' impact on their parties' political thought in these sectors, the thesis asks three secondary questions: firstly, how did the research departments shape the economic thought of their parties? Secondly, how did the research departments shape their parties' thinking on industrial relations? And lastly, how did the research departments shape their parties' thinking on European integration?

[1] M. Freeden, 'The Stranger at the Feast: Ideology and Public Policy in Twentieth Century Britain', *Twentieth Century British History*, 1:1 (1990), pp. 9-34.
[2] 'Community' and 'common market' will be used as shorthand for the EEC.

The rest of this introductory chapter provides an overview of the historiography of the 1970s, a discussion of the characteristics and functions of the party research departments, remarks on sources and methodology, and finally, an outline of the chapters.

Historiography

Popular histories of Britain in the 1970s tend to describe the decade as a prolonged series of crises that seemed to threaten the survival of civilised society.[3] Public life was defined by economic stagnation, endemic strikes, the energy crisis, the Northern Ireland troubles, and a humiliating bail-out by the International Monetary Fund, all culminating in the crippling public service strikes of the winter of 1978-9. For the common man, the only comfort was to be found in low-brow popular culture, or in the case of the youth, the rebellious sub-cultures of punk rock, skinhead gangs, and hooliganism.[4] If the Second World War was Britain's finest hour, the 1970s appears as a modern retelling of the Old Testament's ten plagues: instead of locusts and three days of darkness, strikers and the three-day week befell Britain.

The notion of the 1970s as a period of systemic crisis provides a fulcrum for the standard periodisation of post-war British history.[5] This understanding divides post-war history into three stages: the emergence of a social democratic settlement after 1945; the crisis-ridden 1970s, leading to the breakdown of the settlement; and the age of neo-

[3] A. Beckett, *When the Lights Went Out: Britain in the Seventies* (London, 2009); D. Sandbrook, *State of Emergency: The Way We Were: Britain, 1970-1974* (London, 2010); D. Sandbrook, *Seasons in the Sun: The Battle for Britain, 1974-1979* (London, 2012); A.W. Turner, *Crisis? What Crisis?: Britain in the 1970s*, revised edn (London, 2013).
[4] J. Robb (edited by O. Craske), *Punk Rock: An Oral History* (London, 2006); Turner, *Crisis? What Crisis?*, pp. 59-76; M. Worley, 'Oi! Oi! Oi!: Class, Locality, and British Punk', *Twentieth Century British History*, 24:4 (2013), pp. 606-36.
[5] R. Lowe, 'Life Begins in the Seventies? Writing and Rewriting the History of Postwar Britain', *Journal of Contemporary History*, 42:1 (2007), pp. 162-3.

liberalism, starting with Margaret Thatcher's premiership in 1979 and continuing to the present century.[6] The above periodisation is founded on two assumptions: firstly, that a political settlement, or consensus, emerged after the war. The idea of post-war consensus, which owes much to Addison's pioneering work, is an important organising principle of modern British historiography.[7] But it has also been the subject of a vigorous historical debate: recent scholarship is sceptical of consensus, preferring to view it either as a historical myth or questioning its meaning and manifestations.[8] Secondly, the periodisation relies on the notion that the post-war settlement did not survive the upheavals of the 1970s. Thus, the standard periodisation elevates the 1970s to a central position in the overall story. If the 1970s was a period of national crisis, and that crisis led to the rise of neo-liberalism, then explaining the events of the 1970s emerges as an important task for modern historians.

Despite the centrality of the 1970s for post-war history, it has been underserved by the historical profession. Compared to the exhaustively studied 1960s, and the equally well-researched 1980s, scholarship is still trying to come to grips with the 1970s.[9] A revisionist effort has made inroads into historical perceptions of the 1970s as a 'benighted decade'.[10] According to Black and Pemberton, accounts of the 1970s are distorted by a 'false memory syndrome'. Four reasons explain the endurance of hegemonic memories: firstly, economic troubles were a shock to a nation accustomed to the comparatively

[6] E. Robinson, C. Schofield, F. Sutcliffe-Braithwaite, and N. Thomlinson, 'Telling Stories about Post-war Britain: Popular Individualism and the "Crisis" of the 1970s', *Twentieth Century British History*, 28:2 (2017), pp. 269-72.
[7] P. Addison, *The Road to 1945: British Politics and the Second World War*, revised edn (London, 1994). See pp. 279-92.
[8] K. Hickson, 'The Postwar Consensus Revisited', *Political Quarterly*, 75:2 (2004), pp. 142-54; H. Jones, 'Introduction', in H. Jones and M. Kandiah (eds.), *The Myth of Consensus: New Views on British History, 1945-64* (Basingstoke, 1996), pp. xiii-xvii; D. Kavanagh, 'The Postwar Consensus', *Twentieth Century British History*, 3:2 (1992), pp. 175-190; R. Toye, 'From "Consensus" to "Common Ground": The Rhetoric of the Postwar Settlement and its Collapse', *Journal of Contemporary History*, 48:1 (2013), pp. 3-23.
[9] L. Black and H. Pemberton, 'Introduction. The Benighted Decade? Reassessing the 1970s', in L. Black, H. Pemberton, and P. Thane (eds.), *Reassessing 1970s Britain* (Manchester, 2013), p. 15.
[10] Black and Pemberton, 'Introduction', pp. 1-24; N. Tiratsoo, '"You've Never Had it So Bad"?: Britain in the 1970s', in N. Tiratsoo (ed.), *From Blitz to Blair: A New History of Britain since 1939* (London, 1997), pp. 163-90.

benign economic conditions of the 1950s and 1960s, and especially the absence of mass unemployment. Secondly, the media amplified the sense of national crisis, while neglecting to report similar events in other countries, making it seem as if Britain was uniquely beset by problems. Thirdly, social scientists contributed to the pessimistic image of the period with scholarship that focused on state overload and ungovernability. Lastly, after the 1970s, politicians across the spectrum used memories of the 1970s to defend their political agendas.[11] In terms of constructed memories, industrial strife during the 1978-9 'winter of discontent' is an important case in revisionist literature. The established image of the winter of 1978-9 as an unmitigated political failure has been subjected to historical re-examination, resulting in the revisionist view that the 'winter of discontent' is a myth constructed by the tabloid press and the Conservatives, and used for political advantage in later years.[12] As Black and Pemberton point out, the 1970s is often used as an adjective, shorthand for a half-remembered but unpleasant past, characterised by certain undesirable political, economic, and cultural features.[13]

Like the idea of the post-war consensus before, the narrative depicting the 1970s as a uniquely dark moment in post-war history is now challenged by revisionist history-writing. There is a meaningful case to be made for a revisionist history of the 1970s. The relative lack of scholarly work on the decade, its nature as a period of change and upheaval, and its centrality in the standard periodisation of post-war history all speak in favour of further critical reflection. At the same time, the historical scholarship has only begun to process the 1970s: bodies of literature or schools of thought are still amorphous. Gloomy

[11] Black and Pemberton, 'Introduction', pp. 9-12.
[12] C. Hay, 'Narrating Crisis: The Discursive Construction of the "Winter of Discontent"', *Sociology*, 30:2 (1996), pp. 253-77; C. Hay, 'The Winter of Discontent Thirty Years On', *Political Quarterly*, 80:4 (2009), pp. 545-52; C. Hay, 'Chronicles of a Death Foretold: the Winter of Discontent and Construction of the Crisis of British Keynesianism', *Parliamentary Affairs*, 63:3 (2010), pp. 446-70; T. Martin López, *The Winter of Discontent: Myth, Memory, and History* (Liverpool, 2014).
[13] Black and Pemberton, 'Introduction', p. 3.

narratives of the 1970s and the standard periodisation of post-war British history are essentially intact, if slightly threadbare from the abrasive effect of the various critiques levelled against them. Revisionism cannot yet boast decisive victories, at least in a form that would resonate beyond the relatively small circle of subject specialists.

Historians' explanations of the 1970s fall into two broad categories. The first category gives precedence to structural explanations, seeking to locate the events of the 1970s in deeper trends in society, state, and the economy. This literature often emphasises economic causalities, observed over relatively long periods of history. Gamble's account of a hundred years of economic decline culminates in growing awareness of Britain's declining status in the 1960s, failed modernisation efforts, and diverging Conservative and Labour strategies to check the decline in the 1970s.[14] Tomlinson turns the focus from decline to declinism, an ideological construction that arises from observable economic factors, but morphs into a deterministic image of Britain locked in a long-term process of relative economic decline. According to Tomlinson, declinism reached its apogee in the 1970s.[15] Tomlinson further offers deindustrialisation and its negative employment effects as an alternative to the declinist understanding of post-war British history. In this narrative, the 1970s marks the acceleration of deindustrialisation and the resulting social changes.[16] Harrison marshals a range of economic, social, industrial, and cultural shifts as a starting point in discussing British society since 1970.[17] Edgerton explicitly sets out to demolish the master narrative of post-war Britain by arguing that the period from the Second World

[14] A. Gamble, *Britain in Decline: Economic Policy, Political Strategy and the British State*, 4th edn (Basingstoke, 1994).
[15] J. Tomlinson, *The Politics of Decline: Understanding Post-war Britain* (Harlow, 2001); J. Tomlinson, 'Thrice Denied: "Declinism" as a Recurrent Theme in British History in the Long Twentieth Century', *Twentieth Century British History*, 20:2 (2009), pp. 227-51.
[16] J. Tomlinson, 'De-industrialisation Not Decline: A New Meta-narrative for Post-war British History', *Twentieth Century British History*, 27:1 (2016), pp. 76-99.
[17] B. Harrison, *Finding a Role? The United Kingdom, 1970-1990* (Oxford, 2011).

War to the 1970s witnessed the emergence of a British nation, replete with British capitalism and a British 'warfare state'. He posits the 1970s as a turning point, where British nationalism and its associated institutions were subsumed under the country's neo-liberal integration into the structures and forms of cosmopolitan capitalism.[18] Certain common themes emerge from this literature. In an echo of Marxist materialism, economic and industrial factors dominate interpretations of Britain's post-war trajectory, with politics and society responding to these changes, rather than actively shaping them. The 1970s is depicted as a turning point or a stage of intensification, in essence, a culmination of long-term structural developments.

Structural explanations implicitly rely on the claim that structures mattered more than ideas. Cairncross, writing about the British economy, and Bulpitt, writing of Britain's policy towards Europe, both arrive at the conclusion that intellectual debates in the 1970s had little bearing on actual political and economic events.[19] Yet, a second category of scholarship prioritises ideas above structural or material factors. In this literature, influential ideas can arise from elite intellectual pursuits or from the popular attitudes of social groups. The former approach is evident in Hall's classic account of economic policy-making in the 1970s. According to Hall, economic failures discredited Keynesian policy-making, creating an intellectual opening for monetarism, which eventually became the new elite paradigm.[20] Robinson *et al* examine changing ideas of class, gender, and race among ordinary people, arguing that the 1970s witnessed the rise of popular individualism and desire for personal autonomy. Individualism was not bolstered by Thatcherism, as is

[18] D. Edgerton, *The Rise and Fall of the British Nation: A Twentieth Century History* (London, 2018), pp. xix-xxx, 402-25, 442-65.
[19] J. Bulpitt, 'The European Question', in D. Marquand and A. Seldon (eds.), *The Ideas that Shaped Post-war Britain* (London, 1996), p. 253; A. Cairncross, *The British Economy since 1945: Economic Policy and Performance, 1945-1995*, 2nd edn (Oxford, 1995), pp. 206-7.
[20] P.A. Hall, 'Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain', *Comparative Politics*, 25:3 (1993), pp. 275-96.

commonly assumed, but Thatcherism benefited from the emergence of an individualistic electorate.[21] Sutcliffe-Braithwaite argues that the decline of deference and traditional loyalties, manifested in the blurring of class identities, provides explanations for such 1970s phenomena as trade union sectionalism and dealignment of voting behaviour.[22] Middleton demonstrates how a long-running debate among politicians and intellectuals over the meaning of 'affluence' damaged Anthony Crosland's revisionism, the Labour Party's dominant ideological tendency, and forced the revisionists to cede ground to leftists in the early 1970s.[23] The aforementioned revisionist scholarship in Black *et al* highlights intellectual developments and their impacts in the 1970s, in areas such as economic journalism, Labour policy-making, the re-emergence of feminism in Britain, and moral panics as a source of exaggerated perceptions of cultural decline.[24] This literature is informed by intellectual history, with a consequent emphasis on the contingency of history and the role of human agency in the making of it. Rather than presenting the 1970s as a slide towards ever-deepening crisis, and ultimately Thatcherite neo-liberalism, the literature underlines intellectual and political contestation as an explanatory dynamic. By focusing on ideas, the scholarship seeks to explain why certain paths were chosen and others closed off forever.

[21] E. Robinson *et al*, 'Telling Stories about Post-war Britain', pp. 268-304.
[22] F. Sutcliffe-Braithwaite, *Class, Politics, and the Decline of Deference in England, 1968-2000* (Oxford, 2018).
[23] S. Middleton, '"Affluence" and the Left in Britain, c. 1958-1974', *English Historical Review*, CXXIX, 536 (2014), pp. 107-38.
[24] R. Middleton, 'Brittan on Britain: Decline, Declinism, and "Traumas of the 1970s"', in L. Black, H. Pemberton, and P. Thane (eds.), *Reassessing 1970s Britain* (Manchester, 2013), pp. 69-95; M. Wickham-Jones, 'The Challenge of Stuart Holland: The Labour Party's Economic Strategy During the 1970s', in L. Black, H. Pemberton, and P. Thane (eds.), *Reassessing 1970s Britain* (Manchester, 2013), pp. 123-48; P. Thane, 'Women and the 1970s: Towards Liberation?', in L. Black, H. Pemberton, and P. Thane (eds.), *Reassessing 1970s Britain* (Manchester, 2013), pp. 167-86; B. Osgerby, 'Stanley Cohen's *Folk Devils and Moral Panics* Revisited', in L. Black, H. Pemberton, and P. Thane (eds.), *Reassessing 1970s Britain* (Manchester, 2013), pp. 187-211.

An important branch of the ideas-focused literature concerns Margaret Thatcher and Thatcherism. Interest in Thatcher and her politics has generated an extensive literature across different academic disciplines. In his review of Bale's four-volume edited collection of Thatcher scholarship, Saunders points out the existence of more than thirty biographies and several hundred books and articles.[25] Focusing on historians or historically-oriented political scientists, Jackson and Saunders outline four types of literature: firstly, Thatcher as a leader, including the impact of her personality and beliefs, secondly, Thatcherism as a hegemonic ideological project, thirdly, critical examination of the legacy of Thatcherism, and lastly, Thatcherism in historical context, either as a departure or continuation of the Conservative tradition, or alternatively, as a political doctrine that emerged in the context of the 1970s.[26]

For the purposes of this thesis, the most relevant literature concerns the years 1974-9, generally seen as the period when Thatcherism began to take shape (though historians disagree, predictably, on whether Thatcherism ever possessed a distinguishable shape). Green sees Thatcherism as a continuation of a Conservative market liberal tradition, which was suppressed in the post-war decades, but experienced a revival during the upheavals of the 1970s.[27] Saunders's analysis of Thatcher's rhetoric in the 1970s argues that early Thatcherism was descriptive rather than prescriptive, its main effect being the opening of political space for Conservative ideas.[28] Jackson traces the connections between neo-liberal think-tanks and early Thatcherism, arguing that skilful marketing rather than

[25] R. Saunders, 'The Many Lives of Margaret Thatcher', *English Historical Review*, CXXXII, 556 (2017), p. 638.
[26] B. Jackson and R. Saunders, 'Introduction', in B. Jackson and R. Saunders (eds.), *Making Thatcher's Britain* (Cambridge, 2012), pp. 10-19.
[27] E.H.H. Green, *Ideologies of Conservatism: Conservative Political Ideas in the Twentieth Century* (Oxford, 2002), pp. 214-39.
[28] R. Saunders, '"Crisis? What Crisis?" Thatcherism and the Seventies', in B. Jackson and R. Saunders (eds.), *Making Thatcher's Britain* (Cambridge, 2012), pp. 25-42.

intellectual conversion lay behind the favourable reception of neo-liberal ideas in the 1970s.[29] Grimley discusses morality and religion in Thatcher's rhetoric, arguing that in the 1970s Thatcher used Christian morality to present herself as a cultural conservative, opposed to the excesses of an increasingly permissive culture.[30] Sutcliffe-Braithwaite identifies family-centred individualistic morality, or 'Victorian values', as the driver behind the Conservative Party's thinking on social policy in the 1970s.[31]

The brief survey above has described different scholarly approaches to the history of the 1970s. The depiction of the 1970s as a period of generalised national crisis is challenged by a developing revisionist literature that, rather than denying the sense of crisis, sees different overlapping crises, sometimes exaggerated out of proportion in the context of a deeply pessimistic cultural moment. This thesis situates itself in the revisionist literature. By focusing on three salient political themes – the economy, industrial relations, and European integration – the thesis highlights the sophistication and diversity of the research departments' work in the 1970s, which reflected an array of intellectual responses to the decade's events. In doing so, the thesis draws attention to the variety of competing ideas on the future of Britain. Furthermore, the literature displays two broad approaches to the history of the 1970s: a structural approach and an ideas-based approach. This thesis primarily follows the ideas-focused approach, specifically by examining the CRD and the LPRD as consumers and purveyors of political ideas within their parties. Yet, the division between structural and ideas-based approaches is more an organising device than an unbridgeable methodological gulf. Both approaches illustrate aspects of each other; this

[29] B. Jackson, 'The Think-tank Archipelago: Thatcherism and Neo-liberalism', in B. Jackson and R. Saunders (eds.), *Making Thatcher's Britain* (Cambridge, 2012), pp. 43-61.
[30] M. Grimley, 'Thatcherism, Morality, and Religion', in B. Jackson and R. Saunders (eds.), *Making Thatcher's Britain* (Cambridge, 2012), pp. 78-94.
[31] F. Sutcliffe-Braithwaite, 'Neo-liberalism and Morality in the Making of Thatcherite Social Policy', *The Historical Journal*, 55:2 (2012), pp. 497-520.

thesis discusses how research department experts perceived the structural changes taking place in Britain and the world, and in turn, their ideas on how the structures of the British state and economy should be changed in response.

This thesis contributes to the existing literature in four ways: firstly, by focusing on underexplored party actors, the research departments, this thesis contributes to the burgeoning revisionist history of the 1970s. Secondly, this thesis contributes new material for the ideas-focused approach to studying the 1970s, specifically by highlighting the roles of the research departments in influencing the reception and use of ideas in their parties, and through that, the politics of the period. Thirdly, in a departure from the prevailing academic fashion of studying parties in isolation, this thesis applies a comparative perspective, illustrating similarities and differences between the research departments, and contrasting the ideological evolution of the parties in the 1970s. Lastly, as discussed in the next section, this thesis fills a gap in the existing literature by presenting the first systematic study of the LPRD as well as updating and expanding the literature on the CRD.

Conservative and Labour research departments in the 1970s

The political history of the 1970s is inseparable from the histories of the Conservative and Labour parties. Both parties have been subjects of sustained academic interest by historians and social scientists, but the research departments remain relatively underexplored areas of party history.

The CRD is the better known of the two parties' policy units, and also the focus of a limited literature. Ramsden's overview of the research department from its founding in

1929 to about 1980 is the authoritative historical study. Ramsden's discussion of the 1970s is, however, based on incomplete sources, and consequently offers only a cursory discussion of the period.[32] A few articles on the department have also been published: on the origins of the department by Beichman, a brief general overview by Cooke, and a comparison of the political tasks of the 1940s and the early 2000s by Clark and Kelly.[33] The CRD has made efforts to highlight its own historical role. Cooke, in his capacity as official party historian, has edited a collection of essays by former party staff.[34] For the purposes of academic history, the literature on the CRD is unsatisfactory. With the exception of Ramsden, all the aforementioned works are either exceedingly narrowly focused or oriented towards publicising the department's work. Ramsden's book, published in 1980, was written too close to the 1970s to offer more than a cursory discussion of the decade.

Literature on the LPRD is nearly non-existent. Revealingly, the most useful published discussion is found in Ramsden's book on the CRD, where a brief comparison of the two departments highlights the smaller size and more politicised role of Labour's policy unit.[35] The LPRD and its staff make appearances in different political histories, but always in a supporting role, in connection with specific issues or events, rather than as actors in their own right. Examples include Bell, Minkin, and Wickham-Jones.[36]

[32] J. Ramsden, *The Making of Conservative Party Policy: The Conservative Research Department since 1929* (London, 1980).
[33] A. Beichman, 'Hugger-Mugger in Old Queen Street: The Origins of the Conservative Research Department', *Journal of Contemporary History*, 13:4 (1978), pp. 671-688; G. Clark and S. Kelly, 'Echoes of Butler? The Conservative Research Department and the Making of Conservative Policy', *Political Quarterly*, 75:4 (2004), pp. 378-82; A. Cooke, 'The Conservative Research Department 1929-2004', *Conservative History Journal*, 4 (2004), pp. 9-12.
[34] A. Cooke (ed.), *Tory Policy-making: The Conservative Research Department 1929-2004* (London, 2009).
[35] Ramsden, *Making of Conservative Party Policy*, pp. 1-11.
[36] P. Bell, *The Labour Party in Opposition, 1970-1974* (London and New York, 2004); L. Minkin, *The Labour Party Conference: A Study in the Politics of Intra-Party Democracy* (Manchester, 1980); M. Wickham-Jones, *Economic Strategy and the Labour Party: Politics and Policy-Making, 1970-83* (Basingstoke, 1996).

Ultimately, it is difficult to avoid the conclusion that the LPRD's small size and preoccupation with the party's policy-making process consigned it to the shadowy corners of political history. Though many Labour historians have used the research department's archives, this thesis represents, to the best of our knowledge, the first historical account of the LPRD as a political actor.

The CRD was established in 1929 and was seen for the first ten years of its existence as 'Neville Chamberlain's private army'.[37] After Chamberlain's demise and the Second World War, the department had a prominent role in the post-war refashioning of Conservatism.[38] The research department achieved a reputation as an independent-minded, even eccentric, outpost of intellectual activity. The department had its own offices at Old Queen Street, in the Westminster area of London. Though only a short walk from Smith Square, the site of the Conservative Central Office, the practice of maintaining separate offices underscored a deliberate institutional separation of the research department from the rest of the party. When, after the victorious 1979 general election, the decision was made to combine the CRD with Central Office, it was met with vigorous protest by the department.[39] Thus, at least in the eyes of those who worked there, the role of the CRD was seen as distinct, perhaps even special, when compared with the various other departments of the professional party.

The LPRD emerged from the Labour Research Department, a small research office serving the party and trade unions, originally established in 1912 by the Fabian Society. The Labour Research Department was led by Arthur Greenwood, a Labour politician who

[37] Cooke, 'The Conservative Research Department', p. 11; Beichman, 'Hugger-Mugger', pp. 671-688; Ramsden, *Making of Conservative Party Policy*, pp. 12-36.
[38] Ramsden, *Making of Conservative Party Policy*, pp. 95-148.
[39] CPA, CRD/D/7/26, C. Patten to A. Maude: The Future of the Research Department, 26 March 1979.

held various Cabinet posts before and during the Second World War. By the late 1930s Greenwood had developed alcoholism, which affected the department's performance. The LPRD, as a separate entity, was established during the Second World War, most likely in 1942. The Labour Research Department, the original office, was accused of being under communist control and therefore proscribed by the Labour Party in 1942.[40] Thus, from 1942 onwards, the Labour Party had a dedicated policy staff. Michael Young led the department from 1945 to 1951, and was the principal author of the election manifesto of 1945, which set out Labour's pivotal programme of post-war social democracy.[41]

The Labour Party's national offices were in Westminster, almost next door to the Conservative headquarters, in a building known as Transport House at Smith Square. If the CRD's postal address emphasised its separation from the party bureaucracy, the location of the LPRD's offices communicated the opposite message. The research department was institutionally part of the professional party organisation and answered politically to the National Executive Committee (NEC), the party's governing body. The Labour Party's location was not without its own symbolism: Transport House housed the national offices of the Transport and General Workers' Union. The shared address of the Labour Party and one of the country's mightiest unions was seen as a reminder of the common origins of the party and the trade union movement, and rightly or wrongly, of close cooperation between the two.

[40] 'Our First 100 Years' http://www.lrd.org.uk/index.php?pagid=60 (3 January 2020); R.C. Whiting, 'Greenwood, Arthur (1880-1954)', *Oxford Dictionary of National Biography* (Oxford, January 2011), https://doi.org/10.1093/ref:odnb/33543 (3 January 2020).

[41] L. Butler, 'Michael Young, the Institute of Community Studies, and the Politics of Kinship', *Twentieth Century British History*, 26:2 (2015), pp. 203-4; A.H. Halsey, 'Young, Michael Dunlop, Baron Young of Dartington (1915–2002)', *Oxford Dictionary of National Biography* (Oxford, May 2006), https://doi.org/10.1093/ref:odnb/76682 (3 January 2020).

Both parties kept relatively small numbers of researchers on the payroll. The researchers were predominantly men, though by the 1970s women could also be found working as researchers, rather than in secretarial duties. During the 1970s the CRD had some 30 research officers engaged in substantive policy work.[42] Internally, the CRD was organised into five sections: home affairs, economics, foreign and defence policy, constitutional and library section, and general political matters. [43] The sections were usually led by experienced research officers who had been with the department for many years. Their presence provided a degree of continuity in an office that was otherwise characterised by young staff who tended to move on after a few years of service. General elections were usually a time of high staff turnover. For example, after the 1970 formation of the Conservative Heath government, many research officers departed for civil service and advisory positions in the ministries and new people were found to fill their posts.[44]

Day-to-day management of the CRD was the responsibility of the Director, who was traditionally appointed from within the department. James Douglas had joined the department in 1951 and became the Director in 1970.[45] He had to resign from the position due to the political fallout from the lost general election of February 1974, but stayed on in the mainly consultative position of Associate Director until 1977.[46] From 1974 to 1979, the Director was Chris Patten, who had joined the CRD in 1966, served in various party and government positions during the Heath government of 1970-4, and returned to the

[42] CPA, CCO/500/30/9, Conservative Research Department, October 1973 (list of staff and responsibilities); Ramsden, *Making of Conservative Party Policy*, p. 6.
[43] The research department's internal organisation was a result of a 1948 merger of three previously separate units: the CRD, the Parliamentary Secretariat, and the Library and Information Department. This merger created the post-war organisation of the CRD, which was to last through the 1970s.
[44] Ramsden, *Making of Conservative Party Policy*, pp. 286, 292.
[45] 'James Douglas', *The Telegraph* (5 October 2004), http://www.telegraph.co.uk/news/obituaries/1473322/James-Douglas.html (27 January 2015).
[46] Ramsden, *Making of Conservative Party Policy*, p. 304; 'James Douglas'.

department as its Director in 1974. Patten left the department when he was elected as Member of Parliament for Bath in the May 1979 general election.[47]

In comparison, the LPRD was a small office, comprised of some 11 researchers in the course of the 1970s, a number that had remained roughly the same since the early 1960s.[48] The number of staff remained stable during these years, though turnover could be high; for example, few of the research staff serving in 1975 had been with the department in 1970.[49] Given the small size of the LPRD the internal organisation was simple. Staff members, known as Research Assistants, were each assigned to serve sectorally organised Sub-committees. Thus, rather than having teams of researchers, as in the CRD, the Research Assistants were often the sole experts in their policy areas. The LPRD was led by a Research Secretary. Terry Pitt served in this capacity from 1965 to 1974, leaving to become a special adviser in the Wilson government.[50] His successor, Geoff Bish, had joined the department in 1968 and served as Research Secretary and later Policy Director from 1974 to 1992.[51]

Understanding the CRD and the LPRD in their organisational contexts requires recognition of the two parties' distinct paths. Ware offers a useful typology of political

[47] 'Patten of Barnes, Baron, (Christopher Francis Patten) (born 12 May 1944)', *Who's Who & Who Was Who* (Oxford, December 2019), https://doi.org/10.1093/ww/9780199540884.013.U30249 (3 January 2020).
[48] LPA, LP/RD/15/1, Home Policy Sub-committee: Programme of Work (RD.12), September 1970.
[49] Labour Party, *Report of the Sixtyninth Annual Conference of the Labour Party, Blackpool 1970, September 28-October 2* (London, 1970), pp. 36-40; Labour Party, *Report of the Seventysecond Annual Conference of the Labour Party, Blackpool 1973, October 1-5* (London, 1973), pp. 42-50; Labour Party, *Report of the Seventythird Annual Conference of the Labour Party, London 1974, November 27-30* (London, 1974), pp. 63-71; Labour Party, *Report of the Seventyfourth Annual Conference of the Labour Party, Blackpool 1975, September 29 - October 3* (London, 1975), pp. 33-40; Labour Party, *Report of the Seventyeight Annual Conference of the Labour Party, Brighton 1979, October 1-5* (London, 1979), pp. 61-72.
[50] 'Mr Terry Pitt', *The Times*, 6 October 1986, p. 16.
[51] 'Geoff Bish Obituary', *The Guardian* (5 March 2017), https://www.theguardian.com/politics/2017/mar/05/geoff-bish-obituary (3 January 2020). The position of Policy Director was similar to that of Research Secretary, and was created during a reorganisation of party structures in the 1980s.

parties, founded on Duverger's original distinction between cadre and mass parties. [52] The Labour Party can be defined as a mass party. The party was a political extension of an existing social movement, most notably the trade unions. Policy-making was, at least in theory, a bottom-up process of internal democracy, where the policies adopted by the Annual Conference would be faithfully carried out by Labour parliamentarians.[53] In contrast, the Conservative Party evolved from a nineteenth century cadre party into a twentieth century hybrid party. The parliamentary cadre preceded the larger party organisation, which existed primarily to support the cadre. As a result, the Conservatives maintained the traditional prerogatives of the party leadership. Policy-making was an elite-driven process, controlled by the party grandees and other Members of Parliament.[54]

The institutional reporting lines of the Conservative and Labour research departments reflected their parties' different histories. The Director of the CRD answered to a Chairman who had special responsibility for the strategic direction of the department. The Chairman's position was usually held by a senior official in the professional party or a front bench politician, thus providing a direct link to the Cabinet (or Shadow Cabinet when in opposition). Ultimately, the Director and the Chairman answered to the party leader, further strengthening the connection to the party leadership.[55] The LPRD, on the other hand, had no such connection to the Parliamentary Labour Party and its leadership. On paper, the Research Secretary reported to the party's General Secretary. In practice, the department's work was dominated by the needs of the Home Policy Committee, which fell

[52] M. Duverger, *Political Parties*, 2nd edn (London, 1959).
[53] A. Ware, *Political Parties and Party Systems* (Oxford, 1996), pp. 66, 118-9.
[54] Ware, *Political Parties*, pp. 116-7.
[55] Ramsden, *Making of Conservative Party Policy*, p. 5.

under the NEC. Therefore in policy questions, the research department worked for the Chairman and members of the Home Policy Committee.[56]

The party research departments sought to fill similar needs for policy expertise within their parties, and indeed, staff in both parties were conscious of the existence of a 'competing' research department in the other party. Yet, on closer inspection, certain differences emerge in the functions of the research departments. The CRD was entrusted, broadly speaking, with three kinds of duties: firstly, to conduct policy research, secondly, to act as a secretariat for parliamentary committees of the Conservative Party, and lastly, to produce publications and information services.[57] In addition, since the 1960s the department was also expected to second officers to assist in by-election campaigns, though this was seen as a distraction and accepted only reluctantly by the Directors of the department.[58] The LPRD did not differ greatly in its basic functions. The department was responsible for, firstly, policy research, secondly, providing secretaries to the Home Policy Committee and its Sub-committees, and lastly, for producing party publications.[59] Unlike the CRD, the Labour Party policy unit had only a minor role in supporting the Parliamentary Labour Party. This lack of institutional linkages made the department somewhat disconnected from the parliamentary party, which was a source of concern for the department.[60]

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[56] The Labour Party changed its internal policy-making structures in 1971, which led to changes in the names of committees. Prior to 1971, the Home Policy Committee was known as the Home Policy Sub-committee. After 1971 the policy groups under the Home Policy Committee were reorganised and named Sub-committees. For the sake of simplicity, this thesis will mainly use the post-1971 designations. See Labour Party, *Report of the Sixtyninth Annual Conference of the Labour Party, Blackpool 1970, September 28-October 2* (London, 1970), pp. 36-40; Labour Party, *Report of the Seventieth Annual Conference of the Labour Party, Brighton, 1971, October 4-8* (London, 1971), pp. 37-47.
[57] CPA, CRD/D/7/1, Party Review Committee – Conservative Research Department (PRC/27), 24 November 1972.
[58] CPA, CRD/D/6/1, R. Webster to M. Wolff, A. Todd and C. Patten: A By-Election Drill, 28 October 1974; CPA, CRD/D/6/1, C. Patten to R. Webster, 4 November 1974.
[59] LPA, LP/RD/15/1, Home Policy Sub-committee: Programme of Work (RD.12), September 1970.
[60] ibid.

Despite the seemingly similar functions of the two research departments, their actual work differed in important ways. These differences were largely explained by the institutional contexts in which the departments operated. The CRD existed to serve the needs of the party leadership as well as back bench Members of Parliament. Policy research was closely tied to ministers and shadow ministers, and research department staff were expected to maintain close relations with these senior party figures.[61] Much of the research officers' time was devoted to acting as secretaries for back bench committees, ensuring frequent interaction with Members of Parliament. Thus the CRD was a source of expertise at the disposal of both the party's front bench and back bench. This image of the research officer's role is shown in informal advice circulated within the department in 1975, where it was suggested that the officers should 'impress back benchers and amaze Shadow Ministers by being better informed than they are - which is normally not difficult!'.[62]

The LPRD, on the other hand, operated in an institutional context with few linkages between the parliamentary and professional wings of the party. The department was acutely conscious of this; in a memorandum in 1970, the department observed that it provided less support to Members of Parliament than the CRD, had no formal links with parliamentary committees, no coordination with back bench groups and no established way of keeping the parliamentary party and the NEC in touch with each other on policy matters.[63] Instead, most of the department's time was spent on servicing the NEC, the Home Policy Committee and its Sub-committees. The LPRD's policy expertise was aimed

[61] CPA, CRD/D/6/7, B. Sewill to All Research Department Officers: The Work of the Department, 10 Jul 1970.
[62] CPA, CRD/D/7/2, S. Sherbourne to C. Patten, 25 March 1975.
[63] LPA, LP/RD/15/1, Home Policy Sub-committee: Programme of Work (RD.12), September 1970.

almost entirely at the production of party policy, rather than policy for the Cabinet, Shadow Cabinet, or back bench groups.

The heads of the research departments were prone to complaining about lack of staff and heavy departmental workloads. The CRD was more than twice the size of the Labour policy unit, but as noted above, it also had a wider range of responsibilities. Thus, in response to plans to send Research Officers to support by-election campaigns, Chris Patten, the Director, not only expressed his scepticism of the plan, but also seized on the opportunity to request more resources.[64] According to Geoff Bish, the head of the LPRD, over a five-year period in the late 1970s, the department produced no less than 70 NEC statements, one party programme, evidence to Royal Commissions and submissions to the Labour government, and over 2000 research papers either by the department or outside experts.[65] The resignation of a social policy expert led Bish to complain that the vacancy 'leaves a really glaring gap in our capacity to service the NEC'.[66] While both parties might have been short on research staff, this was undoubtedly a greater limitation for the LPRD, where the departure of a single expert could halt work in an entire policy area. The Conservative Party was traditionally better funded than Labour, which was likely reflected in the staffing of the CRD and the LPRD.

Furthermore, in the course of the 1970s the Labour Party's internal policy-making machine grew in complexity, which cannot be ignored when considering the functions of the LPRD. A crude indication of this growth can be seen in the proliferation of policy committees, each of which required the support of the research department. At the

[64] CPA, CRD/D/6/1, C. Patten to R. Webster, 4 November 1974.
[65] G. Bish, 'Working Relations Between Government and Party', in K. Coates (ed.), *What Went Wrong: Explaining the Fall of the Labour Government* (Nottingham, 2008), p. 163.
[66] LPA, LP/RD/8/13, G. Bish to R. Hayward: New Vacancy in Research Department, 18 December 1979.

beginning of the decade, the Home Policy Sub-committee (as it was then called) drew on the work of eleven advisory committees and policy groups. In 1971, in an effort to streamline this structure, the renamed Home Policy Committee maintained six standing Sub-committees. However, by 1979, this had grown to ten Sub-committees as well as three committees that were serviced jointly by the LPRD and other departments.[67] The unfortunate tendency of bureaucracies to generate more bureaucracy seems to have been at work in the Labour Party in the 1970s. Thus it was not surprising that in 1981 one Labour Member of Parliament described the system as '… an incredible hotch-potch with no coherent framework'.[68]

Public policy is the quintessential domain of the expert, and while both parties' research departments sought to provide 'in-house' expertise, they could not hope to match the bureaucratic muscle of Whitehall. The research departments displayed different attitudes towards the civil service. The CRD was sometimes referred to as a 'shadow civil service'. When the Conservatives were in opposition, the research department was expected to keep the party up to date on policy issues, and thus act as a surrogate for the civil service. When the party was in government, the research department was supposed to hand over day-to-day policy work to the civil service, and focus on future policy and political issues. In short, the CRD maintained a respectful distance from the civil service, stepping in to fill its functions in opposition and generally trying to stay out of the civil servants' way while in government.

[67] Labour Party, *Report of the Sixtyninth Annual Conference of the Labour Party, Blackpool 1970, September 28-October 2* (London, 1970), pp. 36-40; Labour Party, *Report of the Seventieth Annual Conference of the Labour Party, Brighton, 1971, October 4-8* (London, 1971), pp. 37-47; Labour Party, *Report of the Seventyeight Annual Conference of the Labour Party, Brighton 1979, October 1-5* (London, 1979), pp. 61-72.
[68] LPA, LP/RD/15/2, F. Hooley to A. Kitson, 19 October 1981.

The LPRD viewed the civil service with considerable suspicion: Whitehall was seen as status quo oriented and an obstacle to Labour's reform plans. This aligned with Labour's longer-term tendency to see the civil service as inefficient or obstructionist, which was reinforced in the 1960s and 1970s by ministers such as Richard Crossman and Tony Benn, who saw Whitehall as actively hostile to socialist policies.[69] Geoff Bish's tenure as the Research Secretary from 1974 onwards seems to have amplified the research department's adversarial attitude. In an understated observation in 1976, Bish wrote that 'on the evidence available to us, the NEC would seem to be justified in its assumption that Whitehall is a little unenthusiastic about radical and rapid socialist change'.[70] The adversarial view was partially a reflection of Labour's own institutional limitations: the bifurcated manner of Labour policy-making and the LPRD's small staff meant that the party lacked the capacity to formulate policies that could stand against the civil service point of view.[71] In contrast to the CRD, the LPRD's attitude towards the civil service was antagonistic.

Apart from the research departments' formal reporting channels and duties, they often operated in a more informal and personal context. Typically, the research departments cultivated close working relationships with front bench Members of Parliament, gaining a champion for their ideas at the senior level, and through that, access to decision-making. The politicians benefited from the relationship by gaining the administrative and analytical services of the research department, which could be especially useful if the party was in opposition and therefore cut off from the civil service. Sometimes these working relationships were between specific research department experts and politicians. For example, Labour's Geoff Bish maintained a collaborative relationship

[69] K. Theakston, *The Labour Party and Whitehall* (London, 1992), pp. 1-2, 11-12.
[70] LPA, LP/RD/15/1, Programme of work 1976-1977 (RE 822), November 1976.
[71] Theakston, *Labour and Whitehall*, pp. 66-8.

with the leftist front bench politician Tony Benn throughout the 1970s. On the Conservative side, the research department's economic policy expert Adam Ridley developed a productive relationship with Geoffrey Howe, Shadow Chancellor, in the latter half of the 1970s. In addition to such interpersonal contacts, occasionally specific research department officials could exercise an important role independently. For example, in the LPRD from the mid-1970s onwards, Andy Thompson was instrumental in placing trade protectionism on the party's agenda through his regular promotion of import controls.

Working at a research department could advance the careers of individual experts. When the Conservative Party entered government, CRD officers were frequently recruited to serve as ministerial advisers. Chris Patten moved between CRD and government appointments in the 1970s. The CRD economics team, composed of Adam Ridley, George Cardona, and Peter Cropper, was recruited into the Treasury in 1979.[72] LPRD experts were recruited into the government less often, though there were some exceptions: Elizabeth Arnott, a LPRD policy expert, worked at the Prime Minister's Policy Unit in the 1970s.[73] A stint at a research department could also pave the way to elected office. The CRD, in particular, had a reputation as a finishing school for aspiring Conservative politicians. In the 1970s, CRD ranks included such future Members of Parliament as Chris Patten, David Nicholson, and Anthony Newton.[74] The LPRD, in comparison, did not have such a tradition, though occasionally senior members of the department became politicians. Peter

[72] CAC, Thatcher MSS (digital collection), 120201, M.A. Hall to M. Pattison: Mr. George Cardona, 17 May 1979; 'Cropper, Peter John, (born 18 June 1927)', *Who's Who & Who Was Who* (Oxford, December 2019), https://doi.org/10.1093/ww/9780199540884.013.U12409 (11 January 2020); 'Patten of Barnes'; 'Ridley, Sir Adam (Nicholas), (born 14 May 1942)', *Who's Who & Who Was Who* (Oxford, December 2019), https://doi.org/10.1093/ww/9780199540884.013.U32549 (15 December 2019).

[73] B. Donoughue, *Prime Minister: The Conduct of Policy under Harold Wilson and James Callaghan* (London, 1987), p. 21

[74] J. MacGregor, 'Newton, Antony Harold [Tony], Baron Newton of Braintree (1937–2012)', *Oxford Dictionary of National Biography* (Oxford, 2016), https://doi.org/10.1093/ref:odnb/104833 (11 January 2020); 'Nicholson, David John, (born 17 Aug. 1944)', *Who's Who & Who Was Who* (Oxford, December 2019), https://doi.org/10.1093/ww/9780199540884.013.U29499 (11 January 2020).

Shore, a front bench Labour politician, served as the head of the LPRD from 1959 to 1964. Terry Pitt, Shore's successor as head of the department until 1974, was a Member of the European Parliament from 1984 until his untimely death in 1986.[75]

Locating the party research departments in their institutional contexts reveals them as products of distinctive political and organisational traditions. Though both departments were expected to provide 'in-house' policy expertise for the parties' policy-making elites, on closer examination their work differed considerably. Underlying the research departments' different roles were diverging ideas regarding the proper role of a political party in a parliamentary democracy. The Conservatives saw their party primarily as a vehicle for gaining political office. The party was not expected to advance policies that differed from the positions of the party leadership. The CRD was a 'shadow civil service' that existed to bring rigour to the party's policy-making, because articulate policies were seen as key to election victories. Labour Party professionals held a different idea of their work. Their party was a 'battering ram of change' – to use Richard Crossman's phrase – formulating policies through a process of internal party democracy, aimed at fundamental reforms of the capitalist structures of society.[76] The LPRD, as a servant of the 'party line', was a counterweight to politicians and civil servants, who were prone to straying from the path of socialist change.

[75] M. Crick, 'Shore, Peter David, Baron Shore of Stepney', *Oxford Dictionary of National Biography* (Oxford, 2011), https://doi.org/10.1093/ref:odnb/76251 (11 January 2020). 'Mr Terry Pitt', *The Times*, 6 October 1986, p. 16.
[76] Minkin, *Labour Party Conference*, p. 294.

Sources and methodology

This thesis is based on archival research at the Conservative Party Archive (Bodleian Library, Oxford) and the Labour Party Archive (People's History Museum, Manchester). The research relies primarily on the records of the CRD and the LPRD. The research departments produced large quantities of different written outputs, including correspondence, meeting minutes, research papers, briefing materials, publicity materials, policy statements, party programmes, and election manifestos. Additional materials were obtained from other archives, newspaper records, and online databases, where relevant. In addition to archival sources, this thesis makes limited use of other primary materials, such as books and articles published before 1980.

The main strength of the used sources is that they provide a direct look at the day-to-day policy development work of the research departments. Though some items have been lost or deliberately removed, the papers of the two research departments provide a satisfactory basis for exploring the departments' work in the 1970s. The main weakness of the sources relates to the establishment of authorship. Though the research departments had certain record-keeping practices, such as marking papers with the author's initials, establishing authorship is often unreliable, raising the possibility of misattribution. Despite the aforementioned weakness, almost all materials can be readily identified as products of the respective research departments.

Certain methodological issues are worth elaborating. Firstly, this thesis approaches the topic through the concept of ideology. Ideology is an essentially contested concept and therefore requires further definition. The understanding of ideology in this thesis is

informed by Freeden's theoretical framework, which views ideologies as intellectual constructs composed of hierarchies of concepts. Importantly, the general principles of ideology influence pragmatic human action, finding their actualisation in political acts, speech, and writing.[77] In Freeden's words: 'Public policy is hence *ipso facto* the realization of ideological constructs…'.[78] This thesis does not, however, attempt a Freedenian morphological analysis of conservativism and socialism. In this sense, this study remains methodologically closer to political history than intellectual history, though as Lawrence notes, recent decades have witnessed an ever closer fusing of the approaches.[79] Informed by the aforementioned theory, party ideology is defined as a conceptual construct that evolves over time in response to different intellectual influences and political challenges. Instead of assuming the existence of a monolithic party ideology, this thesis recognises the parallel existence of different ideological orientations within the same party, often but not always following factional groupings. Thus, the proper subject of this thesis is not conservatism or socialism, but the interplay between different variants of conservatism and socialism.

Secondly, this thesis assumes the existence of a corporate identity when discussing the party research departments. In other words, the unit of analysis is usually the party research department, rather than specific individuals within the departments. This is partially driven by necessity, as establishing authorship from archival sources is not always possible, whereas establishing corporate authorship is almost always possible. This assumption reflects the self-effacing organisational cultures of the research departments. Furthermore, the assumption of a corporate identity is based on the hierarchical and

[77] Freeden, 'Stranger at the Feast', pp. 11-12, 33-4; M. Freeden, *Ideologies and Political Theory: A Conceptual Approach* (Oxford, 1996).
[78] Freeden, 'Stranger at the Feast', p. 10.
[79] J. Lawrence, 'Political History', in S. Berger, H. Feldner, and K. Passmore (eds.), *Writing History: Theory & Practice* (London, 2003), pp. 186-7.

bureaucratic character of the research departments. As with most such organisations, it can be safely assumed that the head of the department exercised some degree of control over the department's actions and outputs, thereby imposing a departmental identity.

Outline of chapters

The following chapters reflect the notion of the 1970s as a period of overlapping crises. Economic troubles, turbulent industrial relations, and questions over Britain's post-imperial world role featured prominently in the political debates of the period, as well as subsequent historiography. The CRD and the LPRD were organs of the parties' national headquarters, and therefore operated almost exclusively at the elite level, interacting with the party leadership, Members of Parliament, and various experts. Thus, the selection of themes reflects the high politics in the 1970s, rather than more incipient developments or mass political participation. Inevitably, important themes and crises are overlooked, reflecting both the interests and expertise of the research departments, but also the persistent tendency of the British political establishment to prioritise certain issues over others. For example, the spiralling armed conflict in Northern Ireland is a notable omission.[80] Nevertheless, the selection of topics provides an accurate overview of the major themes that dominated the party politics of the period.

Chapter 2 provides an overview of the ideological and intellectual context of British politics from 1945 to the beginning of the 1970s. This gives a framework for the following chapters and highlights certain ideological, factional, and intellectual themes that touch upon the discussion of the research departments. Chapter 3 discusses the party

[80] For CRD analysis of Northern Ireland, see CPA, CRD/D/6/12 (Situation in Ulster).

research departments and economic governance. The focus is on changing economic thought, namely the rise of monetarism and state interventionism as competing alternatives to discredited Keynesian demand management. Chapter 4 addresses the party research departments and industrial relations. The analysis covers the contest between voluntarism and reformism as well as the rise and decline of the idea of industrial democracy. Chapter 5 investigates the party research departments and European integration. The discussion concentrates mainly on the 1970-5 period, which ended with a referendum on Britain's membership in the EEC. The Conclusion (Chapter 6) compares the research departments as organisational actors and reflects on their ideological impact.

Chapter 2

Ideological and Intellectual Currents, *c.* 1945-70

The CRD and the LPRD can be conceptualised as conduits between politicians and the wider society. The research departments gathered, analysed, and disseminated specialised information, providing recommendations for the parties' leading politicians. To understand the research departments as ideological actors, we must therefore examine their intellectual context. This chapter begins by charting the ideological trajectories of the Conservative and Labour parties from 1945 to the beginning of the 1970s. This is followed by a description of the reservoir of policies and ideas that were available to the parties' policy professionals at the start of the 1970s.

Conservative ideology, *c.* 1945-70

Traditional Toryism provided an ideological basis for the inter-war Conservative dominance, and continued to exert influence after the war. The basic instincts of traditional Toryism revolved around fatalistic acceptance of modernity and determination to resist and delay change.[81] An important aspect of the traditional Tory self-image was the questionable notion that Conservatism was not an ideology. Following Oakeshott, who criticised rationalism in politics, Conservatives mistrusted systematic ideologies and juxtaposed their pragmatism with the supposed dogmatism of socialists. Instead of

[81] A. Aughey, 'Traditional Toryism', in K. Hickson (ed.), *The Political Thought of the Conservative Party since 1945* (Basingstoke, 2005), pp. 9-11.

ideology, traditionalists were attached to a set of timeless principles.[82] Traditional Toryism saw society as an organic entity, built upon generations of tradition and gradual change. Attempts to enact rapid change were bound to weaken rather than improve society.[83] Related to the organic conception of society, traditionalists saw the natural state of society as hierarchical, with distinctions of wealth and status. A hierarchical society required authority to ensure social harmony.[84] For the party of the property-owning middle class, defending the right to accrue and hold private property was seen as central to the point of being self-explanatory.[85] Accordingly, Friedrich Hayek's 1944 book *Road to Serfdom* appealed to many Conservatives with its argument on the inter-connectedness of private property, free markets, and individual liberty.[86] Traditional Toryism advocated a set of core ideas that had seemingly held the test of time. At its heart it was dispositional: more against the unknown and undesirable than for any set of preconceived societal objectives.[87]

In the post-war years, traditional Toryism was out of step with the times. Few post-war Conservative front rank politicians could accurately be described as traditionalists. The influence of traditionalism was mainly felt in the margins: among diehard back benchers, constituency activists, and sympathetic intellectuals. Garnett and Hickson identify the academics Maurice Cowling, Shirley Letwin, and Roger Scruton as well as the journalists T.E. Utley and Peregrine Worsthorne as traditionalists.[88] The intellectual

[82] S. Ball, *Portrait of a Party: the Conservative Party in Britain 1918-1945* (Oxford, 2013), pp. 9, 13-15; J. Barnes, 'Ideology and Factions', in A. Seldon and S. Ball (eds.), *Conservative Century: The Conservative Party since 1900* (Oxford, 1990), pp. 318-19; M. Oakeshott, *Rationalism in Politics and Other Essays* (Indianapolis, 1991), pp. 5-42.
[83] Ball, *Portrait of a Party*, pp. 15-16; Barnes, 'Ideology and Factions', pp. 321-2.
[84] Ball, *Portrait of a Party*, pp. 17-18; Barnes, 'Ideology and Factions', pp. 317-18.
[85] Ball, *Portrait of a Party*, pp. 16-17; Barnes, 'Ideology and Factions', pp. 325-8.
[86] R. Cockett, *Thinking the Unthinkable: Think-tanks and the Economic Counter-revolution, 1931-1983* (London, 1995), pp. 77-9.
[87] N. Barry, 'New Right', in K. Hickson (ed.), *The Political Thought of the Conservative Party since 194*5 (Basingstoke, 2005), p. 30.
[88] M. Garnett and K. Hickson, *Conservative Thinkers: The Key Contributors to the Political Thought of the Modern Conservative Party* (Manchester, 2009), p. 105.

journey of the journalist Thomas Utley – known as T.E. Utley – is an illustrative example of the trajectory of post-war traditionalism. Utley achieved early fame through the publication in 1949 of *Essays in Conservatism*, in which he criticised the parliamentary Conservative Party's embrace of the welfare state, which he saw as a distraction from the core tasks of external defence and social order. Utley did, however, eventually recognise the electoral necessity of the post-war settlement.[89] While defending the record of the 1951-64 Conservative governments, Utley insisted that the 'sane right' held the party's future in its hands.[90] He discovered this 'sane right' in Enoch Powell's reactionary defence of the nation state, and later gravitated towards Margaret Thatcher's brand of market liberal Conservatism, serving as a speechwriter for Thatcher.[91] Unlike some on the Thatcherite right, Utley remained deeply suspicious of ideology, preferring to see Conservatism as a disposition rather than a system of thought.[92] Through his writings, Utley gave voice to post-war traditional Toryism: resistance to the expansion of the state's role and suspicion of abstract intellectualism.

Another group of Conservatives, the right progressives, drew very different conclusions from the party's 1945 electoral defeat and the subsequent achievements of Clement Attlee's 1945-51 Labour governments. By nationalising major industries, harnessing Keynesian demand management techniques to ensure full employment, and promoting economic planning, the Attlee governments created a new political economy, one that was markedly different from the relative *laissez-faire* of the inter-war era. The shock of the general election defeat, where 60 percent of incumbent Conservative

[89] ibid., p. 107.
[90] J. Stapleton, 'T.E. Utley and the Renewal of Conservatism in Post-war Britain', *Journal of Political Ideologies*, 19:2 (2014), pp. 216-17.
[91] Garnett and Hickson, *Conservative Thinkers*, pp. 107-8; Stapleton, 'T.E. Utley', pp. 215-17, 220.
[92] Garnett and Hickson, *Conservative Thinkers*, p. 108; Stapleton, 'T.E. Utley', pp. 214-15, 221.

members of Parliament either lost their seats or left politics, created a powerful incentive to question the party's ideological foundations.[93]

The straightforward answer to the task confronting the Conservatives lay in a brand of centrist or left-leaning Conservatism that projected an image of competent management of the status quo, while maintaining a sufficiently distinct image and programme to avoid alienating the party's traditional middle class voters. Writing in 1974, Gamble named this ideological stance as right progressivism.[94] Largely shaped by younger members of Parliament during the 1940s, many of them influenced by the experience of war-time coalition government, right progressivism sought to offer a compromise between Conservative sensibilities and the social democratic vision of the Attlee governments.[95] The story of right progressivism is a story of adaptation: to the new corporatist consensus, to an intellectual milieu that favoured active state involvement in the economy, and to an electorate that expected governments to promote social welfare.

During the opposition years of 1945-51, the right progressives were able to shape the party's position to present a more centrist and modern image. An important figure in this task was Richard 'Rab' Butler – generally known as R.A. Butler – who had previously served in ministerial roles in foreign affairs and education. Following the 1945 electoral defeat, the party organisation was overhauled: this included strengthening of the CRD. Butler was made the department's Chairman in 1945.[96] Despite Winston Churchill's objections to detailed policy development, the party formed a committee to consider industrial matters, chaired by Butler. The committee's work led to the publication of the

[93] A. Gamble, *Conservative Nation* (London and Boston, 1974), pp. 38-9.
[94] ibid., pp. 33-5.
[95] ibid., pp. 33-5, 50-2.
[96] Ramsden, *Making of Conservative Party Policy*, pp. 103-5.

Industrial Charter in 1947. Butler saw the charter as a political document, meant less as a definite statement on industrial policy, and more as a signal of breaking with the past and moving with the times.[97] In terms of economic thought, the charter attempted to join together the party's free enterprise tradition and interventionism. The document made an explicit commitment to Keynesian demand management and maintenance of full employment, two of the central economic policies of the Labour government. The message was clear: the Conservative Party was taking the middle course in politics, avoiding the extremes of *laissez-faire* and full-fledged interventionism.[98] In the long term, the charter came to be seen as a symbol of the Conservative Party's unambiguous embrace of Keynesianism.[99] As such, it represented a major victory for right progressivism.

R.A. Butler's influence on party ideology continued in the 1950s. After the Conservative Party's second general election defeat in 1950, a group of young Members of Parliament wrote a pamphlet that set out progressive Conservative ideas on social policy, which they saw as the party's main weakness. The pamphlet was titled *One Nation* and the group itself became known as the One Nation Group.[100] Many of the authors, men such as Cuthbert Alport, Enoch Powell, Iain Macleod, and Reginald Maudling were friends of Butler or had served under him in the research department. Butler provided the foreword for the pamphlet, offering a gloss of official party approval.[101] The *One Nation* pamphlet was similar to the *Industrial Charter* in the sense that it sought to construct a progressive Conservative position, this time in social policy, while recognising that the agenda had

[97] ibid., pp. 108-10.
[98] Garnett and Hickson, *Conservative Thinkers*, pp. 26-7; Ramsden, *Making of Conservative Party Policy*, pp. 110-12.
[99] Garnett and Hickson, *Conservative Thinkers*, pp. 27-8.
[100] The term One Nation originates with the 19th century Conservative Prime Minister Benjamin Disraeli, who used it as an appeal for national unity in a class society. In modern usage One Nation refers to the paternalistic left wing of the Conservative Party, or the group identified as right progressives in this thesis.
[101] Garnett and Hickson, *Conservative Thinkers*, pp. 29-31.

been set by Attlee's Labour government.[102] The group's second pamphlet in 1954, *Change is Our Ally*, was an attack on both inter-war and post-war economic policy, which the authors criticised as anti-free market. The One Nation Group had shifted from its original right progressive roots to the party's right wing, adopting free market capitalism as its cause. R.A. Butler, who had become Chancellor when the Conservatives returned to government in 1951, refused to provide a foreword.[103] In sum, R.A. Butler's politics were indicative of the party's adaptation to the post-war environment. Through carefully cultivated centrism and accommodation of the Attlee government's positions, the right progressives restored the party's electoral fortunes. The ultimate reward was 13 years of uninterrupted Conservative government between 1951 and 1964.

If R.A. Butler was the indispensable orchestrator of right progressivism, the political leader most associated with the post-war Conservative heyday was Harold Macmillan. Known as 'Supermac' at the height of his popularity in the late 1950s, Macmillan served as Prime Minister from 1957 to 1963. Macmillan began as a back bench maverick, hopelessly out of step with mainstream Conservatism of the 1930s. His main intellectual contribution was the 1938 book *Middle Way*, in which he argued that the dual threat of socialism and fascism should be fought by the pursuit of a middle way between the extremes. This consisted of an affirmation of liberty, but also the rational management of economic and social affairs. He believed that sacrificing some economic liberties was necessary to protect the political order from totalitarianism.[104] Macmillan advocated an increased role for the state in industrial reorganisation, directing investment, and reflation

[102] ibid., p. 31.
[103] D. Seawright, 'One Nation', in K. Hickson (ed.), *The Political Thought of the Conservative Party since 1945* (Basingstoke, 2005), pp. 78-80.
[104] Garnett and Hickson, *Conservative Thinkers*, pp. 9-12.

of the economy. In his economic thought, especially monetary policy, Macmillan was influenced by John Maynard Keynes.[105]

When the Conservative right progressives shifted the party towards Labour's Keynesian social democracy after 1945, Macmillan could claim with some justification that his views had remained consistent, but the party's had changed.[106] Macmillan was involved in the drafting of the 1947 *Industrial Charter*, which reflected his earlier thoughts expressed in the *Middle Way*.[107] In the post-war years, Macmillan's views on economic management shifted between Keynesianism and direct intervention. Moving away from his earlier interest in direct state intervention, Macmillan began to emphasise fiscal and monetary policy as means of economic management. In other words, his thinking aligned more closely with Keynesian demand management.[108] Emerging as Conservative leader and Prime Minister from the political wreckage of the 1956 Suez invasion, Macmillan agreed with Chancellor Selwyn Lloyd's efforts to establish a more hands-on role for the government. This led in 1962 to the establishment of the National Economic Development Council (NEDC), a consultative tripartite body of trade unions, employers, and the state, designed to foster closer coordination between the participants. Intellectually, this marked a return of Macmillan's earlier interest in direct state action in the economy.[109]

Historians assign different motivations to Macmillan's actions. Green sees intellectual consistency: rejection of *laissez-faire*, state intervention in the economy – in a supportive role where possible, directly where needed –, and the balancing of the interests

[105] Green, *Ideologies of Conservatism*, pp. 158-69.
[106] ibid., p. 169.
[107] Green, *Ideologies of Conservatism*, pp. 170-2; Garnett and Hickson, *Conservative Thinkers*, p. 26.
[108] Green, *Ideologies of Conservatism*, pp. 173-4.
[109] ibid., pp. 182-6.

of state, free enterprise, and social classes.[110] The fact that an intellectual dissident could rise to the leadership of the party only highlighted the extent of the party's ideological metamorphosis under right progressive influence. Garnett and Hickson agree on the intellectual orientation of Macmillan before the war, but argue that after his first front bench appointment in 1940, he became cautious, opportunistic, and acting in ways that furthered his career and perpetuated his tenure as Prime Minister.[111]

According to Skinner, the choice between principles and opportunism is a false one, given that individuals must justify their actions with reference to society's prevailing principles, even if they themselves have little regard for said principles.[112] In the case of the Conservative Party, the right progressives were able to accommodate to post-war social democracy without stretching the principles of Conservatism beyond their breaking point. Right progressivism offered a balance between electoral opportunism and Conservative convictions. Furthermore, in the early 1950s senior Conservatives believed that freedom, full employment, and the welfare state could be reconciled. They deployed freedom as a rhetorical device to argue that welfare depended on a healthy economy, and a healthy economy depended on freedom, which the Conservatives would provide. By casting freedom as precondition of an industrially vigorous society, the Conservatives tried to present themselves as the true guarantors of the welfare state. In other words, for the Conservative leadership right progressivism offered an electorally viable strategy that balanced the principles of freedom and security, rather than forcing a painful choice

[110] ibid., pp. 185-7.
[111] Garnett and Hickson, *Conservative Thinkers*, pp. 8-9, 12-14, 17-20.
[112] Q. Skinner, *Visions of Politics: Volume I: Regarding Method* (Cambridge, 2002), pp. 145-57.

between them.[113] This position was aided by good economic performance and election victories in the 1950s, which shielded right progressivism from critics in the party.[114]

The right progressive Conservative governments' reluctance to upset the status quo in the 1950s gave rise to the notion of 'Butskellism'. The term arose from the perception that there was little difference between the policies of two successive Chancellors – Hugh Gaitskell of Labour (1950-1) and R.A. Butler of the Conservatives (1951-5). Though historians have asked whether 'Butskellism' or the 'post-war consensus' ever truly existed, the Conservative Party's position after the war arguably moved in the direction of Keynesianism and active management of the economy.[115] The right progressives perceived mass unemployment as a threat to their electoral fortunes. The post-war social democratic agenda was the default mode and cuts to welfare services were seen as politically impracticable.[116] In a telling episode, in 1952 Treasury civil servants advocated the floating of the pound, in what became known as the 'Robot scheme', only to be overruled by a Conservative Cabinet wary of the employment effects.[117] Morgan views this as an important moment, where a supposedly free market Conservative Party decided to uphold economic planning and controls in the name of full employment.[118]

A similar incident took place during Macmillan's premiership in 1958. The Chancellor, Peter Thorneycroft, had become worried about inflation and wanted to issue a deflationary budget. The Cabinet saw the potential for rising unemployment as well as cuts

[113] J. Freeman, 'Reconsidering "Set the People Free": Neoliberalism and Freedom Rhetoric in Churchill's Conservative Party', *Twentieth Century British History*, 29:4 (2018), pp. 542-5; R. McKibbin, *Parties and People: England 1914-51* (Oxford, 2010), p. 167.
[114] A. Taylor, 'Economic Statecraft', in Hickson (ed.), *The Political Thought of the Conservative Party since 1945* (Basingstoke, 2005), p. 139.
[115] Jones, 'Introduction', pp. xiii-xvii.
[116] Taylor, 'Economic Statecraft', pp. 136-8.
[117] The unusual name was formed out of the names of the three senior civil servants who proposed the scheme.
[118] K.O. Morgan, *Britain since 1945: The People's Peace*, 3rd edn (Oxford, 2001), pp. 119-22.

to social services, and blocked the plan. This prompted the resignation of not only Thorneycroft, but both of his junior ministers, Nigel Birch and Enoch Powell. With characteristic poise, Macmillan dismissed the resignations as 'a little local difficulty'.[119] As well as demonstrating the Cabinet's overriding interest in employment and welfare, both seen as electorally indispensable, the Treasury resignations drew attention to the willingness of right progressives to prioritise employment over inflation.[120] The right progressives' attitude would haunt them in the 1970s when inflation turned into a symbol of the failure of Keynesianism. The market liberal faction of the party came to regard Thorneycroft's resignation as a principled stand against inflation and excessive public expenditure. After Margaret Thatcher's election as party leader in 1975, she appointed Thorneycroft as party Chairman, in recognition of his earlier defiance of Macmillan.[121]

Right progressivism appeared unassailable in the 1950s, but even at the height of its influence, it never achieved a hegemonic status within the party. Green argues that while the Conservative leadership signed up for the Keynesian project, market liberalism remained popular in the lower ranks of the party.[122] As noted above, Friedrich Hayek's *Road to Serfdom* was enthusiastically received among Conservatives, despite the fact that its rallying cry against encroaching statism directly contradicted the right progressive formula of accommodation and adaptation.[123] The parliamentary One Nation Group, after its initial foray into right progressivism with R.A. Butler's blessing, called for a return to free markets and denationalisation of industry in the group's second pamphlet in 1954.[124] Market liberalism also appeared among party members and supporters. At the 1952 party

[119] Morgan, *Britain since 1945*, p. 175. See also pp. 171-5.
[120] Green, *Ideologies of Conservatism*, pp. 212-13.
[121] C. Cooper, 'Little Local Difficulties Revisited: Peter Thorneycroft, the 1958 Treasury Resignations and the Origins of Thatcherism', *Contemporary British History*, 25:2 (2011), pp. 227-9, 244.
[122] Green, *Ideologies of Conservatism*, pp. 218-20.
[123] Cockett, *Thinking the Unthinkable*, pp. 77-9.
[124] Cockett, *Thinking the Unthinkable*, pp. 162-3; Seawright, 'One Nation', p. 78-80.

conference, a motion was passed condemning rising public expenditure. After the mid-1950s, middle class discontent was channelled into protest groups: the Middle Class Alliance and the People's League for the Defence of Freedom complained about inflation, trade union power, taxation, and the inability of the party to repeal the Attlee reforms.[125] By 1961, Prime Minister Macmillan noted that the party was divided between supporters of *laissez-faire* and those who accepted a degree of *dirigisme*.[126]

In the 1960s, right progressivism came under sustained attack from a novel ideological movement called the new right. The new right emphasised two elements that they saw as missing from the post-war Conservative Party: firstly, market liberal economic ideas, and secondly, principled policies based on traditional Conservative morality. This reaction to right progressivism did not, however, originate from parliamentary ginger groups or meetings of disgruntled middle class activists, but from the slow and circuitous activities of intellectuals and their followers. In the United States, Kenneth's Arrow's 1951 book *Social Choice and Individual Values* launched an interest in analysing society and welfare through an individualist rational choice framework. The universities of Chicago and New York developed into centres of market liberal economic and social science research under the influence, respectively, of Milton Friedman and Ludwig von Mises.[127] The Mont Pelerin Society, founded by Friedrich Hayek in 1947, was an important conduit for spreading these ideas across the Atlantic. The society's conferences brought together an international audience, mainly academic economists, to discuss market liberalism. From Britain, the first meetings were attended by several of Hayek's colleagues at the London School of Economics, which had in the 1930s served as the main centre of resistance

[125] Green, *Ideologies of Conservatism*, pp. 221-2, 223-4.
[126] ibid., p. 227.
[127] R. Backhouse, 'The Rise of Free Market Economics: Economists and the Role of the State since 1970', *History of Political Economy*, Vol. 37 (2005), pp. 364-5, 372-6.

against Keynesian economics. In the post-war years, when state planning and Keynesian techniques were ascendant, the Mont Pelerin Society provided a safe haven for like-minded intellectuals to discuss and learn from each other. Thus its importance was mainly as an international scholarly network and as a bridge between eminent academics in Europe and the United States.[128] Hayek's own aspiration, expressed a year after the society's founding, was to convert elites to the cause of market liberalism, much like the Fabian Society and the 'new liberals' had done in Britain at the turn of the nineteenth and twentieth centuries.[129]

In Britain, the 1955 establishment of the Institute of Economic Affairs was an important moment for market liberalism. Encouraged and supported by Hayek, the institute was founded by Anthony Fisher, a poultry magnate, and Oliver Smedley, a Liberal Party activist and free trade campaigner. From 1957 onwards, Anthony Seldon and Ralph Harris, as director and editorial director, respectively, set the intellectual direction and communication strategy of the institute. [130] At a meeting of the Mont Pelerin Society at Oxford in 1959, Seldon and Harris presented their views on what had to be done: they envisioned 'a large programme of education' directed at 'intellectuals, politicians, business men, and all (not least journalists) who help to form public opinion'.[131]

Though often keen to present itself as a crusading outsider, the Institute of Economic Affairs had an advantageous position for pursuing its 'large programme of education'. Firstly, after the initial stage, funded by Fisher's personal wealth, the institute established a network of regular corporate donors, allowing for a generous operating

[128] Cockett, *Thinking the Unthinkable*, pp. 105, 108-20.
[129] ibid., pp. 104-5.
[130] Cockett, *Thinking the Unthinkable*, pp. 122-7, 133-41; C. Muller, 'The Institute of Economic Affairs: Undermining the Post-war Consensus', *Contemporary British History*, 10:1 (1996), pp. 93-4.
[131] Cockett, *Thinking the Unthinkable*, pp. 139-41.

budget. Secondly, the institute had access to heavy hitters from the economics departments of American universities, who wrote most of the institute's major pamphlets: among them Hayek (who had moved to Chicago in 1950), Milton Friedman, George Stigler, and James Buchanan.[132] Lastly, and of greatest long-term importance, was the institute's ability to disseminate market liberal ideas among elite audiences. Sympathetic reception of neo-liberalism among financial journalists and commentators, especially in quality national newspapers, shaped the intellectual milieu where economic debates took place.[133] Major British business organisations, the Federation of British Industries and its successor the Confederation of British Industry, served as another conduit. The chief economists of the business groups in the 1950s and 1960s were well-connected with the neo-liberal think-tank scene and served as active advocates of neo-liberalism among business leaders.[134] In short, the Institute of Economic Affairs benefited from resources and networks that allowed it to promote its message among influential people in politics, journalism, and business.

In the early 1960s, the institute's publications began to attract attention, but the market liberal policy prescriptions ran counter to the paternalist right progressive tendencies of the Conservative Party's leadership. Aside from publications, the Institute of Economic Affairs arranged media-friendly visits to Britain by high-profile intellectuals such as Hayek and Friedman. In particular, Friedman's 1970 Wincott Memorial Lecture marked the beginning of an effort to disseminate monetarist ideas in Britain. Issued later as a pamphlet, the lecture became the institute's single most important publication. The pamphlet contained Friedman's famous assertion that '[i]nflation is always and

[132] Jackson, 'Think-tank Archipelago', pp. 46-52.
[133] Jackson, 'Think-tank Archipelago', pp. 52-6; Muller, 'Institute of Economic Affairs', pp. 94-8.
[134] N. Rollins, 'Cracks in the Post-war Keynesian Settlement? The Role of Organised Business in Britain in the Rise of Neoliberalism Before Margaret Thatcher', *Twentieth Century British History*, 24:4 (2013), pp. 656-9.

everywhere a monetary phenomenon', which was a direct challenge to the widely-accepted view that inflation arose from the spiralling 'cost-push' effect of rising wages and prices.[135] Through its publications and events, the Institute of Economic Affairs became instrumental in conferring intellectual respectability to market liberal thought in Britain. Conservatives who found themselves disenchanted by the Macmillan years and the compromises inherent in right progressivism now had at their disposal a credible counter-narrative that questioned the economic basis of the post-war social democratic order. To varying degrees, the institute influenced such new right figures as Enoch Powell, Keith Joseph, Margaret Thatcher, and Geoffrey Howe.[136]

The new right was a self-consciously ideological movement that shared many characteristics with traditional Toryism, while departing from it in certain important respects. Barry draws a distinction between the dispositional nature of traditional Toryism and the substantive character of the new right. Whereas dispositional Toryism was reactive and fearful of the unknown, the substantive Conservatism of the new right sought to apply the lessons of history to the present. Thus the new right saw *laissez-faire* capitalism as a historically successful doctrine, which had to be rediscovered and reapplied to save Britain from the ruinous mistake of the Keynesian mixed economy.[137] The new right shared a pessimistic view of human nature with traditionalists, but believed that greed could be moderated by the functioning of free markets. Unlike traditional Tories, the new right did not emphasise the organic nature of society, and could at times appear dismissive of the whole concept of society.[138] In other words, the new right prioritised individualism, in the context of a market economy, over community and hierarchy.

[135] Cockett, *Thinking the Unthinkable*, p. 154; Jackson, 'Think-tank Archipelago', p. 53.
[136] Cockett, *Thinking the Unthinkable*, p. 166-77; Jackson, 'Think-tank Archipelago', pp. 58-60.
[137] Barry, 'New Right', pp. 29-30.
[138] ibid., pp. 30-1.

Faith in the market was a key driver of new right thought, and also the area where the new right openly clashed with right progressivism. Neo-liberal and American-influenced economics, disseminated by the Institute of Economic Affairs, was central to the economic re-education of the new right. The British new right adopted from these sources an alarmist analysis of the state of Western societies. According to this view, the post-war expansion of state institutions eroded individual liberty and economic efficiency. Since the markets were a superior mechanism for the allocation of resources, the new right saw an urgent need to reduce the power of the state – in other words, to reduce the influence of the political in the realm of economics.[139] Three specific policies emerged from this analysis: firstly, control of inflation, rather than the maintenance of full employment, should be the highest priority of economic policy, pursued through the application of monetarist prescriptions. Secondly, the welfare state distorted incentives and eroded morality, and should therefore be reduced in size. A greater share of welfare provision should be left to the markets. Lastly, collective agencies, such as the state, parties, and trade unions were seen as primarily self-interested and self-serving entities. Excessively powerful and extortionist unions were identified as sources of economic malaise, and consequently, as targets for legislative reforms.[140]

In addition to market liberalism, the new right subscribed to an eclectic range of anti-collectivist views. Libertarian thinkers, such as John Jewkes, Enoch Powell, and Michael Oakeshott, were concerned with safeguarding individual liberty against centralising socialism, discretionary authority, and state coercion. The neo-liberal focus on the superiority of competitive markets over the centralising state was combined with

[139] Jackson, 'Think-tank Archipelago', pp. 50-1.
[140] ibid., pp. 51-2.

libertarian thought: like economic power, political power should be diffused to prevent its abuse. Other anti-collectivist authors preferred traditional non-state hierarchies. T.E. Utley, who in the 1960s endorsed Powell's nationalism, argued that natural associations like the family or the nation were threatened by the left's tendency to emphasise politics over other social associations. Friedrich Hayek, whose main concern was freedom from state coercion, believed that traditions and hierarchies were useful. Traditions and social deference would reduce the need for state coercion by providing a voluntary basis for following society's rules and principles.[141] The unifying theme of the different anti-collectivisms was hostility towards the state. Rather than seeing the state as a democratically controlled institution with the capacity to correct society's injustices, the new right regarded the state as a centralising and potentially coercive Leviathan.

Enoch Powell was the most high-profile early champion of the new right. After a post-war stint in the CRD, Powell was elected to the Parliament in 1950. He was one of the junior Treasury ministers who in 1958 followed Chancellor Peter Thorneycroft's lead in resigning over the government's handling of inflation. Powell was thus marked as an unorthodox thinker relatively early in his political career, and he wielded his greatest political influence from the back benches.[142] Starting around the 1964 Conservative election defeat, supported by his contacts with the Institute of Economic Affairs, Powell began a broad assault on the party's post-war policies. Powellism, as his views would eventually be known, had two elements. Firstly, Powell outlined a nearly complete rejection of the post-war political economy. He rejected state interference in the markets, arguing instead for the superior dynamism of the forces of supply and demand. On inflation, Powell was an early convert to monetarism, seeing inflation as a monetary

[141] R. Barker, *Political Ideas in Modern Britain: In and After the Twentieth Century*, 2nd edn (London, 1997), pp. 196-207.
[142] Garnett and Hickson, *Conservative Thinkers*, p. 58-9.

phenomenon that could only be controlled by restricting money supply. This led him to reject income and price policies, used by both Conservative and Labour governments in the 1960s, as fundamentally flawed approaches to the problem of inflation. In industrial relations, Powell was an anti-corporatist: he rejected Macmillan's and Lloyd's creation of the NEDC as well as other forms of economic planning. He perceived trade unions as coercive entities that drove up the cost of labour and thus adversely affected economic effectiveness, and called for trade union reforms.[143]

The second element of Powellism centred on nearly mystical veneration of the nation state. The post-war dismantling of the empire had deeply affected Powell, and he replaced imperialism with devotion to English nationalism. He emphasised cultural unity, manifested most clearly in anti-immigration rhetoric. In addition, he saw territorial sovereignty as an indivisible quality, which in the late 1960s led him to oppose the EEC.[144] Enoch Powell's open anti-immigration views led to his expulsion from the Conservative Shadow Cabinet in 1968, marginalisation within the party, and eventually out of the party altogether.[145] Yet, his penchant for controversy and oratorical talents did much to lift the new right from obscurity to the heart of ideological contestation in the party.

Angus Maude, a Conservative parliamentarian, original member of the One Nation Group, and sometime newspaper editor, expressed a political outlook that illustrated a less economistic facet of the new right.[146] Unlike Powell, Maude did not object to right progressivism primarily on economic grounds, but directed his criticism at what he perceived as the party's lack of grounding in a clear philosophy. Maude's main intellectual

[143] Garnett and Hickson, *Conservative Thinkers*, pp. 60-3; Jackson, 'Think-tank Archipelago', p. 58; J. Ramsden, *The Winds of Change: Macmillan to Heath, 1957-1975* (London, 1996), pp. 277-8.
[144] Garnett and Hickson, *Conservative Thinkers*, pp. 64-6.
[145] ibid., p. 59.
[146] ibid., pp. 74-5.

contribution was the 1969 book *The Common Problem*, where he argued that politics should be a contest of ideas instead of a competition over claims to managerial competence. He wanted to maximise individual freedom, understood as individuals' independence and personal choice. As an anti-collectivist, Maude was dismissive of society – as distinct from the state – and saw it as a potential threat to individual freedom. Here Maude departed from the traditionalist position with its emphasis on the organic society. Maude's understanding of society exemplified the individualistic preoccupations of the new right: Margaret Thatcher later famously declared that there is 'no such thing as society'.[147]

In economic policy, Maude's interests revolved around increasing the ranks of the middle class. He saw economic inequality as problematic, but believed that greater equality could be reached through private wealth accumulation. His practical proposal was to reform the tax system to promote property ownership, thus growing the ranks of the middle class. Maude was sceptical of technocratic economic management as well as Powell's doctrinaire neo-liberalism, which he saw as essentially similar threats to human freedom. This led him to question economic growth and consumption as ends in themselves, and the 'growthmen' who promoted them. He reserved particular hostility for the advertising industry, which in his view created artificial consumerist desires.[148] As a political thinker, therefore, Maude was an iconoclast. While his views on principled politics and individualism resonated with the new right, his economic ideas departed sharply from market liberalism. Maude's views eventually led him to conflict with the party leadership. In 1966 he wrote an article for the *Spectator* criticising Edward Heath's technocratic leadership style and demanding clear Conservative policies: lower taxation,

[147] Quoted in Barry, 'New Right', p. 31; Garnett and Hickson, *Conservative Thinkers*, pp. 75-7.
[148] Gamble, *Conservative Nation*, pp. 104-6.; Garnett and Hickson, *Conservative Thinkers*, pp. 77-80.

confronting the trade unions, combating crime, and so forth. Maude was dismissed from the front bench over his comments. When Margaret Thatcher succeeded Heath as party leader in 1975, she appointed Angus Maude as the Chairman of the CRD, in apparent recognition of his status as a new right martyr of the Heath years.[149]

The Conservative electoral defeat in 1964 gave the party time and motivation to modernise its ideas and public image. Alec Douglas-Home, who had succeeded Macmillan as Prime Minister in 1963, set in motion a broad-based policy review. Led by Edward Heath, the review was intended to quickly refresh Conservative policies for a new general election. Heath wanted the review to produce detailed policies designed to win back certain voter groups, and thus avoided philosophical discussions that would have exposed the simmering ideological differences within the party.[150] The first stage of the review produced a policy statement in 1965, *Putting Britain Right Ahead*, which laid out the party's main messages in opposition. Built around the dual theme of economic competitiveness and European integration, the document laid out five priorities: taxation reform, competition policy, trade union reforms, selectivity in social services, and a new application to enter the EEC (the first application, in 1963, having been vetoed by the French).[151]

Heath replaced Douglas-Home as leader in 1965 and allowed the policy review to continue. The second stage of policy development produced modifications in certain key areas. Reform of taxation became a central objective, and while redistributive ideas such as a wealth tax were discussed and rejected, the main change was a shift to indirect taxation

[149] Garnett and Hickson, *Conservative Thinkers*, pp. 73-4, 85-8.
[150] T. Bale, *The Conservatives since 1945: The Drivers of Party Change* (Oxford, 2012), pp. 120-2, 129-31; Ramsden, *Winds of Change*, pp. 253-4.
[151] Ramsden, *Winds of Change*, pp. 258-9.

through the introduction of the value added tax.[152] Another important modification took place in industrial relations. In government the party had pursued tripartite corporatism and incomes policies, but the policy review upended the position: the new approach rejected incomes policies and envisioned far-reaching legislative reforms in industrial relations.[153]

During the party's time in opposition from 1964 to 1970, the Conservative leadership had at its disposal two economic models: the established Keynesian framework and the new right's neo-liberalism. The Keynesian perspective dominated, promising modernisation of the economy through structural reforms in taxation, industrial relations, competition, and integration with Europe.[154] New right neo-liberalism, manifested most clearly in Powellism, challenged this agenda on nearly every issue, but its influence was minimal. The Conservative Party remained within the right progressive framework, refusing to engage in a fundamental rethinking of the party's electoral or economic approach.[155] Heath himself was uninterested in ideological reformulation and promoted a technocratic problem-solving approach to politics.[156]

The neo-liberal critique had indirect effects on the party's ideological stance. According to Ramsden, market liberal ideas caused uncertainty and hesitation around the party's economic policies. The opposition policy review avoided the most controversial aspects of economic policy and instead delved into the minutiae of taxation and industrial relations, placing inordinate hopes on the ability of structural reforms to produce economic

[152] Bale, *Conservatives since 1945*, pp. 125-6; A. Williamson, *Conservative Economic Policymaking and the Birth of Thatcherism, 1964-1979* (Basingstoke, 2015), pp. 60-2.
[153] Bale, *Conservatives since 1945*, p. 125; Williamson, *Conservative Economic Policymaking*, pp. 94-6, 171-3.
[154] Williamson, *Conservative Economic Policymaking*, pp. 31-2, 51.
[155] E. Caines, *Heath and Thatcher in Opposition* (London, 2017), p. 77; Gamble, *Conservative Nation*, pp. 92-102; Williamson, *Conservative Economic Policymaking*, pp. 35-6.
[156] Bale, *Conservatives since 1945*, pp. 131-5; Caines, *Heath and Thatcher*, p. 93; Ramsden, *Winds of Change*, pp. 243-52, 253-5.

efficiency.[157] The subsequent failure of these reforms during the Heath ministry of 1970-4 confirmed the neo-liberals' alarmist analysis of the Keynesian settlement and bolstered their confidence in their own prescriptions. Furthermore, as Green has argued, Heath's modernising rhetoric inadvertently raised expectations of a bold new market liberal direction, especially after the January 1970 Selsdon Park conference, widely misinterpreted as a turn to the right. When these expectations came to nothing in the early 1970s, the neo-liberals could attack right progressive ideology as a betrayal of authentic Conservatism. The Conservative Party's post-war attachment to social democracy was shallow; the eventual return of market liberalism – in the shape of Thatcherism – was welcomed by many.[158]

Labour ideology, *c*. 1945-70

In 1945, Labour's ideology was a composite of four ideological traditions. Firstly, a resurgence of interest in Marxism had taken place in Labour circles in the 1930s. Though the tide turned against Marxism in the 1940s, the Marxist notion of class conflict underpinned Labour's *raison d'être* as a defender of the working class.[159] Secondly, arising from the work of the Fabian Society, a socialist organisation established in 1884, Fabianism emphasised empiricism, reformism, and benevolent action by a centralised state.[160] Thirdly, economic planning, despite its broad appeal, was poorly defined: leftists called for direct state control modelled after the Soviet Union, trade unionists wanted job creation in the spirit of the American 'new deal', and economists envisioned Keynesian

[157] Ramsden, *Winds of Change*, pp. 281-5.
[158] Green, *Ideologies of Conservatism*, pp. 234-9.
[159] M. Francis, *Ideas and Policies under Labour, 1945-1951: Building a New Britain* (Manchester, 1997), pp. 15-6. B. Jackson, *Equality and the British Left: A Study in Progressive Political Thought, 1900-64* (Manchester, 2007), pp. 94-100, 108-11.
[160] J. Callaghan, 'The Fabian Society since 1945', *Contemporary British History*, 10:2 (1996), pp. 35-7; Francis, *Ideas and Policies*, p. 16.

demand management.[161] Lastly, ethical socialism was more concerned with the moral rather than theoretical aspects of socialism. Fellowship of man, instead of class conflict, formed the moral basis of attacking capitalism's inherent injustices.[162] The 1940s was a period of ideological transition, where the party looked both backwards, to its socialist traditions, and forwards, to the task of post-war reconstruction and exercise of government power.[163]

The underlying ideology of the 1945-51 Labour governments, led by Prime Minister Clement Attlee, can be described as social democratic. Social democracy was a gradualist form of socialism that rejected revolutionary communism, instead seeking reforms through parliamentary politics. The party's themes leading up to the 1945 election were public ownership, state intervention in the markets, and extension of social services.[164] As Prime Minister, Attlee wasted no time in putting the social democratic programme into practice. Despite enormous post-war challenges, the Labour governments oversaw sweeping reforms that reorganised the British political economy. Firstly, entire sectors of the economy were nationalised in the name of economic efficiency.[165] Secondly, Labour tried to extend the state's reach through economic planning. After 1947, the state increasingly let go of physical controls and relied on Keynesian demand management as the main tool of economic planning.[166] Lastly, the most durable social democratic reforms were made in social policy. The Attlee governments established the National Health

[161] Francis, *Ideas and Policies*, pp. 16-17; J. Harris, 'Labour's Political and Social Thought', in D. Tanner, P. Thane, and N. Tiratsoo (eds.), *Labour's First Century* (Cambridge, 2000), pp. 23-5.
[162] Francis, *Ideas and Policies*, p. 17.
[163] ibid., pp. 227-8.
[164] McKibbin, *Parties and People*, pp. 140-4.
[165] Francis, *Ideas and Policies*, pp. 67-8, 71-4; H. Pelling, *The Labour Governments, 1945-51* (London, 1984), pp. 78-93.
[166] E. Shaw, *The Labour Party since 1945: Old Labour: New Labour* (Oxford, 1996), pp. 27-30.

Service, expanded the national insurance system, accelerated social housing construction, and raised the school-leaving age.[167]

The Attlee governments' accomplishments left a paradoxical legacy. Later Labour supporters could point to the Attlee years as a triumph, a moment when Labour led a peaceful revolution that took Britain from capitalism to social democracy. Critics within the labour movement surveyed the same scenery but saw an incomplete socialist project, thwarted by caution and lack of ideological direction. The boundary between legislative achievement and ideological conviction was blurred. Davies makes a useful distinction between 'social democracy' as ideology and the 'social democratic state' as a set of practices that defined the political economy. As an ideology, social democracy evolved, while social democracy as a political settlement was more rigid and tied to a certain economistic understanding of goals and approaches.[168] Labour's subsequent ideological debates took place against the institutional legacy of Attlee's social democracy.

After Labour's defeat in the 1951 general election, the party entered a period of ideological lethargy. Renewal was held back by a divided leadership. The ageing Clement Attlee continued as leader until Labour's second election loss, in 1955. Disagreements over military spending, German disarmament and the British nuclear deterrent caused deep rifts within the party. Aneurin Bevan, the leader of the party's left-wing faction, resigned from the Cabinet and later from the Shadow Cabinet over military spending and foreign policy.[169] Labour's inability to develop new policies was also a result of political

[167] Pelling, *Labour Governments*, pp. 97-114.
[168] A. Davies, *The City of London and Social Democracy: The Political Economy of Finance in Britain, 1959-1979* (Oxford, 2017), pp. 4-5.
[169] A. Arblaster, 'The Old Left', in M. Beech, K. Hickson, and R. Plant (eds.), *The Struggle for Labour's Soul: Understanding Labour's Political Thought since 1945* (London and New York, 2004), pp. 14-15; A. Thorpe, *A History of the British Labour Party*, 4th edn (London, 2015), pp. 143-4.

miscalculation. After the 1951 election, it was widely assumed in Labour circles that the Conservatives would set out to dismantle the social democratic state. The task of Labour was to defend and consolidate its earlier achievements; by implication, there would be little need for new policies. This strategy was reduced to irrelevance when it became clear that the Conservative right progressives intended to maintain the social democratic settlement.[170] The Labour Party's 1955 manifesto was a collection of old policies, revolving around the consolidation of social democracy.[171]

The party's left wing coalesced around Aneurin Bevan, a charismatic Welshman who was admired as a principled defender of socialism. The Bevanite left, however, had a range of shortcomings that prevented it from developing a clear ideological agenda. In opposition, Bevan was a disorganised faction leader and his followers, in turn, overly reliant on their leader. Bevan's 1952 book, *In Place of Fear*, was widely read, but failed to provide a set of objectives the left could rally around. Bevan reconciled with Hugh Gaitskell, his political rival and Attlee's successor as party leader, at the 1957 party conference. His supporters saw this as betrayal.[172] In the 1950s foreign policy became the Bevanites' main concern. They were a critical voice on issues such as military spending, nuclear weapons, and German rearmament. This left the Bevanites in a weak intellectual position, reacting to foreign events rather than shaping the party's ideological direction. Unable to construct an ideological alternative, the Bevanite left floundered after Bevan's reconciliation with the party leadership.[173]

[170] Thorpe, *British Labour Party*, pp. 141-2.
[171] ibid., p. 145.
[172] Arblaster, 'Old Left', pp. 16-20.
[173] ibid., pp. 17-22.

The Labour politician and journalist Richard Crossman was a prominent left-wing thinker in the post-war decades, known for his criticism of the party's pragmatic outlook. Crossman was surprised by Labour's success after the war: 'Those who manned the defences of Jericho could not have been more surprised than those socialists who saw the walls of capitalism tumble down after a short blast of the Fabian trumpet'.[174] But the speed of change during Attlee's premiership also left Labour in search of a purpose. Crossman's criticism of the Attlee years was, in essence, that the Labour Party lacked a clear socialist ideology, which left the party without guidance on future policy. His main target was Labour's empiricism, a legacy of the early Fabian Society's technocratic leanings. In Crossman's view, empiricism left the party without a foundational theory, and without such a theory, the party could not be the 'battering ram of change' that Crossman believed it should be.[175]

In the 1950s, Crossman's main battle was with socialist revisionism, a reinterpretation of socialist economics and aims that rose to prominence during the right-wing leadership of Hugh Gaitskell, between 1955 and 1963. Crossman saw revisionism as excessively focused on economics, at the expense of Labour's ethical anti-capitalist tradition. Revisionism, through its acceptance of the social democratic status quo, was too willing to accommodate capitalism. Instead, Crossman argued in the late 1950s, Labour should act as a counter-force against the capitalist establishment, in essence, a party of semi-permanent moral opposition rather than an alternative government in waiting.[176] Libertarianism was another important theme in Crossman's thinking, manifested as concern over oligarchical concentration of power. He believed constitutional reforms were

[174] Quoted in N. Thompson, *Political Economy and the Labour Party: The Economics of Democratic Socialism, 1884-1995* (London, 1996), p. 149.
[175] M. Beech and K. Hickson, *Labour's Thinkers: The Intellectual Roots of Labour from Tawney to Gordon Brown* (London, 2007), pp. 125-6; Minkin, *Labour Party Conference*, p. 294.
[176] Beech and Hickson, *Labour's Thinkers*, pp. 134-5.

necessary to combat oligarchy in the political system. In industry, where concentration of power also posed a threat, industrial democracy was the answer. This belief in decentralisation of power contradicted his conviction on the necessity of public ownership and planning in the economic sphere.[177]

Crossman's political career saw him balancing between the left and right, and at various times, between the factional leadership of Aneurin Bevan and Hugh Gaitskell. Commitment to radicalism and moral opposition to capitalism were consistent themes in his writing, but he was also mocked by his opponents for dilettantism and shifting opinions.[178] Despite his intellectual and literary ambitions, Crossman failed to produce an exposition of the ethical socialist ideology he thought the party needed.[179] The left's failure allowed revisionism to set Labour's agenda.

Socialist revisionism, associated with the right wing of the Labour Party, sought to reshape the party's understanding of capitalism and the social democratic state. Revisionist forerunners in the 1930s had challenged the Marxist analysis of capitalism and ownership. Douglas Jay believed that democratic and peaceful redistribution of wealth, rather than public ownership, was the ideal way to pursue social justice. He saw capitalism as a flawed economic system, but argued that Keynesian demand management offered a way to alleviate unemployment and economic depressions.[180] Evan Durbin refuted the central Marxist argument that capitalism was doomed to collapse, and saw Marxism as incompatible with liberal democracy. Like Jay, Durbin saw social justice as the main

[177] Beech and Hickson, *Labour's Thinkers*, pp. 135-7; G. Foote, *The Labour Party's Political Thought: A History*, 3rd edn (Basingstoke, 1997), pp. 275-8.
[178] Beech and Hickson, *Labour's Thinkers*, pp. 122-5, 137-9.
[179] Arblaster, 'Old Left', pp. 17-18.
[180] Foote, *Labour Party's Political Thought*, pp. 194-8; K. Jefferys, 'The Old Right', in M. Beech, K. Hickson, and R. Plant (eds.), *The Struggle for Labour's Soul: Understanding Labour's Political Thought since 1945* (London and New York, 2004), p. 70.

objective.[181] In the course of the 1950s these analyses began to find a distinct expression in revisionism. The 1952 *New Fabian Essays*, edited by Richard Crossman, began the debate over the party's direction in opposition. Though Crossman was associated with the Bevanites, most of the authors represented the revisionist tendency.[182] The Fabian Society itself adopted a revisionist position in the 1950s, though its direct influence on the party was limited.[183]

The revisionist position was consolidated in 1956 in the book *The Future of Socialism*, by the Labour politician and economist Anthony Crosland. To an exceptional extent, Crosland's thinking formed the core of what was to become the dominant ideology of the party until the end of the 1960s. Crosland began with the triumphalist assertion that Britain was already a post-capitalist society. The owners of capital had steadily lost power to other actors. Professional managers had assumed control of enterprises, which were owned by large numbers of shareholders rather than individuals or families. Full employment enabled the growth of trade union power, making capitalism more accountable to the needs of workers. The state exerted greater control over the markets, making the state, rather than capital, the most important economic decision-maker.[184] Based on this analysis, Crosland drew attention to the distinction between ends and means. Specifically, he argued that public ownership was a means to an end, not an end in itself. Revisionism thus broke from the Marxist-inspired tradition, defended by the Bevanites, which considered nationalisation to be the hallmark of socialism. For Crosland, nationalisation was simply not necessary anymore, especially since Keynesian methods

[181] Jackson, *Equality and British Left*, pp. 108-9; Jefferys, 'Old Right', p. 70-1.
[182] Thorpe, *British Labour Party*, pp. 144-5.
[183] Callaghan, 'Fabian Society', pp. 39-43.
[184] Beech and Hickson, *Labour's Thinkers*, pp. 146-7.

enabled effective state direction of the economy.[185] Instead, Crosland found the essence of socialism in social justice. He identified five elements of socialism: elimination of poverty, social welfare, equality, fraternity, and full employment. Elimination of poverty and full employment had been achieved after the war, which left equality, welfare, and fraternity as the main aspirations of socialism.[186] These could be achieved without resort to nationalisation or state control of the economy.

In terms of political economy, Crosland's revisionism represented a moderation of early post-war socialist idealism, in effect, an intellectual argument for the consolidation of the social democratic state. According to Crosland, the transformation of capitalism meant that the justification for further nationalisation had evaporated. The market economy was compatible with social democracy's egalitarian aims; the state held the power to control economic aggregates, making direct ownership unnecessary. Furthermore, revisionists saw no need for intrusive economic planning, instead arguing that Keynesianism provided sufficient control over the economy.[187] Crosland believed that the limits of income redistribution through taxation had been reached, though there was still scope for wealth redistribution. More importantly, equality would grow over time, as cultural change and political reforms eliminated class distinctions. James Meade shared Crosland's views, expressing the belief that greater redistribution was not feasible, because it would reduce incentives to work.[188] Unlike more puritanical forms of socialism, revisionism was comfortable with consumption and private affluence. Crosland objected to the moralising

[185] ibid., pp. 149-50.
[186] ibid., pp. 150-1.
[187] Thompson, *Political Economy and Labour*, pp. 152, 158-61.
[188] ibid., pp. 168-70.

tone in which the left talked about consumption, instead arguing that affluence was 'the most beneficial social development in world history'.[189]

Though founded on a distinct Keynesian economic analysis, the primary aim of revisionism was not socialist economic transformation, but an egalitarian society. Crucially, revisionism treated equality not only as equality of income and wealth, but also as the elimination of inequality arising from culture, class, and social background. Revisionist thought was influenced by the emerging discipline of sociology. Sociologists argued that merit, usually in the form of education, shaped distribution of wealth in society. But class background placed limits on social mobility, making meritocratic advancement possible only for those with the right marketable skills.[190] Michael Young, Labour's Research Secretary in 1945-51 and the principal author of the party's 1945 manifesto, argued this point in his 1958 book *The Rise of Meritocracy*. According to Young, pure meritocracy would be an unjust system: it imposed the idea that people of inferior social status deserved their position in society because they were inferior, and vice versa for those of high social status.[191] Hence, revisionism rejected equality of opportunity, which could only reproduce old hierarchies or create new ones based on merit. On the other hand, equality of outcomes, or income equality, was seen as damaging to economic productivity and incentives to work. Instead of these two extremes, revisionism emphasised the need to neutralise the social conditions that cause inequality. The goal was a minimum practicable level of inequality.[192] An activist state was needed to promote egalitarian reforms in areas such as education, taxation, and property ownership.[193]

[189] Quoted in Jackson, *Equality and British Left*, p. 195.
[190] ibid., pp. 163-7.
[191] ibid., pp. 172-3.
[192] ibid., pp. 174-6.
[193] ibid., pp. 195-210.

Revisionist thought engendered three broad ideological shifts. Firstly, by emphasising the concept of equality, revisionism played down the earlier socialist focus on fellowship and community. Revisionism rejected the organicist view, derived from social sciences, which sought to place community and kinship ties at the centre of socialist politics. Socialism was conceived not as a communitarian project, but as a widening of individual opportunities and liberties.[194] Secondly, by distancing itself from collectivism, revisionism assumed a national rather than a class perspective. This challenged Labour's traditional *raison d'être* as a protector of working class interests. Revisionism was thus a centre-left ideological position, designed to appeal to a wider national electorate, instead of focusing on the interests of the working class.[195] Lastly, revisionism deprioritised and depoliticised economic theory. According to Crosland, capitalism had been transformed beyond recognition and the state now possessed the capacity to control markets through judicious intervention. The relatively benign economic environment of the post-war years allowed revisionism to focus on social policy and egalitarian objectives. In this sense, revisionism represented a return to an earlier ethical socialism, which had been overshadowed in the post-war years by a focus on economic efficiency.[196]

Socialist revisionism reached the height of its influence during the 1955-63 leadership of Hugh Gaitskell. A leading figure of the party's right wing, Gaitskell defeated Aneurin Bevan and Herbert Morrison in the race to succeed Attlee in 1955. The rivalry with Bevan came to an end in 1957, but Gaitskell continued to battle the left wing of the party, which he saw as the source of Labour's electoral misfortunes.[197] In the 1959 annual conference, following Labour's third successive general election defeat, Gaitskell and his

[194] ibid., pp. 186-93.
[195] Foote, *Labour Party's Political Thought*, pp. 225-8.
[196] Jackson, *Equality and British Left*, pp. 151-2.
[197] Thorpe, *British Labour Party*, pp. 146-8.

revisionist supporters tried and failed to remove the commitment to public ownership – known as clause IV – from the party's constitution. Fierce disagreement over the British nuclear deterrent dominated the Annual Conferences of 1960 and 1961. Gaitskell successfully resisted and overturned the Conference's demand for unilateral disarmament, maintaining Labour's attachment to the transatlantic alliance and anti-communism.[198] Gaitskell's unexpected death in 1963 did not end the revisionist dominance. Harold Wilson, a former Bevanite, was elected as leader in an apparent vindication of the old Bevanite left. But in reality, Wilson had moved politically to the centre and shared the revisionist emphasis on economic growth as the basis of egalitarian policies.[199]

Gaitskell's failure to remove the public ownership clause from Labour's constitution demonstrated the limits of revisionism. The party leadership mostly subscribed to the revisionist mode of thought, but revisionism never achieved a hegemonic position in the party.[200] A reaction against socialist revisionism began to build up within the new left, an amorphous intellectual and political movement which traced its origins to the events of 1956. The British debacle at Suez and the Soviet Red Army's suppression of the Hungarian uprising left many middle class radicals disillusioned with communism and resentful of imperialism. Revelations about the horrors of Stalin's reign and the events in Hungary caused an exodus from the Communist Party of Great Britain, which by the 1950s was a politically spent force. At the same time, radicals and former communists saw Labour's revisionism as betrayal of socialism, and therefore remained outside Labour politics. Restless and politically homeless, the young radicals associated with the new left were active in various causes through the 1950s and 1960s, most notably in the Campaign

[198] ibid., pp. 154-7.
[199] ibid., pp. 157-8.
[200] Jefferys, 'Old Right', pp. 74-6.

for Nuclear Disarmament, which saw its most active period in 1958-63.[201] The journal *New Left Review*, founded in 1960 from a merger of two minor journals, provided an important platform for ideological debate. The contributors sought to rethink socialism from first principles, charting a course between communism and social democracy. After 1962-3, under the editorship of Perry Anderson, the *New Left Review* became more focused on Marxist theory, leading to a waning of its political influence.[202] According to Chun, the distinctiveness of the new left arose from three factors: rejection of communism and Labour, rupture with the Bevanite old left, and the decision to remain outside the Labour Party.[203]

The academic Ralph Miliband sympathised with Bevanism in the 1950s, but grew disillusioned with the Labour Party in the 1960s.[204] He stood out among early new left thinkers with his attempt to develop a comprehensive critique of Labour's historic role. In comparison, other new left authors attacked Labour policies on an issue-by-issue basis, which contributed to movement's marginal impact. Miliband's 1961 book *Parliamentary Socialism* offered a pessimistic account of Labour's prospects. Miliband criticised the labour movement's institutionalisation and dogmatic commitment to the parliamentary system, which he diagnosed as 'labourism'. The party had a tendency to escape socialism and pursue conciliation with capital. In Miliband's view, the party had been reduced to a mere manager of capitalism, though he left open the possibility of change.[205] *Parliamentary Socialism* offered a new left perspective on politics: critical of the Labour Party, especially its revisionism, and searching for a path to radical transformative politics.

[201] L. Chun, *The British New Left* (Edinburgh, 1993), pp. 1-10.
[202] Chun, *British New Left*, pp. 10-16; Foote, *Labour Party's Political Thought*, pp. 291-3.
[203] Chun, *British New Left*, pp. 16-19.
[204] M. Newman, 'Miliband, Ralph [formerly Adolphe] (1924–1994)', *Oxford Dictionary of National Biography* (Oxford, January 2011), https://doi.org/10.1093/ref:odnb/55138 (3 January 2020).
[205] Chun, *British New Left*, pp. 78-9; Foote, *Labour Party's Political Thought*, pp. 289-91.

The new left is frequently criticised for its focus on cultural analysis at the expense of political activism. As Kenny argues, viewing the new left through the narrow criterion of political impact fails to account for the multifaceted nature of the movement.[206] More to the point, the new left's failure to influence politics owed less to lack of effort and more to the limited uptake of the movement's ideas. A Marxist-inspired approach to political economy can be distinguished in new left writings, often presented as critiques of various elements of the Crosland thesis. Firstly, the 1958 pamphlet *Insiders* called into question Crosland's ideas on the transformation of capital ownership and the influence of the professional managerial class. Contrary to Crosland, the authors argued that capital continued to exert preponderant power over economic life. Owners, investors, and managers formed an interlocking network, which produced wealth and influence for its members. In effect, the pamphlet argued that Britain was not a post-capitalist society; the establishment still held on to economic power. [207] Secondly, new left authors questioned Crosland's views on company profits and capital markets. Charles Taylor argued that welfare services could not be indefinitely financed by taxing company profits. If companies failed to generate adequate profits, their share price and dividend payments would go down, making them vulnerable to hostile takeovers.[208] Lastly, the new left remained attached to public ownership, which was regarded as outdated and unnecessary by Crosland. The new left was critical of the ways in which nationalisation had been carried out during the Attlee years and called for greater decentralisation and democratisation. John Hughes asserted that nationalisation remained a valuable policy tool: the monopolistic tendencies of large companies led to market stagnation, which could be

[206] M. Kenny, *The First New Left* (London, 1995), pp. 1-6.
[207] Kenny, *First New Left*, pp. 139-42; M. Wickham-Jones, 'The New Left's Economic Model: The Challenge to Labour Party Orthodoxy', *Renewal*, 21:1 (2013), pp. 25-6.
[208] Wickham-Jones, 'New Left's Economic Model', p. 26.

counteracted with public ownership and planning. Public ownership also offered opportunities for promoting industrial democracy.[209]

In addition to criticising the economic foundations of revisionism, the new left made a distinct contribution to leftist economic thought in the area of incomes policy. Ken Alexander and John Hughes published *A Socialist Wages Plan* in 1959, which advocated planning of wages, prices, and social spending. The authors viewed planning as a way to ensure long-term wage growth, reduce wage differentials, and resist narrow-minded sectionalism in the labour movement. Though largely ignored at the time of its publication, the Alexander-Hughes model received renewed attention in the 1960s as the Labour government introduced statutory incomes policies. Nevertheless, *A Socialist Wages Plan* failed to generate wider support in the labour movement; trade unionists were firmly attached to the ethos of free collective bargaining and Labour politicians saw the plan as an interventionist departure from Keynesian principles.[210]

The appearance of private affluence, after years of war-time and post-war austerity, engaged minds across the socialist spectrum in the 1950s and 1960s. As a term, affluence described an emergent trend where private citizens were starting to enjoy an unprecedented degree of choice and availability in consumer goods, leisure activities, and lifestyles. The Labour Party was cognizant of affluence from an early stage. A LPRD paper, issued in 1950, asked what would be the nature of socialism once physical controls on the economy had ended and the population had access to increasing affluence.[211] As the

[209] ibid., pp. 26-7.
[210] M. Wickham-Jones, 'The Debate About Wages: the New Left, the Labour Party and Incomes Policy', *Journal of Political Ideologies*, 18:1 (2013), pp. 97-102.
[211] Foote, *Labour Party's Political Thought*, p. 203.

research department's framing of the question shows, affluence was seen as a potential, if not immediate, threat to the labour movement.

The Affluent Society, a best-selling book published in 1958 by the American liberal economist John Kenneth Galbraith, was an important reference point for the British debate. *The Affluent Society* received an admiring reception, but as Thompson argues, its reception was mediated by pre-existing socialist dispositions.[212] Galbraith's main argument was that the post-war capitalist system was characterised by societal resource allocation that favoured private consumption at the expense of public investment and services. Consumerism and advertising drove the creation of artificial wants. Galbraith referred to this condition as 'private affluence and public squalor'. British leftists eagerly seized on the idea. Anthony Crosland shared Galbraith's analysis on the qualitative transformation of post-war capitalism as well as the resulting public squalor, but rejected Galbraith's criticism of consumerism and the advertising industry; for Crosland, this was moralistic arrogance that the Labour Party could ill-afford if it wanted to win future elections. On this issue, Crosland was in the minority, since many on the left embraced the critique of consumerism.[213]

Labour went into the 1959 general election with a revisionist manifesto, but the defeat, Labour's third in succession, raised hard questions about the party's future. One influential analysis was provided by Mark Abrams and Richard Rose. In their book *Must Labour Lose?* Abrams and Rose argued that affluence was causing embourgeoisement of the working class, and therefore a disconnect between Labour and its traditional

[212] N. Thompson, 'Socialist Political Economy in an Age of Affluence: The Reception of J.K. Galbraith by the British Social-democratic Left in the 1950s and 1960s', *Twentieth Century British History*, 21:1 (2010), pp. 51-3, 74-8.
[213] ibid., pp. 54-7, 65-71.

supporters.[214] Crosland agreed with the assessment, viewing affluence as a new sociological reality that Labour had to adapt to. The adaptation, in Crosland's opinion, required abandonment of public ownership and loosening of Labour's historical dependence on the working class vote.[215] A convoluted and long-running debate ensued between Crosland and his critics. Richard Crossman read Galbraith as a moral critique of the frivolity of consumer capitalism, seeing in affluence the danger that communist command economies, with their ability to prioritise investment over consumption, would overtake Western capitalism.[216] Another interpretation of affluence came from the sociologists Richard Titmuss, Peter Townsend, and Brian Abel-Smith, who were propagating the idea of relative poverty as distinct from absolute poverty. For them, affluence helped to disguise the existence of relative poverty in the context of the welfare state, and therefore, affluence was a source of inequality.[217] The new left resisted the use of affluence as a rationale for reorienting Labour politics. Sceptical of Crosland's idea of affluent capitalism, the new left sought to counter the revisionist decoupling of public ownership and socialism. Instead, new left writers pinned their hopes on industrial democracy as a way of providing a democratising rationale for nationalisation. In addition, they rejected the embourgeoisement thesis as deterministic, instead emphasising working class agency in the formation of class identity.[218]

The intellectual debate of the late 1950s and early 1960s encoded the concept of affluence with various forms of public squalor: hidden poverty, inequality, and British economic decline. This negative conception was used to question Crosland's insistence on

[214] Thorpe, *British Labour Party*, pp. 151-2.
[215] Middleton, '"Affluence" and the Left', p. 109.
[216] Middleton, '"Affluence" and the Left', p. 112; Thompson, 'Socialist Political Economy', pp. 60-1.
[217] Middleton, '"Affluence" and the Left', pp. 115-17.
[218] M. Davis, 'Arguing Affluence: New Left Contributions to the Socialist Debate 1957-63', *Twentieth Century British History*, 23:4 (2012), pp. 509-10, 512-6, 518-22, 526-8.

the superiority of Keynesian techniques over direct government intervention. Titmuss, Townsend, and Abel-Smith published a series of Fabian tracts in 1966-7, which presented socialism and affluence as rival political economies. They argued that socialism used strongly redistributive government interventions to address poverty, while revisionism, with its more hands-off approach, prioritised economic growth as a precondition for social spending.[219] Contrary to Crosland's expectations in the late 1950s, the concept of affluence had morphed into a broad-based condemnation of revisionism.

Harold Wilson's Cabinets in 1964-70 were revisionist in their basic outlook, complemented by a technocratic vision of economic planning and state promotion of new technologies.[220] The return of economic planning was driven by advancements in statistics, computers, futurology, and encouraging but frequently misunderstood examples from foreign countries. These factors lent credence to the notion that governments are capable of managing the economy, and with the right interventions, accelerating the rate of economic growth. By the beginning of the 1960s planning was back in fashion among Labour thinkers.[221] But like in the 1940s, planning was a vague and poorly understood concept, more useful as a slogan than a guide to governance. The Wilson government's efforts to create a national plan and a ministry to oversee the plan ended in futile failure. The national plan was based on unrealistic assumptions, lacked provisions for implementation, and was undercut by the government's deflationary policies.[222] The government's promotion of new technologies and industrial reorganisation also produced mixed results. Large corporate mergers overseen by the government failed to produce the

[219] Middleton, '"Affluence" and the Left', pp. 127-9, 137-8.
[220] Thorpe, *British Labour Party*, p. 165.
[221] G. O'Hara, *From Dreams to Disillusionment: Economic and Social Planning in 1960s Britain* (Basingstoke, 2007), pp. 19-28.
[222] Thompson, *Political Economy and Labour*, pp. 188-93; O'Hara, *From Dreams to Disillusionment*, pp. 52-61.

expected economies of scale.[223] In O'Hara's view, the Wilson governments achieved none of their economic objectives. The attempt to create a developmental state, capable of negotiating economic objectives and driving growth, was met with distrust and resistance by business, trade unions, and other vested interests. By overreaching, Wilson managed to alienate his supporters and embolden his critics.[224] The fall from grace was driven home in June 1971, one year after Labour's loss in the general election, when the British Broadcasting Corporation ran a television documentary that mocked the former Wilson Cabinet as 'yesterday's men'. By the early 1970s, Crosland and other leading revisionists were on the defensive.[225]

Labour left-wingers saw the Wilson years as a failure on every front: abandonment of economic planning, implementation of a wage freeze, devaluation of the pound, persistence of poverty, antagonistic relations between the government and trade unions, and failure by Britain to stand up to the United States over the Vietnam war. Essentially, the 1964 manifesto had raised expectations too high and Wilson failed to deliver.[226] Students and young people turned away from Labour in the febrile atmosphere of the late 1960s. For young radicals, Wilson's Labour Party was part of the same moderate politics as the Conservatives; special opprobrium was reserved for Anthony Crosland and his revisionism.[227]

[223] O'Hara, *From Dreams to Disillusionment*, pp. 62-3, 69-70.
[224] ibid., 67-71, 219.
[225] Middleton, '"Affluence" and the Left', pp. 132-6; 'Yesterday's Men', https://www.bbc.com/historyofthebbc/anniversaries/june/yesterdays-men (2 September 2019).
[226] M. Wickham-Jones, 'The New Left', in M. Beech, K. Hickson, and R. Plant (eds.), *The Struggle for Labour's Soul: Understanding Labour's Political Thought since 1945* (London and New York, 2004), pp. 27-8.
[227] R. Vinen, *The Long '68: Radical Protest and its Enemies* (London, 2018), pp. 202-8, 216-17.

The left's frustration was on full display at the September-October 1970 Annual Conference of the Labour Party in Blackpool. Prior to the Conference, the *Tribune* magazine ran a critical 'great debate' on the election result among its readers, mobilising leftist participation at the Conference. The party leadership became targets of withering criticism from the conference floor. Barbara Castle was a target of particular scorn; despite her Bevanite affiliation, she had angered many Labour members with her failed attempt to pass a law to regulate trade unions. Signalling lack of trust in the leadership, the Conference endorsed a composite resolution to reaffirm the principle of party democracy, in other words, the notion that the parliamentary party should follow directives issued by the Conference.[228]

The ascendancy of the Labour left in the early 1970s had its roots in rank-and-file frustration, but the left's political ideas owed much to sympathetic academics and experts. Two economist-activists were particularly important in shaping the left's agenda: Michael Barratt Brown and Stuart Holland. Both were trained in neo-classical economics, but their intellectual energies were directed towards political economy rather than formal models. Barratt Brown was an economist at Sheffield University and a member of the new left. The power of large multinational corporations loomed as the central challenge in Barratt Brown's works. In his 1963 book *After Imperialism*, corporations featured as the tools of neo-colonial economic power.[229] His contribution to domestic politics, outlined in the 1972 book *From Labourism to Socialism*, continued the theme. Barratt Brown focused on the post-war growth of multinational corporations and their ability to operate in an international market, beyond the influence of political power. Corporations had acquired the ability to pressure governments into pursuing policies that aligned with their business

[228] Bell, *Labour Party in Opposition*, pp. 12-26.
[229] 'Michael Barratt Brown Obituary', *The Guardian* (26 May 2015), https://www.theguardian.com/politics/2015/may/26/michael-barratt-brown (9 December 2019).

interests. National sovereignty, and therefore any hope of socialist advance, could be reclaimed through a two-pronged incremental strategy: the state should pursue nationalisation of private enterprises, thus eroding capitalist power, and trade unions should pursue greater industrial democracy, setting limits for corporate decision-making. Barratt Brown's analysis of corporate power and globalisation formed an important frame of reference for leftist politics, even if he had only negligible impact on Labour's policies in the 1970s.[230]

Stuart Holland had been an economist at Oxford before serving as an adviser for the Labour governments in the 1960s. In the 1970s he was active at Sussex University, before successfully running for Parliament in 1979. Holland's main work, *The Socialist Challenge*, was published in 1975, but his ideas were already familiar in Labour circles through his work in party policy committees in the early 1970s. Holland expanded on Barratt Brown by describing an intermediate level of economic activity between the international and the national: the 'meso-economy'. Large multinational corporations operated in the meso-economy, rather than the traditional domestic markets, which gave them the ability to defy national governments and consumers, for example by threatening to move operations to countries with more amenable policies. Multinationals assumed a monopolistic character, which meant that markets were no longer genuinely competitive, but geared towards the maximisation of multinational profits. As a result of these developments, Keynesian social democracy had become ineffective; the meso-economy had stripped national governments of the ability to achieve economic objectives. Holland advocated public ownership and economic planning, modelled after policies in France and

[230] Thompson, *Political Economy and Labour*, pp. 204-7.

Italy, to reassert democratic control over the markets.[231] In essence, Holland led the Labour left back to a central conclusion of Marxist economic theory: ownership of the means of production is power. To remain in control of their destinies, governments would have to use *dirigiste* policies to bring the meso-economy under control.[232]

The left wing of the Labour Party reached new heights of influence in the early 1970s.[233] Members, trade unionists, party officials, and sympathetic experts moved strongly to the left. The parliamentary party was less affected by the new mood, though a core group of politicians ensured that leftist positions had a voice in Westminster. Tony Benn was the unofficial leader of the leftist faction, though to a far lesser extent than Aneurin Bevan had been in the 1950s.[234] Ideologically, the Labour left focused on three causes: firstly, a return to Marxist economic theory, coloured by a pessimistic view of the capitalist system, which the left sought to transform through public ownership, planning, and statist industrial policy. Secondly, democracy and participation, especially through workers' self-management, inspired by the late-1960s emergence of a radical shop stewards' movement and the think-tank Institute for Workers' Control. Lastly, in foreign affairs a mix of internationalism and isolationism: on one hand, interest in the third world, pacifism, and nuclear disarmament, but on the other hand, hostility towards the transatlantic alliance, European integration, and international business and capital markets.[235]

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[231] Beech and Hickson, *Labour's Thinkers*, pp. 173-5; Thompson, *Political Economy and Labour*, pp. 198-204.
[232] Beech and Hickson, *Labour's Thinkers*, pp. 177-8.
[233] This thesis will refer to the leftist ideological tendency of the 1970s with generic terms such as the 'left', 'Labour left', or the 'left wing'. Other authors employ terms such as 'Bennite left' or 'Tribunism', but as pointed out by Wickham-Jones, these terms are unsatisfactory due to their excessive focus on specific actors. See Wickham-Jones, 'New Left', pp. 24-5.
[234] Wickham-Jones, 'New Left', pp. 30-1.
[235] ibid., 32-4.

Ideas and policies in the early 1970s

The ideological evolution of the Conservative and Labour parties furnished both with a set of ideas and policies that the parties could draw upon in their attempts to respond to the various political pressures of the 1970s. Some of these ideas held cross-partisan appeal, or were otherwise deeply embedded in the national political culture, while others were relevant to only one of the parties or ideological groupings within the parties. The reception and uses of these ideas form the main part of our inquiry into the ideological character of the party research departments. The remaining part of this chapter will outline the reservoir of ideas at the start of the 1970s in three policy areas: economic policy, industrial relations, and European integration.

Economic policy-making in the 1970s took place against a background of wide-spread concern over the robustness of the British economy. Fear of economic collapse infected politics, manifested in popular and academic writings that painted doomsday scenarios of British ungovernability and social dysfunction.[236] Tomlinson argues that the period can be understood as the high water mark of declinism, an ideological construction that sees Britain locked into a long-term trajectory of relative economic decline. After the war Britain's slow economic growth was contrasted with major continental economies, ignoring the fact that most European countries were transitioning from agricultural to industrial economies, a transition that Britain had made earlier than the rest of the world.[237] Declinism was a politically appealing narrative for the left and right alike. In the Labour Party, decline emerged as a major theme in the late 1950s, and by the 1960s Labour used explicit comparisons with other countries to blame the Conservative governments for

[236] Tomlinson, *Politics of Decline*, pp. 88-90.
[237] ibid., pp. 1-6.

economic underperformance. The Conservative Party's rhetoric in the 1960s emphasised economic modernisation, which contained an implicit acceptance of decline (since without decline there would have been no need for modernisation).[238]

Declinism was a defining characteristic of the deeply pessimistic political *zeitgeist* of the 1970s. Panics over inflation, public spending and borrowing, and the stability of the pound fuelled a sense of dramatic systemic failure. According to Tomlinson, '[b]y the beginning of the 1970s the notion that Britain was suffering from a secular economic decline was well established across the political spectrum'.[239] Gamble views new economic ideas in the Conservatives and Labour as different responses to decline. The Conservative new right presented market liberalism and monetarism as corrective measures, to deal with the built-in failures of the Keynesian social democratic order. For Labour's left-wingers, the alternative economic strategy was an attempt to create an 'enterprise state', capable of expanding equality and protecting the British economy from international pressures.[240] Ultimately the new right, in its Thatcherite incarnation, was able to exploit declinism to justify an ideological assault on the social democratic state.[241]

The dominant economic doctrine of the post-war years was Keynesianism. Firmly embedded in academia, the Treasury, and politicians from left to right, Keynesian economics and reactions to it defined the economic debates of the 1970s. In universities, John Maynard Keynes's inter-war work refocused attention on macroeconomics, or study of the economy as a system, as opposed to microeconomics, the study of specific actors or sub-sectors. At the policy level, the main enemy of Keynesianism was unemployment, and

[238] ibid., pp. 33-7, 51-8.
[239] ibid., p. 84. See also pp. 84-8.
[240] Gamble, *Britain in Decline*, pp. 137-55, 168-85.
[241] Tomlinson, *Politics of Decline*, p. 94.

the main objective, accordingly, the maintenance of full employment.[242] By influencing economic aggregates, namely the aggregate level of demand in the economy, the state could pursue counter-cyclical policies to mitigate the effects of the business cycle: in other words, increasing demand in an economic slump, to maintain economic activity and stave off recession, and cutting demand in a boom, to avoid overheating. In Hall's view, Keynesianism was a dominant paradigm until the mid-1970s emergence of monetarism. Various adjustments and reforms took place within the paradigm, but until the emergence of monetarism, Keynesianism defined the objectives and instruments of economic policy.[243] Both main parties gave Keynesianism a central place in their economic policies. Demand management and full employment were integral to Labour's socialist revisionism. The leftist alternative economic strategy sought to supplement demand management with direct interventions, rather than supplanting it altogether.[244] Similarly, in the Conservative Party a combination of Keynesianism and structural reforms defined economic thought until the 1974 end of the Heath government.[245]

The Keynesian consensus boiled down to the Phillips curve, an economic model that posited a trade-off between unemployment and inflation. For policy-makers, the Phillips curve offered a choice between unemployment and inflation, and the promise that a balance between the two could be achieved through timely government action. Governments could choose to stimulate the economy, reducing unemployment at the cost of raising inflation, or contract the economy, reducing inflation at the cost of higher unemployment. The emergence of 'stagflation' in the 1970s – simultaneously rising

[242] P. Clarke, 'The Keynesian Consensus and its Enemies', in D. Marquand and A. Seldon (eds.), *The Ideas that Shaped Post-war Britain* (London, 1996), pp. 68-74; D.T. Rodgers, *The Age of Fracture* (Cambridge, 2011), pp. 44-7.
[243] Hall, 'Policy Paradigms', pp. 283-7.
[244] Wickham-Jones, *Economic Strategy*, p. 61.
[245] Williamson, *Conservative Economic Policymaking*, p. 26.

unemployment and inflation combined with stagnating growth – fatally undermined the Phillips curve. By extension, the previously unassailable position of Keynesianism was weakened; stagflation implied that the steering mechanisms of macroeconomic management were no longer working as expected.[246]

Despite decades of accommodation with Keynesian social democracy, the political right in the 1970s could draw upon the traditions of *laissez-faire* capitalism. Market liberalism promoted the foundational idea of neo-classical economic theory as a guide to policy: unhindered free markets, left to operate in accordance with the laws of supply and demand, produced the most efficient economic outcomes. Starting in the 1960s, enthusiasts for market liberalism could draw upon the emerging ideas of monetarism. Monetarism emerged from the work of Milton Friedman and Anna Schwartz at the University of Chicago. Using historical data on money and prices, Friedman and Schwartz made the claim that changes in prices were purely a result of changes in the growth rate of the volume of money in the economy. Therefore the precept of Keynesianism, that governments could and should use fiscal policy to manipulate aggregate demand, thereby influencing unemployment and inflation, was a short-term illusion. In the long run, only actions by governments – or more accurately, central banks – to either restrict or increase the supply of money in the economy would determine the level of inflation. Furthermore, misguided attempts by governments to maintain full employment caused accelerating inflation. Friedman claimed that all economies had a natural rate of unemployment, and efforts to lower unemployment below that level would generate inflation.[247] In sum, monetarist ideas offered an intellectually sophisticated – if almost entirely theoretical – argument for limiting the role of the state in economic governance. Government

[246] Rodgers, *Age of Fracture*, pp. 47-8; Williamson, *Conservative Economic Policymaking*, p. 42.
[247] Rodgers, *Age of Fracture*, pp. 50-2.

intervention in markets, even if successful in the short term, caused long-term inflation and market distortions. The best course of action was therefore to refrain from intervention, while maintaining tight control over money supply. Instead of fiscal manipulation of aggregate demand, the state would intervene in the markets only through monetary policy. Unsurprisingly, monetarism gained its most eager converts among the Conservative Party's new right, while having only marginal impact on Labour thought.[248]

Labour's economic thought moved in the opposite direction. While all sections of the Labour Party remained committed to Keynesianism, the most notable development in the 1960s was the return of economic planning. According to Cairncross, at the peak of Labour's previous planning efforts in the 1940s, two conceptions of planning existed side by side. Socialist planning was an organisational activity where the state used direct intervention in markets, such as rationing, to produce the desired outcomes. Liberal planning was essentially Keynesianism, where state control of demand was used to influence markets, usually to ensure full employment.[249] While the latter understanding of planning had become entrenched as Keynesian doctrine, in the 1960s a form of technocratic socialist planning returned to Labour's agenda. State planning seemed to offer a way to manage unemployment and inflation, drive growth, and respond to popular demand for social spending.[250] Planning also allowed Labour to reframe the debate on public ownership. By incorporating public ownership into the broader theme of economic planning, the party reduced the salience of ownership as a source of internal divisions.[251] The failure of macroeconomic planning during Harold Wilson's governments in 1964-70 did little to dislodge planning from its prominent place in Labour thought. The meso-

[248] ibid., p. 53.
[249] A. Cairncross, *Years of Recovery: British Economic Policy 1945-51* (London, 1985), pp. 308-9.
[250] O'Hara, *From Dreams to Disillusionment*, pp. 35-6.
[251] C. Ellis, 'Letting it Slip: The Labour Party and the "Mystical Halo" of Nationalization, 1951-1964', *Contemporary British History*, 26:1 (2012), pp. 59-62.

economy analyses of Stuart Holland and Michael Barratt Brown gave credence to the idea that demand management could not cope with uncompetitive markets, caused by the monopolistic behaviour of large multinational corporations. Thus, in the early 1970s, the Labour left again turned to planning as the solution to stagflation and industrial decline. This time the left was determined to create a planning system backed by sufficient institutional power to steer strategic decisions in private enterprises. To exert such influence, the state needed the ability to acquire businesses, giving new impetus to the old idea of public ownership.[252] In the early 1970s, significant sections of the Labour Party became convinced that the way to prosperity and social justice lay in *dirigiste* planning and public ownership.

In contrast to the post-war extension of state power over markets, industrial relations remained an autonomous sphere, where state intervention was seen as ineffective and unwelcome. The dominant idea in industrial relations until the 1960s was voluntarism. Unlike many industrialised countries, Britain never embraced corporatism, but instead relied on a system where trade unions and employers were left to bargain with each other, with minimal state involvement. Over the course of the twentieth century voluntarism became a powerful intellectual tradition. Otto Kahn-Freund, Britain's most eminent post-war academic specialist on industrial relations, described the system as 'collective *laissez-faire*'. Two elements defined the system: firstly, an absentee state that guaranteed legal immunities, such as trade union immunity from tort claims, rather than positive rights. Secondly, the notion that trade unions had achieved their privileges through their own actions, and therefore the state should not attempt to regulate them.[253] Collective *laissez-faire* was manifested in the sacrosanct status of free collective bargaining. Unions and

[252] Thompson, *Political Economy and Labour*, pp. 200-1.
[253] C. Howell, *Trade Unions and the State: The Construction of Industrial Relations Institutions in Britain, 1890-2000* (Princeton, 2005), pp. 9-10.

employers relied on free collective bargaining to determine wages, working conditions, and similar workplace issues. Attempts by the government to impose conditions, for example through statutory incomes policies, were seen as an infringement of free bargaining. While unions and employers might accept such infringements in the short term, they expected an eventual return to free collective bargaining.[254] Voluntarism was thus not only a description of the culture of industrial relations, but a normative expectation of how industrial relations should be conducted.

The tranquil post-war industrial relations scene began to change in the 1960s. Collective bargaining, traditionally conducted at the national level by sectoral unions and employers' associations, shifted to the workplaces, reducing union leaders' control over their members. Workplace bargaining empowered shop stewards and local union activists at the expense of national trade union organisations.[255] An increase in strikes in the late 1950s, and again in the late 1960s, focused public attention on unofficial strikes. The media played up the image of widespread industrial disorder.[256] Cultural and generational shifts also contributed to greater shop floor assertiveness. Individualistic values and a changing understanding of class identity went hand-in-hand with declining deference to traditional authorities, such as company managers or trade union leaders.[257]

An influential analysis of the situation was provided in 1968 by the Royal Commission on Trade Unions and Employers' Associations, known as the Donovan

[254] L. Minkin, *The Contentious Alliance: Trade Unions and the Labour Party,* 2nd edn (Edinburgh, 1992), p. 7; R. Taylor, *The Trade Union Question in British Politics: Government and Unions since 1945* (Oxford, 1993), pp. 4-5, 335-6
[255] K. Middlemas, *Power, Competition and the State: Volume 2: Threats to the Postwar Settlement, Britain, 1961-74* (Basingstoke, 1990), pp. 223-7.
[256] Howell, *Trade Unions and the State*, pp. 94-5, 99-100.
[257] J. Saunders, 'The Untraditional Worker: Class Re-formation in Britain, 1945-65', *Twentieth Century British History*, 26:2 (2015), pp. 241-8; Sutcliffe-Braithwaite, *Class, Politics, and Decline*, pp. 22-33, 207-8.

Commission. The commission's report identified the shift from formal national level bargaining to informal workplace bargaining. The latter was increasingly the source of unofficial strikes and the tendency of actual wages to drift above nationally agreed limits.[258] The objective of reforms should be to institutionalise the existing system of two-level bargaining through the creation of permanent bargaining institutions at workplaces, thus linking the old and new systems. In line with the voluntarist tradition, the authors of the report saw only a limited role for the state and argued against attempts to introduce legislation to suppress union militancy.[259] While welcomed by employers and unions, the report went against the currents of public opinion, which expected government action to bring about more orderly industrial relations.[260]

Against this background, in the early 1970s the discordant voices within the Conservative Party were captured by the sociologist John Goldthorpe, who outlined two ideological approaches to addressing disorder in industrial relations. Liberal-pluralism, the intellectually dominant position, advocated institutionalisation of collective bargaining and educational efforts to strengthen the authority of managers and union leaders. In contrast, Tory reformism saw excessive trade union power as the real problem, and proposed to fix the system through legislation and sanctions.[261] Under Edward Heath's 1965-75 leadership, the right progressive ideology was intellectually dominant, resulting in an emphasis on the liberal-pluralist view of industrial relations. During the post-war years senior Conservatives had developed an understanding of industrial relations that treated government intervention as largely futile. The source of industrial unrest lay in socio-

[258] Howell, *Trade Unions and the State*, pp. 101-4.
[259] ibid., pp. 104-6.
[260] Howell, *Trade Unions and the State*, pp. 106-9; H. Pelling, *A History of British Trade Unionism*, 5th edn (Basingstoke, 1992), pp. 272-4.
[261] J.H. Goldthorpe, 'Industrial Relations in Great Britain: A Critique of Reformism', *Politics and Society*, 4:4 (1974), pp. 419-52; Howell, *Trade Unions and the State*, p. 5.

psychological aspects of modern industrial labour, namely alienation and fear of unemployment. Because the roots of industrial conflict were psychological, legislation could achieve little.[262] From the mid-1960s the party began to lean towards a legislative strategy, eventually arriving at a policy that was predicated on liberal-pluralist principles: institutionalisation of collective bargaining and partnership between management and unions. While the Conservative right progressives had developed a willingness to tamper with voluntarism, they did not adopt the more severe anti-union views of neo-liberal economists. The collective *laissez-faire* interpretation of industrial relations reigned undisturbed.[263]

Tory reformism appealed to the Conservative new right. Hostility towards trade unions had long traditions in the Conservative Party, even if voluntarism and the right progressive ascendancy in the 1950s had relegated it to the margins. Anti-collectivist intellectual tendencies made the new right philosophically receptive to curtailing trade union power. In the 1950s and 1960s, neo-liberal economics, especially the influence of Friedrich Hayek, cast trade unions as monopolistic entities that prioritised the needs of producers over consumers. Unions 'priced out' workers and caused unemployment, and the government's corrective measures to address unemployment in turn created inflation.[264] Tory reformism also appealed to a legalistic Conservatism, traditionally concerned with the incompatibility of collective union action with individual freedoms. In 1958, the Conservative lawyers' association published a report titled *A Giant's Strength*, advocating policies such as the removal of trade union legal immunities and the referral of

[262] P. Dorey, '"Don't Intervene, Don't Get Involved": The Conservative Party's Voluntarist Approach to Industrial Relations and Trade Unionism, 1951-1964', *Contemporary British History*, 32:3 (2018), pp. 414-22.
[263] Caines, *Heath and Thatcher*, pp. 80-3: Williamson, *Conservative Economic Policymaking*, pp. 167-71.
[264] B. Jackson, 'An Ideology of Class: Neo-Liberalism and the Trade Unions, c.1930-79', in C.V.J. Griffiths, J.J. Nott, W. Whyte (eds.), *Classes, Cultures, and Politics: Essays on British History for Ross McKibbin* (Oxford, 2011), pp. 267-73.

industrial disputes to an independent tribunal.[265] In the 1960s, Enoch Powell, the leading voice of the new right, promoted the view that trade unions were coercive actors that stifled the efficient functioning of the labour market.[266] Such influences ensured that the new right was infused with Tory reformist sentiments on industrial relations.

The Labour Party's close ties with trade unions coloured the party's approach to industrial relations. Minkin distinguishes three conceptions of the party-union relationship: firstly, the historically oriented view of the Labour Party as offspring of the trade unions, and therefore inextricably tied to the unions, despite occasional disagreements. Secondly, an instrumentalist relationship, where Labour provides political protection for the unions, and the unions reciprocate with various forms of organisational and financial assistance. Lastly, an idealised tradition that sees the party and the unions as the political and industrial wings of a labour movement, working towards the same ends in their respective fields.[267] The relationship was underpinned by unwritten rules, which set constraints on acceptable behaviour. The party committed to voluntarism, while the trade unions abstained from interfering with party business, instead putting forward a short-term and industrially focused position, the 'trade union point of view'.[268] A potential complication for this balance of interests was the prospect of a planned socialist economy, where wages would be planned rather than determined through the market-oriented process of free collective bargaining. New left writers Alexander and Hughes had proposed a model for a planned wage system in *A Socialist Wages Plan*, but the idea went against free collective bargaining, and was poorly received.[269] On the whole, Labour's intellectual position was

[265] Bale, *Conservatives since 1945*, pp. 139-40; G. Lockwood, 'Trade Union Governance: The Development of British Conservative Thought', *Journal of Political Ideologies*, 10:3 (2005), p. 361.
[266] Garnett and Hickson, *Conservative Thinkers*, p. 61.
[267] Minkin, *Contentious Alliance*, pp. 3-5.
[268] ibid., p. 41. See also pp. 5-7, 26-42.
[269] Wickham-Jones, 'Debate About Wages', pp. 97-102.

underscored by a fundamentally benign view of trade unionism. Despite the ever-present potential for tension, the equivalent of Tory reformism was entirely absent from Labour thought.

The voluntarist gentlemen's agreement became increasingly frayed in the late 1960s. On one hand, Wilson's Labour government enacted incomes policies to curb wage increases and eventually moved towards a liberal-pluralist position of regulating industrial relations. The reform policy, known as *In Place of Strife* after the relevant government white paper, was overseen by Barbara Castle, a leftist Employment Secretary, but failed at the face of trade union and back bench rebellion.[270] On the other hand, a new generation of trade union leaders, such as Hugh Scanlon of the Amalgamated Engineering Union and Jack Jones of the Transport and General Workers' Union, were willing to throw their weight behind leftist political causes.[271] The new left was encouraged by shop floor militancy and the 'new unionism' of Scanlon and Jones, choosing to see trade unions as an ally against the revisionist Labour leadership. They were oblivious to the views of moderate trade unionists, who regarded the intellectuals' projects with profound suspicion.[272] While the party and the political left more broadly exhibited willingness to centralise and regulate industrial relations, the trade unions were unwilling to compromise on their traditional ideas of decentralised autonomy.

Though not a new idea, industrial democracy reappeared in British debates in the 1960s. A poorly defined term, it referred to ways of increasing worker participation in the management and governance of an enterprise. Advocates of industrial democracy made frequent comparisons with other European countries, such as Germany and Sweden, where

[270] Taylor, *Trade Union Question*, pp. 159-69.
[271] ibid., pp. 126-69.
[272] Middlemas, *Power, Competition and the State*, pp. 245-54.

industrial democracy was an established element of corporate governance. Ideas ranged from modest to radical. At the modest end was increased consultation between workers and management, without any fundamental changes to management structures or collective bargaining. Such consultation could be turned into an institutionalised partnership between workers and managers, known as works councils. Expanded consultation could culminate in co-determination, where workers participate directly in the strategic management of an enterprise. In one frequently discussed model, worker-directors would be given seats on company boards. Industrial democracy could also be understood to include questions of ownership and profit, for example through profit-sharing and bonus schemes.[273] At the radical end of the spectrum was the idea of workers' control. In Britain the Institute for Workers' Control, a research and publishing outfit established in 1968, presented itself as the vanguard of a radical shop stewards' movement for industrial democracy.[274] Ken Coates and Tony Topham, the institute's co-founders, believed the struggle for workers' control could eventually '…usher in a process of total transformation of society, in which every institution, from Parliament to property, is subjected to a system of accountable democracy'.[275] Workers' control would pave the way for workers' self-management in a fully socialised economy. Tellingly, the most important model was communist Yugoslavia.[276]

Britain's foreign policy environment was defined by the cold war and the gradual crumbling of the overseas empire. Harold Wilson's Labour governments in the 1960s continued Britain's role as a stalwart of the American-led anti-communist alliance. Yet, by

[273] CPA, CRD/4/4/56, *Worker Participation*, 22 June 1973. (Background paper by the House of Commons Library Research Division)
[274] Thompson, *Political Economy and Labour*, pp. 209-10.
[275] K. Coates and T. Topham, *The New Unionism: The Case for Workers' Control* (London, 1972), p. 57. See also pp. 55-7.
[276] ibid., 58-9, 224-30.

the 1960s it was becoming abundantly clear that Britain's global ambitions outstripped her economic means. The sterling crisis of 1967 forced the government to announce a withdrawal from defence commitments in regions east of the Suez Canal, signalling an end to Britain's largely illusory status as a world power.[277] The parallel and closely related process of decolonisation swept across the remaining colonies of Africa in the 1960s, forcing Britain into a painful reappraisal of its world role.[278]

Amidst these changes, joining the process of European integration appeared increasingly desirable. Diplomatic factors spoke in favour of a reorientation towards Europe. Britain's diminished ability to exert independent influence in world affairs led to the idea that Britain could at least be a leading power in Europe, acting as a bridge between Western Europe and the United States.[279] Chancellor Derick Heathcote-Amory remarked in 1960 that joining the EEC was a 'political act with economic consequences'.[280] Yet, in the course of the 1960s the political rationale was bolstered by changes in international trade patterns. In 1962, Britain's trade with continental Europe exceeded its trade with Commonwealth countries. Whereas in the 1950s prioritising trade with the Commonwealth had been the safe option, in the 1960s Britain's abstention from the European customs union began to seem like a risk. By joining the Community, British decision-makers could hope to benefit from the economic dynamism that was turning countries like West Germany into industrial powerhouses.[281] The case for European integration was aided by the failure of its opponents to present credible alternatives. Even if alternatives existed, they were not appealing. A government assessment of Britain's

[277] Thorpe, *British Labour Party*, pp. 175.
[278] J. Darwin, 'British Decolonization since 1945: A Pattern or a Puzzle?', *The Journal of Imperial and Commonwealth History*, 12:2 (1984), pp. 202-5.
[279] R. Saunders, *Yes to Europe! The 1975 Referendum and Seventies Britain* (Cambridge, 2018), pp. 44-6.
[280] Quoted in ibid., p. 46.
[281] ibid., pp. 41-3, 46-50.

international position in 1967 argued that European integration was the way forward; the other options were either vassalage under the American alliance or irrelevance as an isolated Little England.[282]

Conservative views on European integration were coloured by a form of British exceptionalism derived from the experience of empire. India's independence in 1947 marked the beginning of decolonisation, but many Conservatives held on to the idea of an imperial Britain. Winston Churchill iterated a vision of three concentric circles: Europe, the Atlantic alliance, and the Commonwealth, with Britain poised in the middle. In the early 1950s, the Conservative Party was not yet reconciled to full decolonisation, viewing the empire as a symbol of Britain's international prestige.[283] Resistance to decolonisation coalesced in the Monday Club, a right-wing pressure group that grew in influence in the 1960s and proved a thorn in his side for Edward Heath. In 1969, the Monday Club even ran a 'Powell for premier' campaign, throwing its weight behind the party's leading Eurosceptic.[284] Powell himself was deeply affected by the end of empire, and his brand of English nationalism drew on the idea of indivisible sovereignty; the prospect of pooling national sovereignty on the European level was anathema for Powell.[285] Geddes argues that the Conservative understanding of nationhood – based on an organicist and historical perspective, incorporating aspects of both civic and cultural nationalism – does not leave much room for integrationist thinking.[286]

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[282] A. Forster, *Euroscepticism in Contemporary British Politics: Opposition to Europe in the British Conservative and Labour Parties since 1945* (London, 2002), p. 30; S. Wall, *The Official History of Britain and the European Community, Volume II: From Rejection to Referendum, 1963-1975* (London, 2013), pp. 137-40.
[283] P. Murphy, *Party Politics and Decolonization* (Oxford, 1995), pp. 30-1, 34-8, 56.
[284] Ramsden, *Winds of Change*, pp. 297-300.
[285] Garnett and Hickson, *Conservative Thinkers*, pp. 64-6.
[286] A. Geddes, 'Europe', in K. Hickson (ed.), *The Political Thought of the Conservative Party since 1945* (Basingstoke, 2005), pp. 117-21.

Nevertheless, in the course of the 1960s, first Macmillan and then Heath turned the party from indifference to support of British membership in the EEC. Bulpitt argues that the shift was motivated by a search for party advantage rather than profound intellectual reconsideration. Joining the European project provided an opportunity to refresh the party's stale image after the 1950s, offering easy answers to Britain's changing post-imperial international role as well as industrial decline.[287] Yet, Bulpitt oversimplifies in his effort to discount the importance of ideas. Macmillan and Heath saw Community membership as an indispensable element of national modernisation. The reorientation from empire to Europe was achieved by a relentless emphasis on the assumed economic benefits. In Conservative economic thought, the Community offered market access for British companies, economies of scale brought about by expanded markets, and the disciplining effect of foreign competition.[288] Saunders points to the philosophical nature of the debate in the 1960s: in addition to competition and modernity, the prospect of joining the Community was seen in psychological terms, as an antidote to national complacency. The decision to seek Community membership was also schizophrenic: Britain dreamed of leading Europe, while simultaneously fretting over its eroding international status.[289] Thus for a certain kind of right progressive Conservative, Community membership was more than a political stratagem; it was a political and economic framework to uphold Britain's international grandeur. By the beginning of the 1970s, the Conservative Party contained two approaches on Europe: the Powellite concept of glorious isolation coupled with free markets and the Heathite embrace of the European project and its economic blessings. In practice, the party was firmly in the hands of the latter group, to the extent that supporting

[287] Bulpitt, 'European Question', pp. 234-6.
[288] Geddes, 'Europe', pp. 121-2; Williamson, *Conservative Economic Policymaking*, pp. 194-5.
[289] Saunders, *Yes to Europe*, pp. 49-50.

British membership in the Community became a loyalty test for respectable Conservatives.[290]

The Labour Party struggled in its own ways with Britain's post-war international position. The cold war alliance with the United States, rather than the loss of empire, was the main source of internal disagreement. Brivati argues that post-war Labour had a contradictory view of Britain: on one hand, a decaying country, but on the other hand, one that could exert leadership on the world stage. Two competing approaches sought to define Britain's international leadership: firstly, supporters of the transatlantic alliance believed Britain could exert political leadership as a partner of the United States. Secondly, proponents of moral leadership wanted Britain to play an independent role, standing as an alternative to the superpower blocs.[291] In the course of the 1960s, the moral leadership position morphed into hardened resistance to Britain's foreign policy alignment: leftists in the party were opposed to military interventionism, the North Atlantic Treaty Organisation, and the EEC.[292]

Labour's internal divisions on foreign policy intersected with different economic doctrines, ensuring that the European question was inseparable from partisan and ideological debates regarding Britain's economic future. Mullen distinguishes three factions on the political left in the 1960s and 1970s, each based on different industrial and trade interests: firstly, the national left opposed British membership in the EEC and looked to the state for a progressive-socialist economic strategy. Secondly, an international left faction focused on Britain's European trade relations and supported Community

[290] Williamson, *Conservative Economic Policymaking*, p. 220.
[291] B. Brivati, 'Internationalism', in M. Beech, K. Hickson, and R. Plant (eds.), *The Struggle for Labour's Soul: Understanding Labour's Political Thought since 1945* (London and New York, 2004), pp. 231-2.
[292] ibid., p. 236.

membership. Lastly, the Commonwealth left faction was keen to protect traditional ties with former colonies and therefore wary of the Community.[293] The capacity of the European question to confound the left was further exemplified by divisions among the new left. Normally sympathetic to the Labour left and advocating 'positive neutralism', the new left was genuinely split on Community membership. Some saw the Community as foreign imposition of European free market capitalism, while others rejected the inherent isolationism of the Eurosceptic position.[294] For example, writing in 1972, the new left intellectual Tom Nairn admonished the Labour Party for bowing to Eurosceptic opinion. In his view, Labour had failed to grasp the opportunity to take the political struggle to a new European arena, and instead fixated on sentimental nationalism, which only reinforced the prevailing order.[295] In sum, the Labour Party, and the left more broadly, was politically and intellectually incapable of formulating a consensus on Europe. Community membership cut across traditional left-right factionalism. At stake was not only Britain's international role and influence, but crucially, competing economic goals and their relation to international trade and financial markets. Navigating these intellectual currents without rupturing the party proved to be an extraordinarily difficult task for Labour's leaders.

The subsequent three chapters will extend the analysis of ideas and policy from the early 1970s, as discussed above, to the end of the decade. The chapters will focus on the CRD and the LPRD as conduits for political and economic thought. We will trace how the aforementioned intellectual currents featured in the day-to-day work of the parties' policy professionals, and in turn, how the research departments' adoption or rejection of certain ideas contributed to the ideological evolution of their respective parties.

[293] A. Mullen, 'The British Left: For and Against Europe? A Historical Survey', *Capital & Class*, 93 (2007), pp. 220-1.
[294] Kenny, *First New Left*, pp. 170-83.
[295] T. Nairn, 'The Left Against Europe?', *New Left Review*, 1:75 (1972) (special issue), pp. 115-20.

Chapter 3

Party Research Departments and Economic Governance, 1970-9

More than any other issue, economic policy defined the politics of the 1970s. Slow growth in relation to other advanced economies and repeated balance of payments crises had created a sense of steady economic decline. By the beginning of the 1970s, the twin threat of stagnant growth and inflation, known as stagflation, posed a seemingly impossible challenge for economists and policy experts. This chapter discusses the evolution of economic thought in the party research departments, with a focus on economic governance and policy-making. While short-term necessities and crises played a part, to a great extent the parties were engaged in a process of intellectual and ideological change. The economic philosophies of the Conservative and Labour parties were breaking with past ideas and creating new political configurations.

The search for a Conservative economic policy, 1970

The 1964-70 period in opposition was a time of intense policy development in the Conservative Party. Once Edward Heath assumed leadership in 1965, he built an exceptionally close relationship with the party's research staff. Refraining for the next five years from appointing a senior party figure as the Chairman of the CRD, Heath instead preferred to keep the reins in his own hands.[296] The CRD played a critical role in the party's policy review, which Heath had guided from the beginning. Despite the ambitious scope of the review, the party made surprisingly little progress in setting out a coherent

[296] Ramsden, *Making of Conservative Party Policy*, pp. 236-7.

macroeconomic strategy. Detailed work took place on industrial relations and taxation, but these did not lead to an overarching economic vision.[297] Chris Patten, at the time a member of the research department and later its Director, observed in retrospect that there was much focus on institutional reforms, at the expense of economic policy.[298]

The Conservative economic strategy was based on tax reform, industrial relations legislation, and pursuit of membership in the EEC. The aim was to modernise Britain through what Williamson calls structural Keynesianism. The party's intellectual outlook was firmly Keynesian, but structural reforms were needed to strengthen the economy.[299] Nevertheless, beyond changes to taxation and trade union law, considerable ambiguity remained on the kind of economic policies the Conservatives would pursue once they returned to government. This ambiguity was not addressed until January 1970, when the Shadow Cabinet gathered at Selsdon Park Hotel near Croydon to discuss the party's platform for the coming general election. While the conference failed to produce a clear economic or industrial programme, the press interpreted it as a signal of new-found Conservative zeal for economic liberalism and non-intervention in the markets.[300] This sense of coherence and direction was a myth, partially created by Labour's Harold Wilson, who sought to depict the Conservative free market advocates as 'Selsdon man', relics of a bygone era.

Prior to Selsdon Park, the CRD had made an attempt at crystallising the Shadow Cabinet's views. This took the form of an unpublished pamphlet, titled *Return to*

[297] ibid., pp. 243-6.
[298] C. Patten, 'Policy Making in Opposition', in Z. Layton-Henry, *Conservative Party Politics* (London, 1980), pp. 16-17.
[299] Williamson, *Conservative Economic Policymaking*, pp. 31-2.
[300] Middlemas, *Power, Competition and the State*, pp. 280-4.

Prosperity, written between December 1969 and January 1970.[301] It identified Britain's slow rate of economic growth as '…both cause and consequence of our problems'.[302] The department argued that slow growth leads to a number of second-order ills, such as inflation, unemployment, and retardation of consumers' and companies' incentives to earn, save, and invest. These in turn contribute to a vicious cycle by further slowing down growth.[303] According to the pamphlet, '[t]he answer is to be found in the structure of our institutions – above all in the law covering our industrial relations and in our tax system. What is now needed is a massive programme of structural reform to set people free to earn more, to keep more and to save more'.[304] In other words, the research department's understanding of Conservative economic policy at the start of 1970 was based on the archetypal concern of declinist narratives: the country's economic growth rate. The solution was modernisation, specifically through structural reforms in two areas: firstly, the simplification and lowering of taxes, and secondly, reform of industrial relations. These were the two areas where the party's policy committees had developed concrete proposals, and it was therefore not unjustified for the research department to see them as the pillars of an economic strategy. The pamphlet, however, was never published.

When the Conservatives won the general election of June 1970, the research department latched on to taxation and industrial relations as the indispensable elements of a Conservative programme. In industrial relations, the 1968 policy statement *Fair Deal at Work* formed the basis of an overhaul of trade union legislation. Reform of taxation was complicated by the unexpected death in July of Iain Macleod, the Chancellor, and his replacement by Anthony Barber. In his first weeks as Chancellor, Barber indicated

[301] CPA, CRD/3/7/7/6, Economic Pamphlet "Return to Prosperity", 28 July 1970.
[302] CPA, CRD/3/7/7/6, Return to Prosperity, January 1970, p. 3.
[303] ibid., pp. 2-10.
[304] ibid., p. 11

willingness to abandon the party's plans for lower taxation, setting off considerable alarm among the researchers at Old Queen Street. The situation was complicated by the detached attitude of Heath, who as Prime Minister preferred the advice of the civil service over the more politically attuned views of the research department.[305] This was partly a result of normal bureaucratic dynamics, but partly because Heath's hands-on approach during the opposition years left the department without an effective line of communication to the top.[306]

Barber's apparent backtracking on taxation sparked off a protest within the research department. Brian Reading, an economist and close adviser to Heath, complained that if tax cuts were not carried out immediately, the economic ramifications would 'frustrate our long term plans in exactly the same way as the Labour plans have been frustrated in the last six years'.[307] Such sentiments were initially kept within the department, but a few weeks later a package of materials was sent to the Chancellor, as a reminder of the policy work done in opposition.[308] The research department sought to convince the Chancellor by focusing on growth: by reducing the tax burden on individuals and companies, and making up the shortfall with spending cuts, the economy would be poised for faster growth.[309] In addition, the department argued that reduction of taxes would be useful in fighting the rising menace of inflation. Cutting taxes would reduce the price of products and services, thereby making it less likely that workers would seek inflationary wage claims.[310] Hence, while reducing taxation had obvious electoral and

[305] J. Campbell, *Edward Heath: A Biography*, (London, 1993), p. 513; Ramsden, *Making of Conservative Party Policy*, pp. 287-8.
[306] Ramsden, *Making of Conservative Party Policy*, pp. 287-90.
[307] CPA, CRD/D/6/5, B. Reading to R. Sewill: Short-Term Economic Strategy, 6 July 1970.
[308] CPA, CRD/D/6/6, B. Sewill to J. Douglas, B. Reading, T. Newton, C. Dumas, and S. Sherbourne, 23 July 1970. (Full set of materials can be found in CRD/3/7/26/37-8).
[309] CPA, CRD/D/6/6, Broad Aims of the Tax Package and State of Play at Time of 1970 Election, 24 July 1970.
[310] CPA, CRD/3/7/7/7, Short-term Management and the Problem of Inflation, 29 July 1970.

ideological appeal to the Conservatives, the research department presented it as an urgent task of wise economic management.

The CRD's activism over taxation was an uncharacteristic course of action for an office that usually deferred to the judgement of elected politicians. Even if 'Selsdon man' had little basis in reality, the Conservative Party had publicly signalled a commitment to a liberalising economic agenda. Motivated by the declinist focus on Britain's lacklustre economic growth rate, the CRD sought to ensure the implementation of the party's modernising structural reform agenda. In the absence of an overarching economic philosophy, the research department saw tax reform as an indispensable part of the Conservative programme. With the abrupt death of Macleod in July 1970, and Barber's apparent deviation from planned tax cuts, the research department mobilised in defence of the party line. The department continued to advocate for reduced taxation during preparation of the 1971 budget.[311] Ultimately the effort bore fruit and the 1971 budget contained a range of tax reductions and related reforms.[312]

Counter-inflation policies, 1972-4

After an optimistic start in 1970, the Heath government soon found itself in a mortal struggle against trade union militancy and rising unemployment. To reduce unemployment, the Chancellor introduced an expansionary tax-cutting budget in March 1972, increasing the spending power of consumers and sparking off the 'Barber boom'. But the consumer boom also unleashed high inflation, which led the unions to demand higher wages to keep up with the rising cost of living. Prime Minister Heath negotiated

[311] CPA, CRD/3/7/2/6, Submissions for the Budget, 21 December 1970, p. 1.
[312] A. Cairncross, 'The Heath Government and the British Economy', in S. Ball, A. Seldon (eds.), *The Heath Government, 1970-1974: A Reappraisal* (London, 1996), p. 113.

with the unions for voluntary pay restraint, but the talks carried on through the summer and autumn without result.[313] Failure to reach an agreement on voluntary pay restraint led Heath to introduce a mandatory wage freeze in November 1972. Statutory income policies followed, aimed at capping the rate at which workers could bargain for wage raises.[314] Thus in 1972-4, the Conservative government's economic policy had two objectives: firstly, holding down inflation by maintaining trade union support for a statutory incomes policy, and secondly, managing aggregate demand to reduce unemployment.[315]

In April 1972, a month after the introduction of Barber's expansionary budget, tentative discussions took place on the possibility of an early election. The purpose would have been to strengthen the government's hand in dealing with the trade unions. James Douglas, Director of the research department, was firmly against the idea. In a note to Douglas Hurd, an adviser to the Prime Minister, he argued against calling an election on the issue of industrial relations legislation and observed that 'no election in modern times has managed to stay on one issue'.[316] Writing to Brendon Sewill, former head of the research department and now an adviser at the Treasury, Douglas put forward similar views: 'I cannot see a viable strategy in deliberately going now to the country for a mandate "to do our utmost to stop the rise in the cost of living"'.[317] He added 'philosophical cackle' about how incomes should become a societal responsibility, because neither governments nor free markets could deliver a satisfactory outcome. What was ultimately needed, in Douglas's view, was a strong consensus around fair incomes.[318]

[313] Taylor, *Trade Union Question*, pp. 202-4.
[314] ibid., p. 206.
[315] Cairncross, *British Economy*, p. 191.
[316] CPA, CRD/3/7/7/10, J. Douglas to D. Hurd, 21 April 1972, p. 1.
[317] CPA, CRD/3/7/7/10, J. Douglas to B. Sewill, 2 May 1972, p. 2.
[318] ibid., pp. 3-4.

The Chancellor asked for the research department's advice on counter-inflation policy in June 1972.[319] The research officers' views revolved around addressing rising prices rather than rising wages. Stephen Sherbourne, a member of the department's economic team, proposed a prices initiative, composed of a short-term statutory price freeze, cuts in indirect taxation (thus reducing the cost of living), and talks with the trade unions on prices. Sherbourne saw prices as the only area where positive government action was possible, given that moderation in wages required trade union cooperation, which was not forthcoming.[320] Anne Bulloch, another research officer, similarly argued for restraining prices and avoiding confrontation with the unions. She also suggested that addressing the situation of the lowest paid workers would undercut the unions' use of poverty as a rationale for higher wages.[321] The unifying theme was that the government could best address inflation by holding down prices, rather than the more politically risky route of restraining incomes.

Regardless of the research department's views, wage restraint became the Heath ministry's flagship policy from 1972 onwards. The Conservative Party had started the decade with a clear rejection of statutory incomes policies. The election manifesto of June 1970 stated: 'Labour's compulsory wage control was a failure and we will not repeat it'.[322] Yet, when inflation driven by the 'Barber boom' became a threat, the Heath government resorted to statutory controls. Seen by some Conservatives as a betrayal of the spirit of Selsdon Park, the CRD approached the issue with a pragmatic attitude. Rather than asking whether incomes policies were the right course of action, the research department asked

[319] CPA, CRD/3/7/7/10, B. Sewill to J. Douglas, 19 May 1972.
[320] CPA, CRD/3/7/7/10, S. Sherbourne to J. Douglas, 8 June 1972.
[321] CPA, CRD/3/7/7/10, A. Bulloch to J. Douglas, 8 June 1972.
[322] F.D.S. Craig (ed.), *British General Election Manifestos 1959-1987* (Aldershot, 1990), p. 119.

how the policy could be made to work. In doing so, the research department displayed its tendency to regard politics as an exercise in problem-solving.

The first step in the incomes policy was a compulsory 90-day wage freeze, introduced in November 1972 and known as 'stage 1'. Recognising the magnitude of the government's decision, the CRD developed a set of recommendations addressed directly to the Prime Minister.[323] These recommendations fell into three broad categories: firstly, establishment of new tripartite institutions to foster meaningful dialogue on economic trends, secondly, compensating the public for rising prices through lower taxes and increased benefits, and lastly, addressing long-term problems in industrial relations, such as abuses in picketing and state benefits to strikers' families.[324] The department cautioned against '…uniting moderate and militant opposition…' and argued that '…the Government's overriding tactical priority will be to avoid provoking united opposition from the trade union movement'[325]. As a personal recommendation, James Douglas proposed that Heath should re-start the interrupted dialogue with the trade unions, preferably before the wage freeze expired.[326]

Wage restraint continued under stage 2, in effect for most of 1973, and the government planned to continue it into stage 3 in November 1973. Determined to avoid industrial unrest, Heath began the preparations for stage 3 early. The CRD offered its views in early June 1973, concentrating on the institutional 'machinery' of operating the policy. Recognising that a completely voluntary stage 3 was unlikely, the department pinned its hopes on the emergence of a general high-level agreement between the

[323] CPA, CRD/3/7/2/6, J. Douglas to E. Heath, 17 November 1972, p. 1
[324] ibid., pp. 1-3.
[325] CPA, CRD/3/7/2/6, J. Douglas to E. Heath, 17 November 1972, p. 3; CPA, CRD/3/7/2/6, Counter-inflation, 17 November 1972, p. 1.
[326] CPA, CRD/3/7/2/6, J. Douglas to E. Heath, 17 November 1972, p. 4.

government and unions.[327] The CRD recommended that this agreement should be institutionalised in a new trilateral body, called the Industrial Forum, possibly created out of the existing NEDC (a corporatist industrial forum set up in 1962). As a result, the union leaders would continue talking with the government and employers, and both agreements and disagreements would be addressed in an institutional framework.[328] The research department further argued that such a corporatist solution aligned with Conservative tradition: both Winston Churchill and Harold Macmillan had put forward similar ideas in the 1930s.[329]

The research department's hopes for a constructive agreement on wages never materialised. The launch of stage 3 in October 1973 coincided with the Yom Kippur war in the Middle East, which led to an oil embargo by major oil-producing Arab countries. In the midst of an acute energy crisis, British coal miners went on strike in early 1974, contributing significantly to the downfall of the Heath government in March 1974. The research department's hopes for a grand bargain enshrined in corporatist institutions were woefully out of step with the mood in the country.

Taken as a whole, the research department's counter-inflation recommendations in 1972-3 were not novel. No fundamental rethink of economic management was on offer, nor a constructive critique of the government's chosen path. Instead the department favoured fine-tuning of existing methods. Three elements stand out from the department's advice to the government: firstly, an attachment to institutional innovation, with an emphasis on corporatist tripartite models that would bring together the government, employers, and unions in an effort to foster a common understanding on the economic

[327] CPA, CRD/3/7/7/10, Government Policy towards Stage III, 7 June 1973, pp. 3-4.
[328] ibid., pp. 4-5.
[329] ibid., pp. 5-6.

situation. Secondly, preference for taking action on prices rather than wages, predicated on the idea that prices were the path of least resistance at the face of union militancy. Lastly, emphasis on the need to take a conciliatory line towards the unions. From James Douglas's personal recommendation to the Prime Minister to urgently re-establish communication with union leaders, to frequent exhortations for restraint in dealings with the unions, the department was firmly in the camp that saw negotiations rather than confrontation as the way forward. The CRD's forbearing attitude on trade unions and industrial relations was partially motivated by electoral concerns. At least one research department member, Christopher Mockler, believed that the Conservative Party should promote a working class friendly image, and 'play down' union-bashing right-wing politicians.[330] The comment reflected a deep attachment to right progressive Conservatism and its quest for broad electoral appeal.

Behind the CRD's conciliatory tone lay an understanding of inflation as a phenomenon driven by prices and wages. This theory viewed inflation as an accelerating spiral, where the rising cost of living drove higher wage claims, as workers sought to keep up with higher nominal prices. To combat inflation, a government would have to devise ways of holding down prices, incomes, or both, as exemplified by the Heath government's statutory controls. Research department staff were aware of monetarism, a theory of economic management advocated by the American economist Milton Friedman, which saw stability of money supply as the main task of economic management, and took a dim view of the fiscal measures favoured by Keynesians. Monetarism had its advocates among British academics and financial journalists, and the think-tank Institute of Economic

[330] CPA, CRD/D/6/28, C. Mockler to J. Douglas, 10 Jan 1974.

Affairs sought to spread Friedman's thoughts among British elites.[331] Yet, during the 1972-4 period, the research department's policy advice stayed within the conventional framework of wage-price inflation, with most of the department's experts favouring government action to hold down prices, rather than the Prime Minister's politically more dangerous route of pay restraint. With attention fixed on the latest wage negotiations and incomes policies, the department showed no signs of considering alternative economic theories.

Making economic policy in opposition, 1971-3

Labour's defeat in the June 1970 general election left the party dazed and drifting. Many party supporters were disillusioned with Labour's actions in government and with Harold Wilson's revisionist centre-left politics. While Wilson continued as party leader, the disillusionment fuelled a resurgence of the party's left wing. The party's policy-making system provided the left with the means of committing the party to a programme of socialist change. Importantly, the party's policy machinery was not answerable to the parliamentary leadership, but to the NEC, where the leftists had strong positions. The LPRD was at the heart of the policy committee system.

The research department was part of a constellation of left-wingers who devised the party's economic policy. According to David Lipsey, adviser to Anthony Crosland, '[p]arty policy was drawn up by a dozen enthusiastic leftwing people, the research department and a few intellectuals'.[332] In the research department, Terry Pitt, Research

[331] Cockett, *Thinking the Unthinkable*, pp. 167-96.
[332] Quoted in Wickham-Jones, *Economic Strategy*, p. 136.

Secretary until 1974, was seen as sympathetic to the left.[333] Geoff Bish had a central position as the secretary of the Industrial Policy Sub-committee, which helped him in becoming Pitt's successor in 1974. Among the intellectuals, the most prominent personality was Stuart Holland. His steady output of research papers, inspired by *dirigiste* policies in France, Italy, and other European countries, virtually defined the party's industrial policy agenda.[334] In terms of intellectual contribution, Holland's ideas eclipsed those of the research department. Yet, Holland operated in the institutional context of Labour's policy committees, which relied on the daily efforts of the research department. According to Bell, Labour's policy-making system '… handed the initiative to the Research Department, a body which was disillusioned with the parliamentary leadership and which had a clear idea of the policies it believed the party should adopt'.[335]

The Labour left's departure from established economic thought was illustrated by the differences between Stuart Holland and Anthony Crosland. Holland argued that Crosland's revisionist ideas about the transformation of capitalism were defunct. Instead, he observed concentration of ownership in large corporations, including the multinational companies that operated in the meso-economy. This concentrated economic power had frustrated Wilson's efforts in the 1960s to accelerate growth through economic planning. Crosland saw no merit in Holland's Marxist-inspired analysis; concentration of ownership was not the real problem. Labour ministers' obsession with the value of sterling, and the resulting deflationary policies, were the true causes for the failures of the 1960s. The basic disagreement was over the nature of capitalism: Crosland believed in the existence of a competitive market, while Holland saw concentration of ownership and uncompetitive

[333] Wickham-Jones, *Economic Strategy*, p. 121.
[334] Foote, *Labour Party's Political Thought*, pp. 307-12; S. Holland, 'Alternative European and Economic Strategies', in L. Black, H. Pemberton, and P. Thane (eds.), *Reassessing 1970s Britain* (Manchester, 2013), pp. 96-122; Wickham-Jones, 'Challenge of Stuart Holland', pp. 123-48.
[335] Bell, *Labour Party in Opposition*, pp. 115-16.

markets.[336] The implication of Holland's analysis was that Keynesian policies were bound to fail in an economy characterised by uncompetitive markets and the meso-economy.

By the beginning of the 1970s Crosland's socialist revisionism had lost its position as the dominant ideological tendency in the Labour Party. Keynesian economic management appeared to produce inflation and unemployment, and few solutions to combat them. In response, Crosland and his fellow revisionist Roy Jenkins moved closer to the party's left wing, accepting some proposals for public ownership and direct intervention.[337] The prestige of revisionism was also damaged by a sustained leftist critique of Crosland's understanding of 'affluence', focused on the inadequacy of revisionism in addressing persistent poverty.[338] Thus, at the beginning of the decade, revisionist economic thought was under attack on two fronts: Marxism on the left and monetarism on the right.[339] At the same time, the right wing of the Labour Party was fragmenting. Meredith argues that in the 1970s, right-leaning elements of the parliamentary party were divided into three groups: a centrist 'consolidator' group, concerned with party unity, Croslandite egalitarian revisionists, and further to the right, Jenkinsite liberal revisionists. The informal Jenkinsite faction and the broader right-wing Manifesto Group failed to arrest the party's drift to the left.[340] One reason for this lay in the left's ability to seize control of the party's policy machinery in opposition.

In the autumn of 1970, the party's policy development efforts were in disarray. The LPRD attempted to stimulate conversation on economic matters in the Home Policy

[336] Beech and Hickson, *Labour's Thinkers*, pp. 185-8.
[337] Thompson, *Political Economy and Labour*, pp. 216-24.
[338] Middleton, '"Affluence" and the Left', pp. 127-9, 137-8.
[339] Thompson, *Political Economy and Labour*, pp. 226-7.
[340] S. Meredith, *Labours Old and New: The Parliamentary Right of the British Labour Party 1970-79 and the Roots of New Labour* (Manchester, 2008), pp. 18-19, 47-64.

Committee, proposing demand management, control of multinational corporations, and increase in public expenditure as areas for policy development.[341] These proposals led to nothing. A step forward came with the reconstitution of policy Sub-committees in the spring of 1971.[342] The Finance and Economic Affairs Sub-committee and the Industrial Policy Sub-committee were both reconstituted in the spring of 1971, nearly a year after Labour's general election defeat. The former focused on macroeconomic policy, the domain of the Treasury, while the latter was supposed to focus on industrial matters, more relevant for the Department of Industry and several other ministries. The two Sub-committees reflected factional divisions: the Finance and Economic Affairs Sub-committee included the revisionist ex-Chancellor Roy Jenkins and his supporters, while the Industrial Sub-committee was controlled by leftists. Terry Pitt of the LPRD distrusted Jenkins, and sought to undermine Jenkins's Sub-committee and ensure that the two Sub-committees were kept separate.[343]

In practice, with the support of the LPRD, the Industrial Policy Sub-committee assumed a broad interpretation of its remit and soon became a discussion forum on general economic policy. This became evident as soon as the Sub-committee was reconstituted in April 1971. Barely two months after the committee's first meeting, the LPRD provided it with a detailed analysis of the unemployment situation.[344] Over the next two months the department's paper morphed into a general statement of economic policy. The document was presented as a statement of the NEC to the 1971 Annual Conference with the title

[341] Labour Party, *Programme of Work (RD. 12)* (September 1970), microfiche 344, Labour History. Series One, British Labour Party Research Department Memoranda and Information Papers, 1941-1979, Part 3 (Marlborough, 1993) (hereafter Labour History); Labour Party, *Research Programme: 1. International Companies (RD 25)* (November 1970), microfiche 344, Labour History (Marlborough, 1993); Labour Party, *Multi-national Companies (RD 36)* (December 1970), microfiche 345, Labour History (Marlborough, 1993).
[342] Labour Party, *Programme of Work (RD: 99)* (April 1971), microfiche 352, Labour History (Marlborough, 1993).
[343] Bell, *Labour Party in Opposition*, pp. 116-17.
[344] Labour Party, *Unemployment (RD: 129)* (June 1971), microfiche 355, Labour History (Marlborough, 1993).

Economic Strategy, Growth and Unemployment.[345] The statement saw full employment as the central objective of a future Labour government. To achieve this, action was required in three areas: balance of payments, inflation, and slow growth of productivity. Balance of payments crises could be avoided through devaluation of the pound.[346] Containing inflation required direct action to hold down prices, including through price controls on key consumer items.[347] To raise productivity, the statement outlined an extensive programme of interventions in industry and the labour market. This included measures on the retraining of unemployed workers, working conditions, regional policy, and expansion of public ownership.[348] The unifying theme in the NEC's statement was direct intervention in market dynamics. Going beyond the established tools of Keynesian demand management, economic planning and interventionism had begun their steady rise to prominence in official Labour policy. The statement set an interventionist tone for Labour's further policy development, and it represented a political setback for the parliamentary leadership. Bell argues that *Economic Strategy, Growth and Unemployment* was a triumph for the LPRD, and gave an indication of what a Labour manifesto might have become had the department been given a free rein.[349]

The Finance and Economic Affairs Sub-committee, the Industrial Policy Sub-committee, representatives of the Trades Union Congress (TUC), and outside experts held a one-day conference on economic policy on 25 February 1972, followed by a two-day conference on industrial policy. The LPRD produced a paper on demand management, which argued that full employment should be the party's highest priority, to be pursued by

[345] LPA, box 49, Economic Strategy, Growth and Unemployment, October 1971.
[346] ibid., pp. 2-3.
[347] ibid., p. 3.
[348] ibid., pp. 3-6.
[349] Bell, *Labour Party in Opposition*, pp. 118, 122, 124-6, 133.

Keynesian stimulation of aggregate demand.[350] Other priorities were economic growth, expansion of public expenditure, investment, safeguarding the terms of trade, and control of inflation.[351] In the same paper, the research department rejected Milton Friedman's monetarism as a new technique of economic management. Friedman's ideas were dismissed in short and somewhat cryptic comments on the theoretical shortcomings of monetarism: monetarism ignored the effects of inflation on real incomes and failed to explain how money supply reacts to the velocity of money circulation.[352] In practical terms, the research department argued that British experience did not support the monetarist analysis. Since the late 1960s, looser monetary policy had not led to more investment, while periods of monetary constraint had coincided with greater economic activity.[353] In sum, the research department believed that '[f]iscal policy, by contrast appears to have been much more effective'.[354] The research department's prioritisation of fiscal policy, rather than monetary policy, underscored the continued relevance of Keynesianism for the party's economic doctrine. Rather than replacing Keynesian demand management altogether, the party's policy experts sought to complement it with state interventionism.

During the two years from 1971 to 1973 the Home Policy Committee and its subsidiary policy groups developed a radical economic programme. *Labour's Programme for Britain*, first published in 1972, repeated almost exactly the policies of the 1971 NEC statement *Economic Strategy, Growth and Unemployment*.[355] The June 1973 publication of an updated *Labour's Programme for Britain* was the culmination of the left's ambitions. One of the most radical programmes produced by the Labour Party, the economic sections

[350] Labour Party, *Demand Management (RD: 276)* (February 1972), microfiche 369, Labour History (Marlborough, 1993), pp. 1-2.
[351] ibid., pp. 2-9.
[352] ibid., pp. 9-10.
[353] ibid., p. 10.
[354] ibid.
[355] Bell, *Labour Party in Opposition*, pp. 136-8.

of the programme drew heavily on the work of the Industrial Policy Sub-committee. Of the ten sections in the economy chapter in *Labour's Programme* of 1973, seven were produced in the Industrial Policy Sub-committee.[356] The LPRD was tasked by the committees to write first drafts of several key sections, including general economic policy and full employment, inflation, and price controls.[357] The research department thus had a direct role in creating a radical party programme that was expected to serve as a blueprint for the next Labour government.

The set of economic policies laid out in *Labour's Programme* of 1973 would eventually become known as the alternative economic strategy. On a theoretical level, the strategy departed from the established understanding of the British economy as a competitive marketplace best managed through Keynesian methods. Instead, the economy was seen as dominated by monopolies and the meso-economy of giant multinational firms.[358] Application of theory to practice yielded a programme of aggressive state interventionism, consisting of six core policies: firstly, conventional Keynesian reflation of the economy, secondly, public ownership of leading companies across different industries, in particular through the creation of a National Enterprise Board with powers to intervene in the operations of major firms, thirdly, nationalisation of banking and insurance, fourthly, creation of planning agreements designed to align companies' operations with the

[356] Labour Party, *Structure of Economic Chapter (RD 765)* (May 1973), microfiche 417, Labour History (Marlborough, 1993).
[357] Labour Party, *Draft Contribution to the Policy Statement – Full Employment, Economic Policy and the Balance of Payments (RD: 737)* (April 1973), microfiche 413, Labour History (Marlborough, 1993); Labour Party, *Draft Contribution to the Policy Statement – Inflation (RD 739)* (April 1973), microfiche 413-14, Labour History (Marlborough, 1993); Labour Party, *Prices (RD 751)* (April 1973), microfiche 416, Labour History (Marlborough, 1993).
[358] Wickham-Jones, *Economic Strategy*, pp. 79-81.

government's economic and social priorities, fifthly, vague commitment to the expansion of industrial democracy, and lastly, price controls to hold down inflation.[359]

Two further elements were added later: import controls and opposition to British membership in the EEC.[360] These had the effect of making Labour's economic strategy decidedly protectionist. Labour's transformation of British industry could only be carried out in an environment where domestic industries were protected from the deleterious effects of international capitalism. The party's opponents could point to the alternative economic strategy and claim, with some exaggeration, that it was an attempt to create a 'Socialist siege economy'.[361]

Public ownership and economic planning were critical components of the party's industrial strategy. Whereas the Wilson governments of 1964-70 had grounded their economic philosophy on revived ideas of economic planning, the controversial question of public ownership had lain dormant, pushed aside by Crosland's revisionist socialism. The alternative economic strategy returned both concepts to the heart of Labour's economic thought. Stuart Holland, inspired by post-war *dirigisme* in France and Italy, proposed the institutional tools to realise the party's industrial ambitions. Firstly, the state had to inject genuine competition into an economy dominated by large monopolistic enterprises (or more accurately, oligopolistic). To achieve this, a National Enterprise Board would be set up, with the administrative powers and financial means to take over at least one company from each of Britain's major industrial sectors. This led to the famous, or notorious,

[359] Labour Party, *Labour's Programme for Britain* (London, 1973), pp. 13-39; Wickham-Jones, *Economic Strategy*, pp. 61-74.
[360] Wickham-Jones, *Economic Strategy*, pp. 74-6.
[361] CPA, CRD/4/22/9, The Rt Hon Edward Heath, MBE, MP, (Bexley-Sidcup), Leader of the Opposition. Speaking in His Constituency, at the Bexley Borough Luncheon Club at the Black Prince Hotel, Bexley on Friday 13 December 1974 (620/74), 13 December 1974, p. 7.

commitment of nationalising up to 25 of Britain's leading companies. The purpose of the nationalisations was not to prop up ailing companies, but to stimulate greater efficiency, competition, and growth by taking competitive firms under government control.[362] According to Holland, 'the state should itself become an entrepreneur'.[363] Secondly, state control over markets would be extended even further by negotiating planning agreements between the government and one hundred leading companies. Planning agreements would assign employment, investment, and production targets for each firm, with annual progress reviews. Failure to adhere to the agreements would evoke government action; Holland believed nationalisation through the National Enterprise Board should be used as the ultimate deterrent against noncompliance.[364]

The alternative economic strategy resurrected old debates on socialist planning and liberal planning, to use Cairncross's terminology. Socialist planners were not content to correct the operation of markets by manipulating aggregate demand, but instead sought organisational control over markets.[365] The dual policy of the National Enterprise Board and planning agreements promised to furnish the government with such control. Apart from its political feasibility in economically lean times, the problem of the alternative economic strategy was its focus on institutions. The nationalisation of 25 leading companies was assumed to energise the economy, but there appeared to be no conception of how the government would operate the nationalised enterprises. The planning agreements would produce a mass of new data on companies, but it was unclear how the information would be used.[366]

[362] Wickham-Jones, *Economic Strategy*, pp. 61-4.
[363] Quoted in ibid., p. 62.
[364] ibid., pp. 66-8.
[365] Cairncross, *Years of Recovery*, pp. 308-9.
[366] M. Sawyer, 'Industrial Policy', in M. Artis and D. Cobham (eds.), *Labour's Economic Policies 1974-1979* (Manchester, 1991), p. 172.

In the early 1970s, economists were confounded by the simultaneous appearance of rising inflation and unemployment, when the prevailing theory of the Phillips curve held that there should be a trade-off between the two. Stagflation challenged Keynesianism. Whereas governments might have normally sought to spend their way out of stagnation, doing so when inflation was already rising risked setting off a destructive inflationary spiral. In fact, this is what the Conservative government's 1972 budget had achieved. For the people involved in crafting Labour's policies, stagflation was solved by the alternative economic strategy. Unemployment could be reduced with new industrial policies that would give the state greater powers to direct the investment decisions of industry. Price inflation would be brought under control with price controls, aimed at preventing profiteering monopolistic companies from raising the prices of their goods at the expense of consumers. Even though the alternative economic strategy provided few answers to wage inflation, there was a vague hope that the 'social contract' between the Labour Party and the trade unions, negotiated in 1972, would lead to responsible wage bargaining under a voluntary framework.

In a less noticeable way, the alternative economic strategy turned the Labour Party's attention from macroeconomics to microeconomics. There was no overt effort to draw upon developments in academic economics, such as the renewed interest in microeconomic theory in American universities. Instead, Labour's strategy was inspired by the perceived failures of Keynesian demand management, explained through modified Marxist economic theory. The causes of Britain's economic malaise could be traced to the emergence of giant industrial corporations, including the multinational meso-economy observed by Barratt Brown and Holland. Concentration of economic power in these firms

allowed them to exert oligopolistic pressure, most importantly through monopolistic pricing practices. The Keynesian-revisionist economic model assumed a competitive market economy, which no longer existed. The transformation under way in the British and world economies made conventional fiscal and monetary policy ineffective.[367]

The left's theoretical understanding of the economy called for a transformation of the political economy. Keynesian demand management remained the primary method of influencing macroeconomic conditions, but it was not seen to provide adequate means for attacking the mounting economic malaise. The hope of Labour's leftists lay in controlling companies' investment decisions, pricing policies, and corporate planning. Where needed, leading industrial and financial services companies would be nationalised, to bring greater portions of the economy under government control. The economic vision developed by the Labour Party in 1971-3 was heavily reliant on microeconomic interventions and the belief that the government, instead of private sector actors, was best placed to direct the regeneration of British industry. In some ways, the alternative economic strategy was nostalgic rather than modernising; the objective was to preserve and regenerate Britain's traditional manufacturing industries, and by extension, the prominence of the industrial working class.[368] Except for the call for import controls – which emerged once Labour had returned to government – the party's economic programme had nothing new to offer on macroeconomics.

[367] Wickham-Jones, *Economic Strategy*, pp. 55-9.
[368] R. Jobson, *Nostalgia and the Post-war Labour Party: Prisoners of the Past* (Manchester, 2018), pp. 85-103.

Return to opposition, 1974

The general election of February 1974 was fought against the background of a miners' strike and energy shortages, placing the question of trade union power at the centre of political debate. The result was unusual; with a Liberal Party surge in the polls, neither of the two main parties managed to secure an outright majority in Parliament. Heath was unsuccessful in his attempts to gain Liberal support for this government, and on 4 March Harold Wilson returned to Downing Street as the leader of a minority government. Wilson called a second general election in October 1974, which gave him a slim majority of three seats.

With the prospect of an early election hanging the air, the Conservative Party resumed its policy development in the summer of 1974. Heath, relieved of Prime Ministerial burdens, returned to a more active role by chairing policy group meetings. One such group, on counter-inflation, sought to understand what had gone wrong in the previous government's approach. Composed mainly of former ministers and junior ministers of the Heath government, the group held its first meeting in June 1974. The discussion revealed three views on the causes of inflation. Most of the discussion revolved around a conventional understanding of inflation as a wage-price spiral, most clearly put forward by Robert Carr, the ex-Secretary for Employment.[369] Heath himself saw inflation in these terms; the choice was between accepting high unemployment as the cost of reducing inflation, or alternatively, a statutory income policy, with the accompanying problems of enforcement.[370] A slightly different understanding of the problem was offered by Terence Higgins, a former junior minister in the Treasury. According to him, the

[369] CPA, CRD/4/4/21, Counter Inflation Policy, 17 June 1974, p. 1.
[370] ibid.

chairmen of nationalised industry boards were too quick to grant excessive wage settlements demanded by the unions, thus giving way to inflationary wage settlements and undermining the government's statutory income policy.[371] In an earlier paper sent to Heath, Higgins envisioned a permanent statutory policy, which would involve the state on a long-term basis in the determination of wages and prices.[372] A third view was expressed by Geoffrey Howe, who saw a connection between an expanding money supply and rising inflation.[373] Howe's point went unaddressed in the meeting, but it was a signal of an emerging understanding of inflation, based on the monetarist proposition that there is a direct relationship between money supply and inflation. Howe's views were echoed two weeks later by David Howell, formerly junior minister in the Heath government. In a note circulated to the counter-inflation group, Howell questioned the Treasury's traditional demand management approach. Instead, he wondered if future economic policy could be built on the control of money supply, as proposed by the monetarists.[374]

While the Conservative Shadow Cabinet was engaged in inconclusive deliberations on counter-inflation, the research department set in motion its own work. In a memorandum sent to William Waldegrave, one of Heath's assistants, the research department identified four ways of combating inflation: statutory restrictions on prices and wages, voluntary restrictions, monetary and fiscal means, and indexation. Considering the problems associated with each approach, the research department advocated a mixed policy, where statutory means would be used until such a time when a voluntary package

[371] ibid.
[372] CPA, CRD/4/4/21, T. Higgins to E. Heath, 6 June 1974; CPA, CRD/4/4/21, Future Counter Inflation Policy, undated (estimated June 1974), pp. 4-7.
[373] CPA, CRD/4/4/21, Counter Inflation Policy, 17 June 1974, p. 1.
[374] CPA, CRD/4/4/21, Counter Inflation Policy, 1 July 1974, p. 3.

could be agreed. [375] At the same time, the research department introduced a new idea, indexation, or the linking of wages to a standard-of-living index. This was to take the form of an Income Protection Bill that would use indexation to remove the most unfair aspects of wage inflation.[376]

The research department's proposals displayed a relaxed attitude towards government intervention in the labour market through statutory controls and index-linking of wages. Monetarist ideas were recognised, but the research department put little weight on them. Politically, the department presented the policies in right progressive terms: government action to protect common people against inflation, carried out for the benefit of the people, rather than the benefit of sectional interests.[377] Confrontation with trade unions was to be avoided.[378] As before, the research department placed hopes in a corporatist industrial forum, formed out of the existing NEDC, which would bring transparency and moderation into wage negotiations.[379]

In a widely anticipated move, Prime Minister Wilson called an early general election in October 1974, to give his party a much-needed majority in the Parliament. In the period leading to the election, the Conservative Party's internal discussions on economic policy had been inconclusive. Geoffrey Howe and David Howell had placed monetarism on the agenda, but it remained a side issue. Heath's counter-inflation group was cautious; the avoidance of shocks and confrontation with unions were priorities.[380] The CRD's contribution was indexation. A proposal for partial temporary indexation of

[375] CPA, CRD/4/4/21, S. Sherbourne to W. Waldegrave: Counter Inflation Policy, 2 July 1974; CPA, CRD/4/4/21, Counter-Inflation, 24 June 1974, pp. 1-2.
[376] CPA, CRD/4/4/21, Counter-Inflation, 24 June 1974, pp. 8-10.
[377] ibid., p. 12.
[378] ibid., pp. 3-4.
[379] ibid., p. 8.
[380] CPA, CRD/4/4/21, Counter Inflation Policy, 4 July 1974, pp. 2-3.

wages was set out in a research department paper in August and the proposal appeared as a minor item in the party manifesto, described as 'some practical steps to help protect living standards and savings'.[381] The industrial forum, one of the research department's favourite ideas, was also mentioned in the manifesto.[382] Yet, these proposals had little practical meaning as the Conservatives lost the October 1974 election by a narrow margin.

Heath limped on as the party leader but his personal authority was diminishing fast. A new policy group was formed in opposition, named the Leader's Advisory Group on the Economy, composed mainly of front bench figures with economic portfolios. Its first and only meeting took place in mid-December 1974. A crisis mentality was taking hold, with James Prior, Michael Heseltine, and Sally Oppenheim each casting gloomy predictions about economic catastrophe.[383] The group was divided on Conservative strategy, with Robert Carr and Barney Heyhoe calling for continuity with the policies set out in the October 1974 manifesto and Michael Heseltine proposing an appeal to national unity and the identification of areas of cooperation with the Labour government. These ideas were strongly opposed by Margaret Thatcher, a former Education Secretary under Heath, who argued that '… the fundamental fact was that the Labour Party was under the influence of individuals who wished to destroy free society and the free enterprise system and that it would be impossible to envisage any co-operation with people of this kind'.[384] In a sign of things to come, Thatcher was positioning herself against Heath and the moderate old guard. Less than two months later, in February 1975, Thatcher won the party's leadership election and took over from Heath as the leader of the opposition.

[381] CPA, CRD/4/4/21, The Politics of Indexation, 15 August 1974; Craig (ed.), *General Election Manifestos*, p. 218.
[382] Craig (ed.), *General Election Manifestos*, p. 217.
[383] CPA, CRD/4/4/73, Leader's Advisory Group on the Economy, 16 December 1974, pp. 2-3.
[384] ibid., p. 3.

Struggle over industrial policy, 1974-6

The Labour Party's official industrial policy was developed by a left-wing faction that controlled the party's policy committees. They were supported by officials from the LPRD and outside experts such as Stuart Holland. This institutional arrangement isolated the parliamentary leadership from policy development and contributed greatly to an internal clash over industrial policy. The parliamentary leadership, however, had political decision-making power, and was able to use it to frustrate the left's plans.

Tensions over industrial policy became evident as soon as Labour returned to office in March 1974. Tony Benn, one of the leading leftist figures, was appointed as Secretary of State for Industry in the Wilson government. A committee was created in 1972 to coordinate the policies of the Labour Party and TUC. In May 1974, Benn presented his plans to the TUC – Labour Party Liaison Committee. Benn's ideas for the Department of Industry's priorities were derived from party policy and consisted of two main elements: planning agreements and a National Enterprise Board. Planning agreements would allow the government to align the activities of leading companies with national priorities, influencing a range of factors such as pricing, investment, regional policy, and industrial relations. The National Enterprise Board would buy private companies and use other means to pursue government objectives, such as rationalisation of industries and protection of British industry from foreign competition. In addition, nationalisation of certain industries would be pursued along with greater powers for the

government to purchase individual companies.[385] Benn's ideas received a muted response in the Liaison Committee.[386]

Eventually Benn and his advisers turned the aforementioned ideas into a white paper. This reached the Prime Minister's office in July 1974. Harold Wilson was so dissatisfied by the paper that he asked the newly established Downing Street Policy Unit to rewrite it. The Policy Unit continued to monitor the resulting Industry Bill's passage in Parliament to ensure that Benn's allies did not amend it.[387] Arguments over the Industry Bill began a long hostility between Wilson and Benn. Given the government's thin parliamentary majority following the October 1974 general election, as well as the looming issue of Britain's membership in the EEC, the Prime Minister was not willing to expend political capital on a problematic and divisive Industry Bill.[388] Bernard Donoughue, the head of the Prime Minister's Policy Unit, had a clear view of the task: 'industrial policy had to be rewritten, diluted and moved from the centre of the political stage'.[389] Wilson was largely successful in the first two tasks, but the party's left wing, outraged by Wilson's manoeuvres, fought hard to keep industrial policy at the centre of the political stage.

The early months of 1975 witnessed a spiralling inflation crisis. At the same time, a referendum over membership in the EEC, scheduled for June 1975, led to open divisions in the Labour Party. Despite the crowded political agenda, the Labour left continued to lobby for the party's industrial policy. The LPRD and the TUC research staff produced a

[385] LPA, box 49, The Current Work Programme of the Department of Industry (RES: 47), May 1974.
[386] LPA, box 49, TUC-Labour Party Liaison Committee (21), 20 May 1974; Wickham-Jones, *Economic Strategy*, pp. 96-7.
[387] Donoughue, *Prime Minister*, p. 52.
[388] ibid., pp. 53-55.
[389] ibid., p. 55.

joint note for the May 1975 meeting of the Liaison Committee, arguing that planning and intervention in the economy were needed to spur investment and reverse the country's industrial decline.[390] Prime Minister Wilson avoided addressing the paper, instead arguing that there was no need to duplicate discussions that were already taking place between the trade unions and the government. Ian Mikardo, speaking for the NEC, complained about the emasculation of the Industry Bill by the government and asserted that the party had a place in the discussion.[391]

Disagreement over industrial policy intensified in the course of the summer and autumn of 1975. The LPRD had prepared a comprehensive statement on industrial policy for the party's Annual Conference.[392] Two policy prescriptions stood out: firstly, giving the government reserve powers to ensure compliance with planning agreements, and secondly, provision of more funding for the National Enterprise Board.[393] These proposals were designed to actualise the vision of economic planning and public ownership, as conceptualised by the party's policy machinery and further refined by Benn in the Industry Department. Controversy over the statement built up over the summer as the text made its way through the party's Home Policy Committee and then the NEC.[394] In the Liaison Committee meeting of September 1975, union representatives, fully aware of the controversy, declined to comment and the statement was merely noted.[395] In the end the left-wingers in the NEC prevailed and the statement was issued to the Annual Conference held in September-October 1975.

[390] LPA, box 49, Investment: A Short Note on Problems and Policies (RE. 157), May 1975, pp. 9-13.
[391] LPA, LP/RD/140/3, TUC-Labour Party Liaison Committee (28), 19 May 1975.
[392] LPA, LP/RD/78/9, Labour and Industry: The Next Steps (Draft Industrial Statement: 1975 Annual Conference) (RE: 277), August 1975.
[393] LPA, LP/RD/78/9, Labour and Industry: The Next Steps, undated (1975), pp. 4-7.
[394] 'Industry Plan Meets Party Trouble', *The Guardian*, 14 July 1975, p. 1, 22.
[395] LPA, LP/RD/140/3, TUC-Labour Party Liaison Committee, 22 September 1975.

Its symbolic effects aside, the statement to the Annual Conference could not hide the fact that by mid-1975 the leftist approach to industrial policy had been sidelined by the government. In the aftermath of the June 1975 EEC referendum, Tony Benn, leading campaigner for leaving the common market, lost the industry portfolio and was demoted to the Department of Energy. The party's internal left-wing opposition was increasingly marginalised and reeling from the defeat of its signature policies. Geoff Bish, the party's Research Secretary, made no secret of his sympathies. In a letter to Benn on 12 June 1975, Bish wrote: ''Needless to say, I'm appalled by what's happened. But I am convinced you did the right thing…'.[396] In a similar letter to Judith Hart, another sacked minister, Bish offered his sympathies and went on to add: 'But the Establishment have won only a skirmish; the real industrial policy battle is yet to be fully joined'.[397]

Despite the setbacks, the leftists continued to advocate for an interventionist economic approach. In December 1975, the LPRD sent the party's Home Policy Committee a detailed report on industrial policy. The report observed '… a very real divergence between the Party's thinking on industrial strategy, and the policies being brought forward by the Government'.[398] The report elaborated:

> 'At the heart of these differences lies the rejection by the Party of what can be termed "we all good chaps together" approach. Exhortation argues the Party, is simply not enough – whatever the machinery, slogans, or goodwill, that is employed along with it. There has to be some muscle – however sparingly used. This is the lesson we have learnt from the French Planning of the fifties and sixties – when real work was done in rebuilding their economy. In short, we must seek the co-operation of Tory businesmen [*sic*] – but we would be failing in our duty to the nation if we did not take the powers we need to carry through the regeneration of our industry'.[399]

[396] LPA, LP/RD/47/4, G. Bish to T. Benn, 12 June 1975.
[397] LPA, LP/RD/47/28, G. Bish to J. Hart, 12 June 1975.
[398] Wickham-Jones Papers, Industrial Strategy: Government and Party (RE: 381), December 1975, p. 11 (Labour Party documents held by Mark Wickham-Jones, University of Bristol).
[399] ibid.

In one of Geoff Bish's favourite expressions, merely talking to businessmen would not suffice. The government had to pass legislation to give itself the powers to meaningfully intervene in the markets.

In some instances the government did pursue elements of the party's industrial policy, but in a manner that left the original architects dissatisfied. The LPRD's December 1975 report on industrial policy noted that the government had set up a National Enterprise Board with broadly similar functions as envisaged in the party's policy. But the government had failed to provide the Board with sufficient funds to carry out its envisaged role. Instead, the National Enterprise Board was mainly used to rescue ailing companies.[400] A research department evaluation of the National Enterprise Board in February 1977, over a year after its establishment, was similarly critical. The government had underfunded the Board and used it for minor 'odd jobs'.[401] To meet the original promise of the National Enterprise Board, it would require £1 billion per year to take over leading, profitable firms in key sectors.[402] The government should be willing to compulsorily acquire any companies deemed necessary, preferably through statutory means.[403] Thus even in areas where the party's industrial policy had ostensibly been put into effect, the research department found a lack of ambition, which undermined the original vision. Whereas the research department saw the National Enterprise Board as the means of bringing greater portions of the economy under state control, the government treated it merely as a tool for injecting capital into troubled companies. The Board's funding eventually reached the

[400] ibid., p.12.
[401] Wickham-Jones Papers, The NEB, and the Industrial Strategy (Re 962), p. 3.
[402] ibid., p. 4.
[403] ibid., p. 5.

desired £1 billion level in 1978, with more promised for the following year.[404] But the government's use of nationalisation never lived up to the research department's transformative ideas; the major case of nationalisation was British Leyland, an ailing automotive conglomerate rescued in 1975.[405]

In February 1976 the NEC and the Treasury held a meeting to discuss industrial policy. The purpose of the meeting was to pressure Denis Healey, the Chancellor, and three other Cabinet ministers to back the party's policies. In a frank discussion the delegation from the NEC criticised government policies as half-measures. Geoff Bish from the research department advocated government reserve powers to ensure the private sector's compliance with industrial policy, opining that merely 'talking to business men' would not produce higher investment.[406] Healey provided an equally vigorous defence of the government's record, concluding the meeting by observing that 'it would have to be accepted that there was [*sic*] some items in the Party's policy which could not be followed'.[407] Rather than fostering agreement on industrial policy, the meeting confirmed what was clear to both parties; views were too far apart for reconciliation.

The role of the trade unions was surprisingly small in Labour's internal struggles over industrial policy. The TUC – Labour Party Liaison Committee regularly discussed industrial policy, including investment, unemployment, energy, and naturally, industrial relations and wage bargaining. Some of the heavy-weights on the trade union side, such as Jack Jones and Hugh Scanlon, were sympathetic to the Labour Party's leftists. Despite this, the unions never gave their full support to Tony Benn's industrial policy. Two factors

[404] Sawyer, 'Industrial Policy', p. 160.
[405] ibid., pp. 162-3.
[406] LPA, LP/RD/14/9, Note of a Meeting Held on Wednesday 4 February 1976 at 3.45 PM Chancellor of the Exchequer's Office, Treasury Chambers, 4 February 1976. On Bish, see pp. 3, 5.
[407] ibid., p. 7.

account for this restraint. Firstly, the trade unions' priority was always industrial relations, and in this field the main policies had been agreed in 1972-3, with considerable union influence over the shape and content of future legislation. The TUC might have sympathised with some aspects of party policy, but in practical matters they placed a higher value on their relationship with the Wilson and Callaghan governments.[408] Secondly, the traditions and culture of the labour movement exerted a strong influence over the party-union relationship. According to these norms, the trade unions would concentrate on narrow industrial objectives and leave broader political matters to the party.[409] This self-restraint was seen in the way the TUC refused to enter into intra-party fights over industrial investment, the Industry Bill, or the 1975 policy statement to the Annual Congress.

Between 1976 and 1978 the TUC – Labour Party Liaison Committee issued three broad policy statements: *The Next Three Years and the Problem of Priorities* (1976), *The Next Three Years and Into the Eighties* (1977), and *Into the Eighties: An Agreement* (1978).[410] Taken as a whole, the statements promoted a milder version of the economic interventionism of the Labour left, including a well-funded National Executive Board, planning agreements with major companies, and even controversial policies such as the nationalisation of financial services.[411] In light of the trade unions' self-restraint, the Liaison Committee's endorsement of interventionist economic policies is hard to explain. Wickham-Jones argues that the government and unions were content with the wording of the statements not because they saw them as true statements of policy, but as rhetorical

[408] Minkin, *Contentious Alliance*, pp. 165-73, 184-5.
[409] ibid., pp. 40-2, 620, 628-9
[410] TUC-Labour Party Liaison Committee, *The Next Three Years and the Problem of Priorities* (1976); TUC-Labour Party Liaison Committee, *The Next Three Years and Into the Eighties* (1977); TUC-Labour Party Liaison Committee, *Into the Eighties: An Agreement* (1978).
[411] On financial institutions, see *The Next Three Years and the Problem of Priorities*, 28 July 1976, p. 8.

concessions to Labour's NEC.[412] This assessment suggests that in 1976-8 the government felt in control of the industrial scene, having marginalised the leftist internal opposition and established a constructive relationship with the unions.

During Labour's internal struggles over industrial policy, the LPRD acted as the guardian of party policy, identifying closely with the party's industrial strategy. By assisting in the development and propagation of the alternative economic strategy, the research department linked its fortunes to the fate of Labour's left-wing faction. Aligning with the government's internal critics cost the research department credibility in the eyes of the parliamentary leadership. Anthony Crosland, Cabinet minister and leading revisionist, held an unambiguous view of the fate of the industrial policy: 'The absurd Benn-Holland-Bish strategy is dead as a dodo'.[413] Tellingly, Crosland assigned responsibility for the industrial strategy not only to Tony Benn, but to Stuart Holland and Geoff Bish, two of the party's policy experts. Participation in the creation of the alternative economic strategy had given the research department influence over party policy, but it had poisoned the department's relationship with many senior politicians.

Monetarist advance, 1974-5

Stagflation, strikes, and the collapse of the Heath government fuelled a mood of national crisis in the mid-1970s. Inflation was a leading menace in the popular imagination as well as elite circles, especially among Conservatives.[414] Peter Jay, economics editor at *The Times*, raised the ante by presenting inflation as a structural threat to civilised society.

[412] Wickham-Jones, *Economic Strategy*, p. 154.
[413] Quoted in ibid., p. 99.
[414] J. Tomlinson, 'British Government and Popular Understanding of Inflation in the Mid-1970s', *Economic History Review*, 67:3 (2014), pp. 754-6, 758-61.

In a widely-read article published in July 1974, Jay posited that there existed an 'irreconcilable quadrilateral' of desirable societal conditions, composed of free collective bargaining, full employment, stable prices, and democracy. A society could have three of these simultaneously, but not all four. Jay's argument was that if Britain was forced to choose between free collective bargaining and democracy, the power of organised labour would ensure that democracy was sacrificed.[415] Thus, inflation and the inability of corporatist Britain to effectively address it threatened the constitutional future of the country. Though Jay's personal political sympathies were with Labour, his argument had echoes of Hayek: the path to authoritarianism began with collectivism.

Monetarist theory was appealing to Conservatives, especially those of the new right persuasion. Friedman's famous dictum that inflation was always a monetary phenomenon, and trade union wage bargaining had no meaningful part in causing inflation, offered the prospect of freeing Conservatism from the encumbrances of post-war corporatism. The theory negated Jay's dilemma: once in government, the Conservatives could simply ignore the trade unions, and focus on 'sound money' through the setting of monetary growth targets. In practice, however, few British neo-liberals subscribed to a pure version of Friedman's theory. They were inclined to believe that trade union pressure on governments and employers affected fiscal policies and the unemployment rate, therefore generating inflation. Monetarism, despite its parsimony, did not offer an escape from the trade unions.[416]

[415] 'How Inflation Threatens British Democracy with its Last Chance before Extinction', *The Times*, 1 July 1974, p. 14; B. Jackson, 'Currents of Neo-liberalism: British Political Ideologies and the New Right, c. 1955-1979', *English Historical Review*, CXXXI, 551 (2016), p. 845.
[416] Jackson, 'Currents of Neo-liberalism', pp. 837-40.

Williamson makes a useful distinction between theoretical and practical monetarism. Theoretical monetarism agreed with Friedman's insistence on the primacy of money supply, while practical monetarism added further elements, such as the connection between trade unions and inflation.[417] In the words of Keith Joseph, senior Conservative politician and leading ideologue of the new right, 'monetarism is not enough'.[418] Joseph saw the control of money supply as only the beginning. He envisioned a frontal attack on the post-war social democratic state, including privatisation, lower taxes, deregulation, industrial relations reform, and a scaled back welfare state.[419]

The CRD was aware of monetarist theory, but initially not in favour of it.[420] The main impetus came from outside the party, especially the think-tank Centre for Policy Studies, which was set up in March 1974 by Keith Joseph. The Centre was independent of the Conservative Party, but according to Joseph, '[m]y aim was to convert the Tory Party'.[421] Specifically, the Centre sought to shape the Conservative Party into a champion of market liberal economics, inspired by academics such as Friedrich Hayek and Milton Friedman. Joseph became the Centre's first chairman and the deputy chairmanship went to Margaret Thatcher.[422]

Lacking a clear programme, the Centre for Policy Studies began its activities by writing speeches for Joseph. The task fell to Alfred Sherman, a journalist, former communist, and convert to free market capitalism, who would become the Director of the Centre in 1975. The Sherman-Joseph collaboration led to two highly-publicised speeches

[417] Williamson, *Conservative Economic Policymaking*, pp. 91-2.
[418] Quoted in Barry, 'New Right', p. 40.
[419] ibid., pp. 40-1.
[420] Williamson, *Conservative Economic Policymaking*, p. 55.
[421] Quoted in Cockett, *Thinking the Unthinkable*, p. 237.
[422] ibid.

in June and September 1974 that criticised Britain's collectivist consensus and argued for the need to control money supply to bring down inflation. Taken together, the speeches formed a shocking critique of the post-war settlement, made all the more dramatic by Joseph's position in the Shadow Cabinet.[423] Joseph did not shy away from criticising himself and his party's right progressive traditions, stating in 1975 that '[a]bout twenty years ago I joined the Conservative Party … [b]ut it was only in 1974 that I was converted to Conservatism'.[424] For a brief moment Joseph appeared to be a strong leadership contender, but he was brought down by scandal: in an October 1974 speech Joseph seemed to suggest the need for a eugenics policy to prevent single mothers from having children. His public standing never recovered, but the speeches had placed monetarist ideas at the centre of the public debate.

The Centre for Policy Studies and the CRD soon began to view each other as competitors. Alfred Sherman wrote to Keith Joseph in April 1975 to argue for the continued relevance of the Centre of Policy Studies. He saw the Centre as the best hope of ensuring the party's conversion to economic liberalism. According to Sherman, the party's professional staff was simply not up to the task: the CRD was '… staffed by a group of low calibre opportunists whose ideas are fundamentally at variance with our own'.[425] The CRD, on the other hand, felt that it was kept uninformed about the activities of the Centre for Policy Studies, which threatened to encroach on the functions of professional party staff.[426] According to Chris Patten, who had become the Director of the research department in 1974, the department avoided disputes with the Centre for Policy Studies

[423] ibid., pp. 240-2, 245-6.
[424] ibid., p. 242.
[425] CAC, Thatcher MSS (digital collection), 111908, A. Sherman to K. Joseph: Note on the Functions and Financing of the Centre (No. 10), 22 April 1975, p. 2.
[426] CPA, CRD/D/7/20, A. Ridley to C. Patten: CPS Management Board Meeting, 25 October 1977; CPA, CRD/D/7/20, C. Patten to A. Maude, 1 November 1977.

and focused on performing its most important function: serving the party leader and the Shadow Cabinet.[427]

The historical literature has no shortage of colourful anecdotes on the rivalry between the Centre for Policy Studies and the CRD. The relationship between the two Directors, Chris Patten and Alfred Sherman, was especially antagonistic. Patten saw the Centre staff as 'drifters' and beyond the pale, while Sherman thought Patten 'pathologically jealous' and 'a limited man, promoted far beyond his ability'.[428] When Thatcher became party leader, Sherman urged her to dismiss Patten from the research department.[429] Beyond incompatible personalities, the CRD and the Centre for Policy Studies were culturally dissimilar. The research department recruited mostly young men, many of whom had an interest in a political career, and therefore a need to avoid excessively radical opinions. The Centre for Policy Studies, in contrast, was composed of true believers on a crusade for neo-liberalism.[430]

While genuine disagreements on policy played a part, the rivalry between the two organisations was not a fundamentally ideological one. After Thatcher's election as leader in 1975, the party began a shift towards neo-liberalism and monetarism. As will be shown below, the CRD was an important interlocutor in this change, rather than a nest of obstructionist Heath loyalists. Ideological differences on economic policy were not the principal cause for the rivalry between the CRD and the Centre for Policy Studies. Rather, competition for access and influence, fuelled by personal animosities and different organisational cultures, were the main sources of friction.

[427] C. Patten, 'The Thatcher Years', in A. Cooke (ed.), *Tory Policy-Making: The Conservative Research Department, 1929-2009* (London, 2009), pp. 83-5.
[428] Quoted in Caines, *Heath and Thatcher*, pp. 169-70.
[429] ibid., p. 163.
[430] ibid., pp. 158-9, 162-3.

Nor was the Conservative Party ideologically captured by neo-liberal think-tanks, as suggested by Cockett.[431] Williamson argues that the influence of the Centre for Policy Studies and other market liberal think-tanks has been exaggerated. Instead, the CRD was central to the reshaping of Conservative policy in opposition. Williamson concludes that the think-tanks '… lost out to CRD in the battle for influence. This was a real struggle, although the CRD was confident that it could see off the interlopers'.[432] Caines believes the Centre for Policy Studies had only limited impact on Conservative policy in opposition, while the research department was able to exploit its insider status; these positions were reversed after 1979.[433] The establishment of the Centre for Policy Studies gave Keith Joseph and his new right allies a platform for promoting their monetarist ideas, which eventually found their way into the Conservative Party's internal deliberations. The Centre for Policy Studies was an important member of the Conservative new right ecology, but hardly the intellectual apex predator of the Centre's self-generated mythology.

The 1975 inflation crisis

After the October 1974 election the Conservative Party research officer Michael Niblock produced an analysis of inflation and the industrial relations scene. The Labour Party's flagship policy was a 'social contract' with the trade unions, where the unions committed to voluntary wage restraint in exchange for a raft of government legislation to improve the conditions of workers and consumers. The research department paper anticipated major difficulties ahead; voluntary wage restraint was unenforceable and some

[431] Cockett, *Thinking the Unthinkable*, pp. 243-86.
[432] Williamson, *Conservative Economic Policymaking*, p. 51. See also pp. 44-52.
[433] Caines, *Heath and Thatcher*, pp. 171-2.

unions were already aiming for inflationary wage settlements.[434] Even hyperinflation was a possibility.[435] The research department's pessimistic assessment proved correct: inflation began to rise sharply in 1975.

The end of Heath's statutory constraints on wages had signalled a return to free collective bargaining. Though the Labour government and the unions had agreed on voluntary pay restraint, as part of the 'social contract', in practice many unions seized the opportunity to claim higher wages. This led to an inflation crisis in early 1975, which assumed ever more threatening dimensions as the spring wore on. The Conservative Shadow Cabinet discussed the situation in May 1975. The Shadow Cabinet was cautious and emphasised pay restraint as a way of combating inflation.[436] In June the Labour government settled with the unions on a one-year flat rate policy, where the unions would abstain from making pay claims in excess of six pounds per week.[437] Incomes policy was once again in effect. The Conservative Shadow Cabinet discussed the developments in July 1975. Two groups had formed on the question of inflation: a monetarist group believed that the Conservatives should not support the government's actions without pointing out the need to control money supply and cut public expenditure. Another group argued that in the final analysis the Conservatives must support measures that are in the national interest, including a statutory incomes policy.[438] Margaret Thatcher, the party leader, did not side clearly with either group, instead arguing that the party should not make a detailed pronouncement on the pay deal.[439]

[434] CPA, CRD/4/4/93, Social Contract and Inflation, undated (estimated October 1974), pp. 9-11.
[435] ibid., p. 11.
[436] CPA, LCC/1/3/7, Leader's Consultative Committee, 14 May 1975, pp. 2-3.
[437] Taylor, *Trade Union Question*, pp. 236-7.
[438] CPA, LCC/1/3/7, Leader's Consultative Committee, 1 July 1975, pp. 1-2.
[439] ibid., p. 2.

The inflation crisis coincided with a renewed drive in the Conservative Party to update the party's policy platform. Margaret Thatcher's election as leader in February 1975 had marked a shift from the right progressive ideas of Heath towards a more principled new right stance in favour of market liberalism. Thatcher appointed Keith Joseph in overall charge of a policy review, which led to the establishment of a large number of committees and working groups, pulling the CRD into the sometimes chaotic process. Other personnel changes included Angus Maude as the new Chairman of the research department and the appointment of Chris Patten as the new Director of the department in 1974. For the purposes of economic policy, the most important new recruit was Adam Ridley, a former civil servant who joined the research department as economic adviser and Assistant Director in 1974.[440]

As part of Joseph's policy review, a general economic policy group was established in July 1975. In a display of bureaucratic theatricality, the group was named the Economic Reconstruction Group, suggesting that the Conservative Party faced the task of rebuilding a ruined economy. The committee was chaired by Geoffrey Howe, the Shadow Chancellor, with Adam Ridley as the secretary. The Economic Reconstruction Group's purpose was 'to establish an economic strategy for the Party both for the present and the future'.[441] Ridley saw three distinct tasks ahead: the formation of a coherent philosophy and strategy for economic management in government, the presentation of a coherent and persuasive set of policies in opposition, and provision of guidance to other policy groups on economic assumptions guiding their work.[442] Ridley's involvement with the group, and his close working relationship with Howe, made him the research department's most influential economic adviser during the party's period in opposition.

[440] 'Ridley, Sir Adam'.
[441] CPA, CRD/4/4/26, Note by the Chairman, 24 July 1975, p. 1.
[442] CPA, CRD/4/4/26, Programme of Work, 21 October 1975, p. 1.

In June 1975, as the Economic Reconstruction Group was being set up, Adam Ridley outlined the agenda. He identified several areas of broad agreement, including public expenditure, opposition to nationalisation, taxation, prices, and profits. Among the broadly agreed principles he also listed the notion that control of money supply – a central idea for the monetarists – was not sufficient on its own.[443] Counter-inflation remained an area where Ridley saw the greatest uncertainty, and therefore it was to be treated as the greatest priority.[444] Writing a few months later, Ridley argued that the difficulties in finding an agreed position on counter-inflation arose from an intellectual problem: lack of agreement on what causes inflation. The two intellectual extremes of this debate were theoretical monetarism, which prioritised monetary policy, and the institutionalised view that saw the 'cost-push' of prices and wages as the main problem.[445] Ridley regarded the disagreement as 'sterile and theological', warning that it risked presenting the Conservatives as a party that cannot agree on counter-inflation policy.[446]

Ridley described his theoretical understanding of inflation in a lengthy paper written in late June 1975. His views on inflation overlapped with monetarists in several important ways. He argued that the traditional economists' assumption about a stable trade-off between unemployment and inflation, embodied in the Phillips curve, had to be adjusted to take account of people's expectations. While unemployment did have an effect on inflation, the Phillips curve ignored psychological factors – namely expectations on future price growth and personal income growth – which affected the rate of inflation.[447] This emphasis on expectations was in line with Friedman's teachings; the idea of 'adaptive

[443] CPA, CRD/4/4/26, Note by the Secretary, undated (estimated June 1975), pp. 1-2.
[444] ibid., p. 2.
[445] CPA, CRD/4/4/26, Inflation and Investment, 30 October 1975, p. 1.
[446] ibid.
[447] CPA, CRD/4/4/26, Inflation, 26 June 1975, pp. 5-8.

expectations' was not only theoretically important, but it also explained Friedman's recommendation that governments should publish monetary targets, thus directly shaping expectations.[448]

Furthermore, Ridley accepted the monetarist concept of a 'natural rate of unemployment'. This was the notion that attempts to reduce unemployment below its 'natural' equilibrium rate would inevitably cause inflation. The policy implication was that some unemployment is necessary for the functioning of the economy.[449] Thus the post-war emphasis on maintaining full employment was a driver of rising inflation, as long as governments attempted to maintain unemployment below its natural level.

Ridley also expressed a monetarist preference for 'sound money' over the potentially corrosive policy of indexation, or the linking of prices to inflation. Indexation of wages was proposed by the research department in 1974 and included in the Conservative manifesto of October 1974. Despite this, Ridley was quick to dismiss indexation: he referred to pamphlets written by David Laidler and Milton Friedman for the Institute of Economic Affairs, a free-market think tank, which argued against it.[450] Ridley was concerned that 'wage indexation could institutionalise the wage-price spiral'.[451]

Adam Ridley was not, however, a fully paid-up member of the monetarist club. The central tenet of the monetarist school was that inflation was first and foremost a monetary phenomenon, and therefore the only way to control it was through the control of money supply. Ridley made the observation that money supply had been under tight

[448] M. Friedman and D.E.W. Laidler, *Unemployment Versus Inflation? An Evaluation of the Phillips Curve* (London, 1975), pp. 25-30.
[449] CPA, CRD/4/4/26, Inflation, 26 June 1975, pp. 9-11.
[450] ibid., pp. 25-6.
[451] ibid., p. 23.

control since 1973, and could therefore not explain the 1975 inflationary explosion. He saw control of money supply as a 'necessary rather than a sufficient condition for dealing with inflation'.[452] In this respect, Ridley departed from monetarist purists, who viewed control of money supply as the primary means of controlling inflation. In any case, Ridley felt that money supply was linked to the demand for money, expressed as political pressure from the unions and companies, which meant that governments were not in full control of monetary policy. Indeed, monetary policy was subject to many pressures: 'There are grave political challenges to be mastered in operating a tight monetary policy just as in other aspects of counter-inflationary policy'.[453] The practical implication of Ridley's theoretical views was that there was no simple cure for inflation:

> 'Everything that has been said so far points to the not unimportant conclusion that inflation does not have a single cause. It is not determined uniquely by any single one of the unions and monopoly power, expectations, excess demand, militancy, wages, the money supply or the Government… Policies to deal with inflation will have to negate most or all of them to some extent'.[454]

Ridley's views on inflation reflected genuine academic disagreements. These were on display in a conference organised by the Institute of Economic Affairs in 1974. Much of the conference discussion centred on the question of whether trade unions drove inflation through wage bargaining. David Laidler, a monetarist economist from Manchester University, firmly believed that such views were based on 'bad economics'.[455] Peter Jay and Samuel Brittan, two influential financial journalists, argued that trade unions caused unemployment by pricing workers out of the job market, which invited a government intervention to reduce unemployment, thus creating inflation.[456] Milton

[452] ibid., pp. 13.
[453] ibid., pp. 14.
[454] ibid., pp. 14-15. Emphasis original.
[455] L. Robbins (ed.), *Inflation: Causes, Consequences, Cures* (London, 1974), p. 56.
[456] ibid., pp. 49-50, 93.

Friedman – the foremost proponent of the idea that inflation was always a monetary phenomenon – refused to give a clear answer to the question: while expansion of money supply was the proximate cause of inflation, he left open the possibility that other factors, such as trade unions, could explain why money supply was expanding in the first place.[457]

Adam Ridley's departures from monetarist doctrine, namely his rejection of the centrality of money supply and his emphasis on political pressures in the making of monetary policy, situated him closer to the practical monetarism of Jay and Brittan than the theoretical monetarism of Friedman and Laidler. Nevertheless, Ridley drew heavily from monetarism and readily cited monetarist economists. Thus in the years of Conservative opposition in mid-to-late 1970s, the CRD's most influential economic adviser, though not a full-fledged Friedmanite, was at least heavily influenced by monetarist thought.

Having laid out his theoretical foundation, Ridley addressed the implementation of counter-inflation policies in a separate paper, written in early July 1975. The paper considered whether gradual tightening of monetary policy over several years was preferable to a 'sudden death' shock treatment, as recommended by the financial journalist Samuel Brittan. Ridley saw potential for devastating economic upheaval in both policies, but admitted that the 'sudden death' option would have a strong effect on inflationary expectations.[458] To avoid a wave of bankruptcies arising from a 'head-on collision between the inflationary momentum of the economy and rigid monetary restraint', he recommended a policy of 'freeze-squeeze': a combination of sudden tightening of monetary policy and a

[457] ibid., p. 100.
[458] CPA, CRD/4/4/26, Gradualism or Sudden Death, 10 July 1975, pp. 1-3.

one-year wage freeze.[459] True to his analysis on the causes of inflation, Ridley was advocating a mix of measures to deal with inflation, one that combined monetarist prescriptions and more familiar statutory controls on wages.

Armed with Ridley's work on inflation, in early July 1975 the Economic Reconstruction Group tasked him with writing the group's interim report. Inflation was identified as the priority.[460] Completed just two weeks later, the report identified four major problems in the British economy: firstly, inflation, secondly, imbalances in the allocation of the national output, particularly towards an excessive public sector, thirdly, imbalances in monetary policy, above all stemming from a massive public sector deficit, and lastly, defects in the labour market and collective bargaining. To address these, the group's report outlined an 'ideal package' of measures, built around Ridley's 'freeze-squeeze' approach. The main elements of the package were a tightening of monetary policy, combined with a total one-year wage freeze.[461] In addition, the plan included policies to address perceived structural weaknesses: the public deficit would have to be reduced and resources redirected from the public sector towards private sector profits and investment, price controls abolished, and labour market reforms enacted to blunt union militancy.[462] In a note to Margaret Thatcher, Ridley posited that the 'ideal package' would achieve several goals: price inflation would be nearly eliminated by end of 1976, short-run deflation would be offset by investment and export-led expansion, inflationary expectations would be checked, and the corporate sector rescued.[463] A Shadow Cabinet meeting at the end of July endorsed the plan.[464]

[459] ibid., p. 3.
[460] CPA, CRD/4/4/26, Economic Reconstruction Group, 25 July 1975, p. 2.
[461] CPA, CRD/4/4/26, Note by the Chairman, 24 July 1975, pp. 1-3.
[462] ibid., p. 3-4.
[463] CPA, CRD/4/4/29, A. Ridley to M. Thatcher: Economic Debate, 18 July 1975, p. 5.
[464] CPA, LCC/1/3/8, Leader's Consultative Committee, 28 July 1975, pp. 1-2.

One member of the Shadow Cabinet, Nicholas Edwards, objected to Ridley's multi-causal explanation of inflation. In his view, the true cause of inflation was excess demand in the economy.[465] Accusing Ridley's 'ideal package' of muddled thinking, Edwards proposed reducing excess demand – and thus inflation – through a gradual policy of monetary tightening combined with reduction in public borrowing, spending, and taxation.[466] This prompted Ridley to write a defence of his theoretical understanding of inflation. Ridley compared the causes of war and causes of inflation: 'No-one [*sic*] would claim that one could hope to abolish war solely by restraining arms supplies or creating new institutions of world government, important and useful as either might be. Much the same is true of inflation'.[467] In a meeting of the Economic Reconstruction Group, Howe confirmed that the group subscribed to a multi-causal understanding of inflation.[468] Though a side show in terms of policy development, the Ridley-Edwards exchange revealed Ridley's hostility to reductionist economic theorising. Inflation was a multi-causal and complex phenomenon, and therefore required an eclectic response. Importantly, this view was also shared by Howe. Howe's and Ridley's understanding of inflation was shaped by monetarist theory, but neither was convinced by the argument that effective counter-inflationary policy consisted of simply restricting money supply.

The Economic Reconstruction Group's early activities were greatly influenced by Adam Ridley's economic views. Amidst the 1975 inflation crisis, the Conservative Party saw the development of a credible counter-inflation policy as a matter of urgency. Evidence from government surveys also pointed to the fact that the public at large, rather

[465] CPA, CRD/4/4/26, Notes on Shadow Cabinet Paper PG/10/75, undated (estimated November 1975), p. 1.
[466] ibid., pp. 4-5.
[467] CPA, CRD/4/4/26, Many Senses of "Cause" in General Use, 17 November 1975.
[468] CPA, CRD/4/4/26, Economic Reconstruction Group, 20 November 1975.

than just commentators and specialists, found the spiralling inflation worrisome. This helped those in the Conservative Party who wanted to make inflation the central issue of economic policy and offer monetarism as the solution.[469] Under these circumstances, Ridley was able to articulate a theoretical foundation for understanding inflation – drawing heavily but not exclusively from monetarist thought – and use that understanding to formulate a response to the impending inflation disaster. The results of the Howe-Ridley collaboration were accepted as party policy almost without modification. Neither Thatcher nor the Shadow Cabinet saw much need to shape the policies that emerged from the Economic Reconstruction Group.

In terms of political usefulness, Ridley's 'ideal package' quickly became obsolete. As the flat rate pay settlement, agreed by the Wilson government and the unions in June 1975, began to curb inflation, the shock therapy approach promoted by Ridley became unnecessary. Fears of an immediate inflation crisis subsided and the Conservative opposition could turn its attention to longer-term issues. Nevertheless, the Howe-Ridley collaboration had set the tone for the party's new economic approach. In keeping with the ideas of Thatcher and her closest associates, the Conservative Party was now unambiguously the champion of market liberalism. Monetarism, despite its untested and largely theoretical nature, provided intellectual freshness and an alternative to the muddle of the Heath years. Adam Ridley, as the research department's leading mind on economic policy, had a crucial role in working out the details and intellectual arguments of the new approach.

[469] Tomlinson, 'British Government and Popular Understanding of Inflation', pp. 764-6.

A new approach to economic management, 1975-6

The 1974-9 Labour governments of Harold Wilson and James Callaghan had to steer the country through severe economic troubles. A worldwide recession in the mid-1970s meant that slow growth, inflation, and unemployment affected economies across the industrialised world. The international situation, combined with the Heath government's economic legacy, forced the Labour government to adopt a programme of austerity and sound finance from 1975 onwards. Public sector borrowing became a major focus. A system of cash limits – where departments were issued an annual budget in cash terms to discourage overspending – was introduced to prevent public expenditure and borrowing from rising.[470] A sterling crisis in 1976 forced the government to apply for a loan from the International Monetary Fund, which came with a requirement for sharp cuts to public expenditure. Between 1976-9, the government adopted a policy of 'new realism', characterised by monetary rigour and constraints on spending. The Conservative Party viewed these policies favourably, and in areas like public expenditure, tracked the government's actions.[471] But the Conservatives were not content with copying Labour's monetary and fiscal restraint. As part of the Conservative Party's policy review, a systematic rethinking of economic doctrine took place, shifting the party from Keynesianism towards market liberalism and monetarism.

In late 1975, Geoffrey Howe's Economic Reconstruction Group held a series of meetings to think through the Conservative Party's philosophy on economic governance. The discussion revolved around three themes: incomes, demand management, and

[470] M. Artis, D. Cobham, and M. Wickham-Jones, 'Social Democracy in Hard Times: The Economic Record of the Labour Government 1974-1979', *Twentieth Century British History*, 3:1 (1992), pp. 36-46; Williamson, *Conservative Economic Policymaking*, p. 53.
[471] Williamson, *Conservative Economic Policymaking*, pp. 3-4, 76-77.

monetary policy. The group began with incomes and the labour market. As in the debate between monetarism and Keynesianism, the party was divided between those who wanted to work with the unions and those who sought to bring the unions to heel. James Prior, the Shadow Employment Secretary, argued that the party should keep a low profile on industrial relations and abstain from presenting any new legislative initiatives.[472] Howe had less trust in the unions and held the proto-Thatcherite view that '… a substantial part of the union leadership were bent on changing the entire economic system, and their attitude was one of profound and truculent hostility'.[473] He saw the problem as political: citing Friedrich Hayek, Howe argued that the power of the trade unions had to be diminished or they would force governments to abandon monetary continence. Prior reminded the group that the Industrial Relations Act of 1972 was designed to achieve precisely that, and its failure left no prospects for successful trade union legislation in the coming years.[474] Keith Joseph sided with Howe on the trade unions.[475] A similar debate evolved on the question of incomes policy. Prior believed that return to free wage bargaining was not realistic and the next Conservative government would have to implement an incomes policy. Joseph, on the other hand, placed primacy on controlling money supply and had less faith in wage control.[476] Howe, as the chairman, was forced to conclude that the group was undecided on whether statutory wage controls or other labour market interventions should play a role in Conservative policy.[477] Thorny questions around incomes policies and trade union power were set aside.

[472] CPA, CRD/4/4/26, Economic Reconstruction Group, 13 November 1975, p. 1.
[473] ibid., p. 2.
[474] CPA, CRD/4/4/26, Economic Reconstruction Group, 20 November 1975, p. 2.
[475] CPA, CRD/4/4/26, Economic Reconstruction Group, 13 November 1975, p. 1.
[476] ibid.
[477] ibid., p. 2.

Demand management was next on the group's agenda. In October 1975, Howe had argued that two options were open to the next Conservative government: continued use of Keynesian demand management or what he called the 'lashed-tiller' approach of monetarism (a sailing term, this referred to the practice of tying down the boat's tiller to hold a steady course).[478] The group returned to the theme in December 1975, with a background paper by Ridley on economic 'fine-tuning'. Ridley felt that the critics of fine-tuning, who held that active management of the British economy was counter-productive, could not offer ready solutions. The New Cambridge approach of Wynne Godley and Francis Cripps was 'quite simply wrong', while the monetarist approach of the Manchester economists David Laidler and Michael Parkin was politically – if not economically – impracticable.[479] He offered no answer to the choice between 'lashed-tiller' monetarism and the 'rather discredited dog-eared' Keynesian demand management techniques.[480] Instead, Ridley noted that there was a need to distinguish between economic objectives and instruments, and answers on the relative merits of monetarism and Keynesianism would come later.[481] Reflecting this evasiveness, the Economic Reconstruction Group's discussion of the Ridley paper was inconclusive.[482] That did not stop Howe from summing up the debate in terms that favoured monetarist prescriptions: people should be taught to expect less from government policy, the pound should be allowed to float, elimination of inflation should remain the pre-eminent objective, and governments should embark on a long-term pursuit of the right monetary policy.[483] Whether the members of the group agreed or not, Howe formulated a position that departed from Keynesian orthodoxy and took steps towards monetarism. In a haphazard manner, accompanied by ambivalent

[478] CPA, CRD/4/4/26, Economic Reconstruction Group, 23 October 1975, p. 3.
[479] CPA, CRD/4/4/26, Economic Management – The Debate about Fine-tuning, 3 December 1975, p. 3.
[480] ibid., p. 5.
[481] ibid.
[482] CPA, CRD/4/4/26, Economic Reconstruction Group, 4 December 1975, pp. 1-2.
[483] ibid., p. 2.

advice from the research department, the Economic Reconstruction Group had arrived at the conclusion that '[g]overnments should tinker less with the economy'.[484]

The group's anti-interventionist views were strengthened by consultation with Alan Budd, an academic and senior economic adviser at the Treasury in 1970-4.[485] Budd was openly critical of fine-tuning: he believed governments engaged in short-term corrective actions, based on political pressures, rather than thinking about the long-term effects of their policies. Budd observed that governments had largely stopped intervening in exchange rates and stock market prices; what, then, was the rationale for intervening to stimulate economic activity?[486]

The last major topic on the table was monetary policy. Brian Griffiths, a finance specialist from City University who would later become the head of the Prime Minister's Policy Unit during the Thatcher premiership, had been co-opted to the group to work on monetary policy.[487] An advocate of monetarism, Griffiths produced an assessment of recent history that interrogated the causes of inflation. In his view, the fault lay with the Bank of England, which had introduced a market-driven interest rate policy in 1971, known as Competition and Credit Control. It led to an explosion of money supply in 1972-3, which inevitably created inflation. Rather than accepting the blame, the Bank of England had sought to discredit monetarism as a theory. Griffiths believed the Bank's

[484] CPA, CRD/4/4/26, Economic Reconstruction Group, 4 December 1975, pp. 2.
[485] 'Budd, Sir Alan (Peter), (born 16 Nov. 1937)', *Who's Who & Who Was Who* (Oxford, December 2019), https://doi.org/10.1093/ww/9780199540884.013.U9322 (15 December 2019).
[486] CPA, CRD/4/4/27, Economic Reconstruction Group, 15 January 1976, pp. 1-2.
[487] 'Griffiths of Fforestfach, Baron, (Brian Griffiths) (born 27 Dec. 1941)', *Who's Who & Who Was Who* (Oxford, December 2019), https://doi.org/10.1093/ww/9780199540884.013.U18226 (15 December 2019).

failure to control money supply was to blame, rather than any flaws in monetarism itself.[488]

Ridley commented on Griffiths's version of history in a meeting of the Economic Reconstruction Group. In his view, the events of 1972-3 would have probably happened regardless of the changes in money supply. Nonetheless, monetary expansion had affected a number of factors, including inflationary expectations, which had contributed to the inflation crisis of 1974-5.[489] Ridley was advancing his eclectic understanding of inflation, in which inflation was affected by monetary policy, but could not be reduced to a simple money supply explanation. The group's conclusions reflected both Griffiths's and Ridley's views: firstly, the cause and effect of money supply and inflation was impossible to prove, as argued by Ridley.[490] Secondly, in line with Griffiths's analysis, the group thought that '…there was no doubt that the monetary side of economic policy had been neglected in the past, and that this was a mistake against the repetition of which we should have to guard'.[491] In effect, the Economic Reconstruction Group took another step towards monetarism. While eschewing the notion of money supply as the primary determinant of inflation, the group embraced monetary policy as a central method of economic management.

The Economic Reconstruction Group was instrumental to the Conservative Party's efforts to recast its economic policies in the wake of the Heath years. Yet, the positions reached in the group were not necessarily shared by the wider party. Inflation and the methods of combating it continued to attract debate. In a Shadow Cabinet meeting held in

[488] CPA, CRD/4/4/26, Monetary Policy, 10 December 1975, pp. 1-3.
[489] CPA, CRD/4/4/26, Economic Reconstruction Group, 11 December 1975, p. 2.
[490] ibid.
[491] ibid.

May 1976, Keith Joseph requested an analysis of the monetary approach to inflation. The research department's response, co-authored by Ridley and his colleagues, argued that there was a correlation between money supply and rates of inflation, but it could offer only crude predictions.[492] This reflected Howe's and Ridley's reluctance to endorse the theoretical monetarist position.

The most divisive issue, however, was incomes policy. In the spring of 1976 the government and the TUC announced a new round of wage restraint. Under this 'phase 2' agreement, in effect from July 1976 to July 1977, unions could bargain for a five percent pay increase or a maximum of four pounds per week; in practice, the agreement further tightened wage restraint from the previous year's flat rate agreement.[493] The Conservative Party had failed to present a credible public position on inflation and wages. In an uncharacteristically frank commentary on the party's internal divisions, the research department observed that '[t]he Party is believe [*sic*] to be in a profound state of disagreement on the issues and to be making occasional somewhat half-hearted equivocal noises in order to conceal that situation'.[494] The question of incomes thus continued to haunt Conservative policy-makers. The Shadow Cabinet briefly discussed the research department's paper, but no decisions were made.[495]

The Economic Reconstruction Group's vision, until now discussed in closed circles of front benchers and selected experts, was elevated to party policy through the publication of two major policy statements. Since going into opposition, the Conservatives had published few policy proposals, and by 1976 the new leadership faced pressure to outline

[492] CPA, LCC/1/3/10, The Monetary Approach to Forecasting Inflation, 26 May 1976.
[493] Taylor, *Trade Union Question*, pp. 243-4.
[494] CPA, LCC/1/3/10, The Pay Deal, 18 May 1976, p. 8.
[495] CPA, LCC/1/3/10, Leader's Consultative Committee, 19 May 1976, p. 2.

what it stood for. The CRD counselled the publication of at least some policies.[496] *The Right Approach*, released in the autumn of 1976, was the Conservative Party's most important attempt to establish a political programme in opposition. Though economic policy was discussed extensively in the pages of the *The Right Approach*, the document contained only a brief mention of monetarist methods for reducing inflation.[497] More emphasis was placed on safely Conservative causes, such as reduction of public expenditure, tax cuts, and improving the business environment.

Published in 1977, *The Right Approach to the Economy* confirmed monetarism's place in new Conservative economic thought. To demonstrate party unity, the policy statement was co-signed by four men who represented different economic philosophies. The two extremes were represented by Keith Joseph, one of the earliest and most vocal proponents of monetarism, and James Prior, who represented a Keynesian economic approach, with an emphasis on building constructive relations with the trade unions. The remaining co-signatories, Geoffrey Howe and David Howell, were converts to the cause of monetarism, even if they lacked Joseph's crusading mentality. The balance of opinions tilted towards monetarism. The policy statement promised '[s]trict control by the Government of the rate of growth of the money supply', thus giving effect to one of monetarism's most sacred principles.[498] But the document also contained an admonition against oversimplification, reflecting Ridley's understanding of inflation: controlling money supply was a necessary condition for sound economic governance, but not a solution on its own.[499] With the release of *The Right Approach to the Economy*, the

[496] CPA, LCC/1/3/10, The Political Prospect and Strategy (LCC/76/98), 10 February 1976, p. 8.
[497] CAC, Thatcher MSS (digital collection), 109439, The Right Approach: A Statement of Conservative Aims, 4 October 1976, p. 24.
[498] CAC, Thatcher MSS (digital collection), 112551, The Right Approach to the Economy: Outline of an Economic Strategy for the Next Conservative Government, 8 October 1977, p. 6.
[499] ibid., p. 11.

Conservative Party had declared its monetarist position. At the same time, traces of Ridley's eclecticism remained in the refusal to see monetary policy as a panacea.

The close collaboration between Geoffrey Howe and Adam Ridley helped steer the party to acceptance of certain monetarist and free market principles. While Howe controlled the agenda and the conclusions of the Economic Reconstruction Group, Ridley's prolific writing defined the intellectual framework. The group's report to the Shadow Cabinet in the summer of 1976 distilled the new thinking. Once in power, the Conservative Party should abstain from short-term fine-tuning and fiscal management. Instead, monetary discipline should be imposed through floating exchange rates and the setting of monetary targets. Tax reforms and reduction in public spending would be needed to revitalise the private sector, where higher profits would lead to increased investment.[500] Reflecting the lack of a clear policy on incomes, the report drew attention to incomes policy as the '[p]olitically … most exposed flank'.[501]

Taken as a whole, the Economic Reconstruction Group's proposals offered the Conservative Party a new outlook: a shift away from Keynesian demand management, a new emphasis on monetary policy, and revitalisation of the private sector through reduction of the state's role in the economy. The CRD, namely Ridley, had played a part in this shift. Ridley acted as a mediator and interpreter between Friedmanite monetarism and more conventionally Conservative ideas on fiscal restraint and private sector competitiveness. He was simultaneously a conduit for monetarist ideas and a countervailing force against the simplistic assumptions of theoretical monetarism. The Howe-Ridley collaboration was important for the party's doctrine and internal politics. In

[500] CPA, CRD/4/4/28, Report of the Economic Reconstruction Group, undated (estimated summer 1976), pp. 5-10.
[501] ibid., p. 10.

terms of doctrine, the party moved closer to monetarism and economic liberalism, in line with the preferences of Thatcher. In terms of internal politics, the insistence on eclecticism in economic policy helped to avoid open disagreement among the party's right progressive and new right factions.

Import controls, 1975-9

As the British economy slid towards further trouble in 1975-6, internal battles within the Labour Party intensified. Calls for an activist industrial policy by the party's left were resisted by the government. The 1975 referendum on the EEC was intertwined with the industrial policy debate; opponents of Community membership argued that the Community would prevent Britain from pursuing a nationally determined industrial policy. At a deeper level, Community membership was a choice between free trade and protectionism, and many on the Labour left were convinced of the need to protect British industry from foreign competition. In the autumn of 1975, the left-leaning NEC issued two controversial statements to the Annual Conference: *Labour and Industry: The Next Steps* and *Jobs and Prices*. The statements shared a similar analysis of the economic situation: a worldwide recession was affecting demand for British products which led to a balance of payments deficit. Inflation continued at a high level and the public sector was heavily in deficit, making conventional reflation impossible. The NEC called for the imposition of selective import controls to protect jobs, investments, and the balance of trade.[502] Resisted firmly by a government concerned about trade retaliation, import controls became a new battleground in the strained relationship between party and government.

[502] LPA, LP/RD/78/9, Labour and Industry: The Next Steps, 1975, pp. 2-3; Wickham-Jones Papers, Jobs and Prices, 1975, p. 2.

The theoretical basis for protectionism derived from the work of Wynne Godley and Francis Cripps. Godley was a former Treasury economist who moved to Cambridge University in 1970, continuing his involvement in policy-making as an academic and a government adviser. Cripps, an economist at Cambridge, was appointed as special assistant to Tony Benn in 1974. Both were central figures in the New Cambridge School, formally known as the Cambridge Economic Policy Group.[503] The Cripps-Godley thesis, which received considerable attention in specialist circles in the mid-1970s, was an attempt to update the Keynesian framework, which no longer appeared to work in the age of stagflation. Cripps and Godley made two central claims: firstly, of the four sectors of the economy – business, household, public, and external – the private sector, consisting of businesses and households, was assumed to hold a steady surplus.[504] Secondly, since private sector surplus was constant, changes in the public sector deficit determined the size of the balance of payments deficit. In the absence of external controls, additional demand from government deficit spending was diverted to imports, thus raising the balance of payments deficit, but achieving little in terms of domestic economic activity.[505]

Proceeding from this theory, Cripps and Godley recommended a protectionist export-led growth strategy. By implementing import controls, the British government could prevent the diversion of expenditure into imports. Reflation of the economy would again boost aggregate demand, as intended. Trade protectionism would safeguard British jobs and allow international demand to drive growth.[506] The threat of trade retaliation

[503] T. Mata, 'Godley Moves in Mysterious Ways: The Craft of Economic Judgment in Post-war Britain', in D. Papadimitriou and G. Zezza (eds.), *Contributions in Stock-flow Modeling: Essays in Honor of Wynne Godley* (Basingstoke, 2012), pp. 16-17.
[504] Cairncross, *British Economy*, pp. 206-7.
[505] Thompson, *Political Economy and Labour*, p. 213.
[506] Foote, *Labour Party's Political Thought*, p. 313.

could be averted through discriminate use of import controls, specifically by deploying so-called import penetration ceilings that would be raised over time as the economy grew.[507]

Along with Francis Cripps, Benn's adviser, the LPRD acted as an important conduit for New Cambridge School ideas. The research department advocated import controls through the party's policy machinery, building support for protectionism among Labour's left-wing faction. Andy Thompson, a research department expert, was especially active in propagating import controls through his regular reports on the country's economic outlook. The research department's economic report of March 1975 observed that while the social contract provided a response to inflation, new measures were needed to avert unemployment. Traditional demand management methods were unlikely to work, creating a strong rationale for import controls.[508] The report of July 1975 advanced a similar analysis, arguing that there was an 'overwhelming case' for a 10 percent selective import surcharge and import quotas in vulnerable industries.[509] The research department's views could be found behind the NEC's statements to the Annual Conference of 1975. The economic report of November 1975 continued the theme, identifying the reduction of unemployment as the first priority and noting the limited scope for conventional reflation. Among its recommendations was a 15 percent import surcharge, coupled with import quotas in problematic sectors.[510] Thus, in the course of 1975 the research department's economic analysis and forecasts placed import controls on the party's agenda. The justification for their use was two-fold: firstly, eroding trust in the effectiveness of conventional Keynesian reflation, and secondly, the high priority placed on fighting unemployment.

[507] Foote, *Labour Party's Political Thought*, p. 313; Thompson, *Political Economy and Labour*, pp. 213-14.
[508] Wickham-Jones Papers, The Economic Outlook (RE: 82), March 1975, p. 2.
[509] Wickham-Jones Papers, Economic Report, July 1975 (RE: 231), July 1975, p. 6.
[510] Wickham-Jones Papers, Economic Report, November 1975 (RE: 336), November 1975, p. 2-3.

The party's policy machinery was initially slow to react to the research department's recommendations, despite the NEC's supportive Annual Conference statements. The problem was that the Finance and Economic Affairs Sub-committee, the obvious forum for discussing macroeconomic policy, had been mostly dormant since 1973.[511] The NEC resurrected the Sub-committee in December 1975, but imports were not on the agreed list of topics for the coming year.[512] The Sub-committee's first meeting was in January 1976, but there was no discussion of import controls.[513] The push for developing concrete proposals on import controls came from the research department, in the form of a report on the economic situation. In a paper written in February 1976, the research department identified unemployment as the main problem, and forecast that the number of unemployed workers could rise to 1.25 million. The government was pinning its hopes on an unrealistically strong recovery of the world economy, which, even if it materialised, would still leave a million British workers unemployed.[514] If the Chancellor adopted a more active approach, the conventional methods at his disposal were of limited value: reflation through fiscal means or devaluation of sterling would have significant costs and little impact on unemployment. The research department's solution was a 15 percent import surcharge. Combined with extra public spending, import controls would save half a million jobs by 1977.[515] The research department's case for import controls had remained largely unchanged since early 1975. By successfully inserting the topic on the committee agenda, the research department had opened the way to making import controls part of party policy.

[511] LPA, LP/RD/20/8, G. Bish to D. Healey, 14 May 1974; LPA, box 63, Suggested Programme of Work 1975-76 (RE: 197), June 1975.
[512] LPA, box 63, Finance and Economic Affairs Sub-committee, 11 December 1975.
[513] LPA, box 63, Finance and Economic Affairs Sub-committee, 14 January 1976.
[514] LPA, box 63, The U.K. Economy, 1976 to 1978 (RE 461), February 1976, pp. 1-3.
[515] ibid., pp. 3-5.

Import controls divided opinions in the Financial and Economic Affairs Sub-committee. The policy was supported by the chairperson, Judith Hart, as well as the leftist parliamentarian Ian Mikardo. The most trenchant criticism came from the Treasury, from Denzil Davies and Adrian Ham, a junior Treasury minister and special assistant to the Chancellor, respectively. As the chair of the group, Hart sought to downplay the controversy by emphasising the temporary nature of the proposed import controls.[516] Having made the case for import controls in the first place, the research department now moved to provide justification for the policy. In February and March 1976, the department circulated three papers on import controls, each advancing different arguments for their efficacy. Firstly, the research department sought to downplay the threat of international retaliation against British exports. This was based on the logic that the countries most affected by British import controls would have the least incentive to retaliate, due to the relative balance in imports and exports between the countries.[517] Secondly, import controls would not only benefit Britain's macroeconomic position, but there was also a strong microeconomic rationale for them. Through the microeconomic logic, the research department tied import controls to the party's industrial policy. The overriding need to gain time for the modernisation of British industry called for a long period of import controls, lasting at least two years or longer.[518] Lastly, recent history provided evidence that import controls could produce the desired effects. The research department pointed to the period 1961-6, when an import surcharge was deployed successfully to reduce the volume of imports to Britain.[519] The research department displayed a cavalier attitude

[516] LPA, box 63, Finance and Economic Affairs Sub-committee, 11 February 1976.
[517] LPA, box 63, Import Controls: The Issue of Retaliation (RE: 363), November 1975, pp. 10-11 (recirculated to the Sub-committee in February 1976).
[518] LPA, box 63, Import Controls: Why, How, and for How Long? (RE: 508), February 1976, pp. 2-3, 5-6.
[519] LPA, box 63, The Import Surcharge, 1964 to 1966: The Effect on the Level of Imports (RE 568), March 1976.

towards the threat of retaliation by Britain's trade partners; retaliation was seen as a hypothetical question, and therefore without a real answer. Furthermore, the research department did not see import controls merely as a temporary measure, but as part of a longer-term policy to arrest Britain's industrial decline.

In the Financial and Economic Affairs Sub-committee, views followed a predictable pattern of left-right divisions: leftists were unconcerned about retaliatory action while right-wingers saw retaliation as a real danger. The Sub-committee debated the matter in February and March 1976. Davies and Ham continued to resist the policy, but in early March they were overruled, leading them to record their formal disagreement with the committee's position.[520] The research department produced a draft text on import controls, for inclusion in the updated version of the party programme. Though the research department had earlier favoured the microeconomic argument for import controls, the text now reverted to the original macroeconomic rationale centred on the balance of payments.[521] Meanwhile, the research department's economic forecast reports continued to advocate import controls, and more generally, an activist industrial policy along the lines of Labour's alternative economic strategy.[522]

Import controls featured prominently in *Labour's Programme for Britain*, reissued for the Annual Conference of 1976, making them a core feature of the party's radical economic approach.[523] The 1976 programme was seen as an expression of leftist priorities, which were increasingly in conflict with the realities of Labour's record in office.

[520] LPA, box 63, Finance and Economic Affairs Sub-committee, 25 February 1976; LPA, box 63, Finance and Economic Affairs Sub-committee, 3 March 1976.
[521] LPA, box 63, Labour's Programme 1976: Draft Section on Economic Policy (RE: 607), April 1976.
[522] Wickham-Jones Papers, Economic Report and Budget Proposals, March 1976 (RE: 514), March 1976; Wickham-Jones Papers, Economic Report, July 1976: The Economic Policy Outlook (RE697), July 1976.
[523] Labour Party, *Labour's Programme for Britain* (London, 1976), pp. 12-14.

Ministers holding economic portfolios were uniformly critical of the programme. The Treasury's dissatisfaction with import controls was clearly communicated by Davies and Ham in early 1976, to no avail. In May 1976, four ministers registered their objections to the draft programme: Eric Varley from the Department of Industry had a clear opinion: '… in places the document appears unrealistic and impractical and, I am afraid, it is likely to lack credibility'.[524] The Secretary for Trade, Edmund Dell, found both the macroeconomic and microeconomic arguments for import controls unconvincing, opining that the draft programme underestimated the risk of retaliation by Britain's trading partners.[525] The Secretary for Employment, Albert Booth, was opposed to the programme's call for a massive worker retraining programme and expanded industrial democracy.[526] Lastly, Fred Peart, the minister for agriculture, promoted the phasing out of food subsidies introduced by Labour in 1974, whereas the party programme called for their continuation.[527] Taken together, the ministers' comments constituted a rebuke of Labour's alternative economic strategy, including its latest feature, import controls. The struggle over Labour's economic policy had expanded to a new area, with no resolution in sight.

The high point of Labour's import control policy came in 1976 with the arrival of the sterling crisis. Britain's indebtedness and inflation led investors to speculate that a devaluation of the pound was imminent, leading to a falling pound value relative to the dollar. The government was forced to seek an unprecedented £3 billion loan from the International Monetary Fund.[528] As a condition of the loan, the Fund required a steep £2.5 billion cut in public expenditure. In November and December 1976, the loan was resisted

[524] LPA, LP/RD/7/4, E. Varley to R. Hayward, 11 May 1976, p. 1.
[525] LPA, LP/RD/7/4, E. Dell to R. Hayward, 13 May.
[526] LPA, LP/RD/7/4, A. Booth to R. Hayward, 14 May 1976; LPA, LP/RD/7/4, M. Emmott to G. Bish, 12 May 1976.
[527] LPA, LP/RD/7/4, Comments by Minister of Agriculture (RE 619), April 1976.
[528] Morgan, *Britain since 1945*, pp. 383-4.

by a leftist group of ministers, led by Michael Foot and Tony Benn, who argued that import controls could restore the economy to health. The Cabinet sided with the Prime Minister's position in December.[529] Aside from lending a degree of democratic legitimacy to the protectionist Foot-Benn position, the Labour Party's policy machinery had little influence on the fast-moving sterling crisis of 1976.

Following the International Monetary Fund crisis the LPRD continued to push for import controls. In February 1977 the research department reiterated its by-now familiar proposal for a 15 percent import surcharge coupled with fiscal reflation.[530] By January 1978 the research department had begun proposing import penetration ceilings, a more limited form of import controls, rather than the earlier percentage-based import surcharges.[531] The Financial and Economic Affairs Sub-committee held comparatively consensual discussions on the import ceilings and decided to adopt the policy for finished manufactured goods, to give British industry breathing space for restructuring.[532] The research department included the import ceilings in Labour's draft manifesto, but the draft was later scrapped and rewritten by the Prime Minister's aides.[533] The final manifesto of 1979 contained a watered-down commitment to ensuring '… that imports enter our market only within acceptable limits'.[534] Labour's loss in the general election of May 1979 meant that the manifesto commitment was never put into practice.

[529] Cairncross, *British Economy*, pp. 216-17; Donoughue, *Prime Minister*, pp. 89-90.
[530] Wickham-Jones Papers, The Economic Outlook, 1977 to 1979 (RE 967), February 1977, pp. 5-6.
[531] Wickham-Jones Papers, Economic Report, Spring 1978: A Preliminary Note (RE1463), January 1978, p. 3.
[532] LPA, LP/RD/14/3, Finance and Economic Affairs Sub-committee, 23 February 1978, pp. 1-3; LPA, LP/RD/14/3, Finance and Economic Affairs Sub-committee, 11 May 1978.
[533] Wickham-Jones Papers, Manifesto Draft on the Economy (RE 1834), September 1978, p. 4; G. Bish, 'Drafting the Manifesto', in K. Coates (ed.), *What Went Wrong: Explaining the Fall of the Labour Government* (Nottingham, 2008), pp. 194-7.
[534] Craig (ed.), *General Election Manifestos*, p. 288.

The LPRD's active promotion of import controls in the middle of the decade made them, in effect, an element of the alternative economic strategy. The alternative economic strategy had remained remarkably unchanged since its inception in 1972-3. The issue of British trade with Europe appeared settled by the 1975 referendum, but the party's protectionist leftist elements were receptive to new arguments. They rallied under the banner of import controls. The research department's reasoning behind socialist protectionism was two-fold: the early arguments mainly focused on the macroeconomic usefulness of import controls in the fight against unemployment and the maintenance of a favourable balance of payments. But over time, the microeconomic argument became equally important. By shielding British industry from foreign competition, import controls offered a way to win time for the modernisation of industry. In this way, import controls became an indispensable element of a broader socialist strategy that sought to restore Britain's industrial competitiveness through state-led interventionism. The LPRD not only acted as a conduit between the New Cambridge School and the party, but facilitated the integration of import controls with the party's wider economic thought and objectives. This was the research department's main intellectual contribution to the alternative economic strategy.

Rolling back the state, 1975-9

The Economic Reconstruction Group, chaired by Geoffrey Howe, had been instrumental in questioning and reshaping the Conservative Party's understanding of Keynesianism, monetarism, and inflation. This scrutiny was extended to other areas as well. Buffeted by the radicalising winds of market liberal ideas, the Conservatives began to question the extent to which the state should be involved in the economy. Reimagining the

methods of economic management was not enough; the party had to commit itself to a long crusade against an encroaching state that suffocated the energies of the private sector. The state had to be rolled back on two fronts: in public expenditure and in publicly-owned industries.

Conservative policy-makers viewed public expenditure as a concrete signifier of the state's control of the nation's economic output. Growth of the state in the post-war decades had led to a situation where a large public sector controlled a disproportionate share of the economy, leaving the wealth-generating private sector strapped for resources. The Economic Reconstruction Group's interim report in July 1975 identified excessive public spending as one of the central problems facing the British economy. The group recommended reductions in public expenditure to free up resources for exports, investment, and private spending.[535] In addition, the Labour government's austerity programme, provoked by the 1976 sterling crisis and the resulting loan from the International Monetary Fund, inspired the Conservatives to seek ways to keep real spending level.[536]

In February 1976, Geoffrey Howe and Adam Ridley presented a policy position in a pair of papers written for the Shadow Cabinet. Ridley set out the historical context, arguing that the British private sector was squeezed by a 'pincer movement'. The pincer was formed on one flank by the high wage claims of workers, and on the other flank, by excessive government control of national resources. After paying high taxes and high wages, companies made little profit, and economic growth suffered. Ridley concluded that the Conservatives could not wait for a spontaneous recovery of the economy. Direct action

[535] CPA, CRD/4/4/26, Note by the Chairman, 24 July 1975, pp. 1, 3.
[536] Williamson, *Conservative Economic Policymaking*, pp. 76-7.

had to be taken to address the structures that stifled the profitability of British industry.[537] Building on Ridley's historical analysis, Howe defined the political position. The immediately obvious economic problems, such as inflation and unemployment, paled in comparison with the more fundamental decline in private sector profitability and investment. Howe argued that the country had come to the end of high tax, high expenditure socialist policy. There was an over-riding need to convince the public that high government spending and taxes were destroying the economy, and the remedy was a massive reduction in the size of public expenditure.[538] Rather than debating the finer points of short-term economic management, Howe was reaching for a fundamental change of the political economy.

The Shadow Cabinet did not take a clear position on Howe's and Ridley's coordinated attack on public expenditure. Some members had qualms about the humanitarian effect of steep expenditure cuts.[539] But Howe continued to push: the urgent necessity to secure economic resources for profits and investment overshadowed concerns over the financing of public services. The Economic Reconstruction Group's final report in the summer of 1976 set out a clear rationale for public spending cuts. The crowding out of private economic activity had to be averted. Savings from public spending must go towards company profits and investment, rather than wages and consumption.[540] The Public Sector Group, a policy committee chaired by John Nott, provided the details. Through a phased austerity programme over five years, the group intended to reduce annual public expenditure by a massive total of £4.7 billion. The cuts would concentrate

[537] CPA, LCC/1/3/10, The Economic Situation in an Historical Context, 11 February 1976, pp. 2-5, 7-8.
[538] CPA, LCC/1/3/10, The Economic Prospect and the Party's Political Position, 11 February 1976, pp. 1-3.
[539] CPA, LCC/1/3/10, Leader's Consultative Committee, 13 February 1976, pp. 4-5.
[540] CPA, CRD/4/4/28, Report of the Economic Reconstruction Group, undated (estimated summer 1976), pp. 8-9.

on areas like housing and education. Defence, law and order, and Northern Ireland were exempt from the cuts.[541]

Ridley's case for reduction of public expenditure relied on the 'crowding out' argument, which held that a large public sector had a dampening effect on private sector profits and investment. Though not discussed explicitly by Ridley, monetarists in the Conservative Party also hoped that spending cuts would reduce inflation. By rolling back the state, the theory went, the state would exercise stricter control of the money supply, therefore lowering inflation. This theory, however, was not supported by Milton Friedman, who saw no direct connection between government spending and money supply. The notion of linking public spending and inflation was politically appealing, even if it made little sense from the point of view of monetarist doctrine.[542] The CRD made no use of this superficially monetarist argument.

The Economic Reconstruction Group and the Public Sector Group subscribed to a similar analysis of Britain's economic situation and the need for drastic public expenditure cuts. These views fitted well with the market liberal inclinations of Margaret Thatcher. The principles were made public in the *The Right Approach*, a major policy statement released in October 1976. Economic policy was at the heart of the statement, and the proposals drew mostly on the work of the Economic Reconstruction Group. The Conservative aim was '[t]o enable the country to live within its means, through the reduction and control of public expenditure and the re-building of a healthy and thriving mixed economy in which

[541] CPA, Report of the Public Sector Policy Group, undated (estimated summer 1976), p. 13.
[542] J. Tomlinson, 'Thatcher, Monetarism and the Politics of Inflation', in B. Jackson and R. Saunders (eds.), *Making Thatcher's Britain* (Cambridge, 2012), pp. 73-4.

taxes can be lower and profits can fulfil their proper function.[543] The essence of *The Right Approach* was drawn directly from Howe's and Ridley's market liberal vision of lower taxes, lower public expenditure, and a profitable private sector.

Published a year later, *The Right Approach to the Economy* was the party's attempt to set out a detailed economic programme. It continued the earlier themes, as worked out in the Economic Reconstruction Group. The main objectives of Conservative economic policy included '[f]irm management of government expenditure', '[l]ower taxation on earnings, capital and savings', and '[t]he removal of unnecessary restrictions on business expansion', with an emphasis on private sector profitability.[544] The Conservative Party's major policy statements took their cue from Adam Ridley, specifically his analysis of a 'pincer movement' that threatened to squeeze the life out of British industry.

Behind the scenes, detailed planning for expenditure cuts continued. The CRD tallied the party's spending plans in March 1978. The original objective had been to identify spending cuts to the order of £4.7 billion, but in the end, only £3 billion was found.[545] Even this reduced figure represented a sharp reduction in public spending. Over a projected four-year period, the Conservatives would seek £3 billion in net reductions, concentrated heavily on housing, education, and social security, while spending would be increased on defence and internal security.[546] In the summer of 1978, Howe convened a series of three 'summits' on spending and taxation at his Vauxhall home. At the meetings, research department officials '… played a central part in drawing all the threads

[543] CAC, Thatcher MSS (digital collection), 109439, The Right Approach: A Statement of Conservative Aims, 4 October 1976, p. 8.
[544] CAC, Thatcher MSS (digital collection), 112551, The Right Approach to the Economy: Outline of an Economic Strategy for the Next Conservative Government, 8 October 1977, pp. 6, 27-8.
[545] Williamson, *Conservative Economic Policymaking*, p. 77.
[546] CPA, CRD/4/4/111, Public Expenditure Commitments, 31 March 1978, p. 9.

together'.[547] Along with an agreement on the reduction of public spending, the 'summits' decided to shift the burden of taxation from direct taxes to indirect taxation – specifically, the value added tax introduced by the Conservatives in 1973.[548] By the autumn of 1978 the principle of rolling back the state through dramatic spending cuts was widely accepted among Conservative insiders.

The Conservative Party's austerity programme was deliberately secretive. In public, the approach was to castigate the Labour government on rising public spending and debt, while talking about the need for cuts in general terms. Public pronouncements offered only faint clues of the party's plans. *The Right Approach to the Economy* discussed the rationale for reducing public expenditure and identified several areas for cuts: nationalised industries, subsidies, public housing, and bureaucracy at local and national levels. The total scale of spending cuts was left unspecified.[549] The Conservative manifesto for the May 1979 general election continued to skirt around the issue. Referring to 'substantial economies', the manifesto was thin on concrete commitments, apart from promises to cancel certain Labour programmes and reduce bureaucracy.[550] In effect, the Conservative Party's austerity programme was kept hidden from the public until the party returned to power in 1979.

The CRD was not a central actor in instigating the party's austerity programme. The programme enjoyed the support of Thatcher and the new right, and despite hesitation by some Shadow Cabinet members, it also spoke to traditional Conservative inclinations,

[547] Geoffrey Howe quoted in D. Needham, 'Fentiman Road: Drawing the Conservative Fiscal Policy Threads Together in 1978', *Margaret Thatcher Foundation*, http://www.margaretthatcher.org/document/114053 (16 July 2017), p. 4.
[548] ibid., pp. 3-7.
[549] CAC, Thatcher MSS (digital collection), 112551, The Right Approach to the Economy: Outline of an Economic Strategy for the Next Conservative Government, 8 October 1977, p. 9.
[550] Craig (ed.), *General Election Manifestos*, p. 269.

such as low taxation, control of public expenditure, and private sector profitability. The research department's contribution assumed two forms: firstly, Adam Ridley's 'pincer movement' provided an intellectual and political justification for expenditure cuts. Private profits were being crowded out by a bloated public sector, which had to be rolled back to revive the economy. These ideas made their way into the party's policy statements, *The Right Approach* and *The Right Approach to the Economy*. Secondly, once the rationale for spending cuts was established, research department officers participated in the more technical process of identifying targets for cuts and calculating the results. This work was made difficult by various political pressures, such as the commitment to higher defence and security expenditure, the desire to avoid offending important interest groups (for example, farmers), and the difficulties of forecasting spending in areas such as public sector pay and social services.[551] Nevertheless, the CRD, working with Howe, managed to identify considerable expenditure cuts for the next Conservative government.

Another area where the Conservatives sought to roll back the state was nationalised industries. As a result of Labour's nationalisation drive in the aftermath of the Second World War, Britain was a mixed economy, with significant state ownership across different industries. Industrial policy was a salient and controversial policy area during the Heath ministry, with the government accused of having committed a 'U-turn' when it rescued troubled British companies from bankruptcy. The Conservative Party's return to opposition in 1974 began a shift towards a policy of denationalisation. As well as being a classic Conservative cause, the reduction of state involvement in industry was consistent with the ascendancy of neo-liberal ideas following Thatcher's rise to leadership.

[551] Williamson, *Conservative Economic Policymaking*, p. 78.

The Labour government's August 1974 white paper on industrial policy set out the case for the National Enterprise Board, planning agreements, and other interventionist reforms. Though significantly watered down from the initial ideas of Secretary for Industry Tony Benn, the white paper was nevertheless anathema to the Conservatives. The CRD criticised the government for creating a costly distraction that would harm British industry.[552] The research department also attempted to demonstrate a difference between Labour's approach and the policies of the Heath government: whereas Labour sought long-term state involvement in industry, the Conservatives in office had provided only temporary aid for ailing companies.[553] Tony Benn – or Anthony Wedgwood Benn, as the Conservatives liked to call him to draw attention to his upper class background – was a favourite target for the research department. A paper written in January 1975 by research department officer Michael Jones sought to provide a comprehensive critique of 'Bennery'. Identifying Stuart Holland as the intellectual architect of 'Bennery', the paper argued that Benn's interest in government control of major companies was driven by the weakening of Keynesian methods for managing the economy. Benn's greatest priority was to protect jobs from short-term market fluctuations. Unsurprisingly, the author found Labour's policies unconvincing and ultimately futile.[554] The CRD's criticisms of Labour reflected the party's instinctive distrust of positive government involvement in industry. As the memory of Heath's 'U-turn' industrial policies faded, the research department was free to underline the flaws in Labour's policies.

The party's policy review under Keith Joseph included a reappraisal of Conservative industrial policy. Michael Heseltine, the Shadow Industry Secretary and later minister in Thatcher's governments, was in overall charge. An Industrial Policy Group was

[552] CPA, CRD/25/4, Labour's White Paper on Industry, 23 August 1974, p. 3.
[553] ibid., p. 6.
[554] CPA, CRD/25/4, A Critique of Bennery, 10 January 1975, pp. 4-8.

convened, but it mainly succeeded in drawing a distinction between temporary Conservative aid to industry and long-term Labour nationalisation.[555] Heseltine's ideas on industrial matters were mainly reactions to Labour's reforms and revolved around repealing the main parts of Labour's 1975 Industry Act.[556] Nicholas Ridley, formerly a junior minister under Heath who had returned to the back benches over the 'U-turn' in industrial policy, became the advocate of more radical ideas.[557] As chair of the Nationalised Industries Policy Group, Nicholas Ridley produced a report that called for '… preparing the [nationalised] industries for partial return to the private sector, more or less by stealth'.[558] Howe's Economic Reconstruction Group agreed with the approach of pursuing gradual denationalisation.[559] The report was leaked to the press, though the subsequent scandal focused mostly on a confidential annex that argued for taking a tough line on the trade unions.[560] In response to the leak, the Shadow Cabinet made amendments to the report, but the final version retained the original's radical principles on denationalisation.[561] By 1978, the Conservative Party was committed to phasing out state ownership in nationalised industries and ending the post-war mixed economy. Denationalisation became a hallmark policy of the Thatcher governments of the 1980s.

Under Thatcher's leadership in1975-9, the Conservative Party not only re-evaluated its stance on economic management, but also devised plans for a dramatic refashioning of the political economy of Britain. The mixed economy of the post-war years, with a large government role in both the allocation of national resources and the running of

[555] CPA, CRD/25/6, Industrial Policy Group, 8 December 1975, pp. 2-3.
[556] CPA, LCC/1/3/11, Industrial Policy Recommendations, 3 June 1976.
[557] 'Obituary: Lord Ridley of Liddesdale', *The Independent* (6 March 1993), http://www.independent.co.uk/news/people/obituary-lord-ridley-of-liddesdale-1495860.html (16 July 2017).
[558] CPA, CRD/4/4/28, Final Report of the Nationalised Industries Policy Group, 8 July 1977, p. 15.
[559] CPA, CRD/4/4/28, Economic Reconstruction Group, 14 July 1977, p. 3.
[560] 'Mrs Thatcher Warned in Secret Report of Defeat in Confrontation with Unions', *The Times*, 18 April 1978, p. 1; 'Tory Views on Unions Embarrass Leaders', *The Times*, 27 May 1978, p. 2.
[561] CPA, CRD/4/25/10, Policy for the Nationalised Industries, 20 July 1978, pp. 7-9.

major industries, came to be seen as an obsolete construct that stifled the private sector's animal spirits. Rolling back the state became a central object of Conservative policy. The CRD had a role in this shift. In industrial policy, the research department was a strong critic of Labour's interventionist 'Bennery', along with much of the rest of the party. Despite this predisposition, the party's policy experts played a minimal role in formulating Nicholas Ridley's programme of denationalisation. The department's contribution was more discernible in the area of public spending. Adam Ridley's close collaboration with Geoffrey Howe defined the intellectual framework on public expenditure. Rescuing private industry from the 'pincer movement' of high taxes and high wages provided the basic rationale for Conservative economic policy. This argument in turn shaped the party's public pronouncements on the economy, most notably *The Right Approach* and *The Right Approach to the Economy*. Research department officers also took part in the detailed and secretive planning for concrete spending cuts.

Prices, profits, and investment, 1972-9

Britain's deindustrialisation in the 1970s led both parties to similar conclusions on the nature of the problem, if not the solutions. Both parties saw lagging investment in new techniques, machines, and technologies as an important cause of industrial decline. Investment was primarily driven by company profits, which was determined in large part by the prices that companies charged for their products and services. The nexus of prices, profits, and investment provided the basis from which each party drew sharply different conclusions on the best way to restore industrial dynamism. Among Labour's left-wingers, the failures of the capitalist system revealed the need for an extension of state control over investment and prices. The Conservatives believed that state control of national resources

stifled profits and impeded efficient private sector investment, and therefore the state had to be rolled back.

The Labour Party's interest in the sources of industrial investment was evident during the development of the alternative economic strategy. Stuart Holland, the father of the National Enterprise Board and much of the party's industrial policy, believed that nationalised companies would finance themselves through profits. By giving preferential tax treatment to companies acquired by the National Enterprise Board, further investment by the companies would drive their expansion.[562] The LPRD, on the other hand, took a more statist approach. In October 1972, the department identified a problem at the heart of the party's industrial strategy: since companies financed their investments largely from retained profits, the introduction of price controls would reduce profits, and therefore investment. Because higher profits for firms were unacceptable to trade unionists and socialists, the dilemma had to be solved through increased taxation. With higher taxes on corporate profits, the government could finance investment loans; in effect, forcing industry to invest more.[563] A year later, the research department repeated the same criticism, arguing that Labour's industrial policy relied on companies investing their retained profits. To ensure political control over investments, a Labour government should use taxation to raise capital funds, which could then be invested in accordance with national priorities.[564] From the beginning, the relationship of prices, profits, and investment presented a dilemma for Labour. The LPRD had no trust in the notion that

[562] Labour Party, *NEB Finance (RD: 634)* (February 1973), microfiche 403, Labour History (Marlborough, 1993), pp. 1-3.
[563] Labour Party, *Prices Profits and Investment. A Preliminary Note (RD: 447)* (October 1972), microfiche 390, Labour History (Marlborough, 1993), pp. 1-2, 5-6.
[564] Labour Party, *Profits and Investment (RD: 917)* (November 1973), microfiche 431, Labour History (Marlborough, 1993), pp. 1-2.

firms would invest wisely; state control of investment decisions had to be secured through taxation and government investment schemes.

The Conservatives drew completely different conclusions. The Economic Reconstruction Group had already hinted in July 1975 at the damaging effect of a large public sector on profits and investment.[565] Adam Ridley, the CRD's economic policy expert, developed the argument further in an October 1975 memorandum. Noting the link between company profits and investment, Ridley argued that investment behaviour tends to react slowly to changes in government policy. Therefore, even if the Conservatives were successful in reducing public expenditure and increasing profits, companies would need to be coaxed into investing more, for example through tax breaks in exchange for investments.[566] Ridley's emphasis on restoring company profitability appeared as a repeating theme in the party's economic analysis. In a coordinated pair of papers issued to the Shadow Cabinet in February 1976, Ridley and Geoffrey Howe argued that the decline in profits and investment was one of the main casualties of a large public sector.[567] The Economic Reconstruction Group's report in the summer of 1976 posited that by reducing public spending, the private sector's profits – and therefore investment – would be increased.[568] The Conservative position on the inter-relationship of profits and investment was summarised in 1977 in *The Right Approach to the Economy*:

> 'What has been happening in the last few years has gone far towards destroying Britain's capacity for the creation of wealth – on which all else depends. Industry expands, develops, changes and adapts, creates jobs, more or less successfully in

[565] CPA, CRD/4/4/26, Note by the Chairman, 24 July 1975, pp. 1, 3.
[566] CPA, CRD/4/4/26, Inflation and Investment, 30 October 1975, pp. 3-5.
[567] CPA, LCC/1/3/10, The Economic Situation in an Historical Context, 11 February 1976, pp. 3-6; CPA, LCC/1/3/10, The Economic Prospect and the Party's Political Position, 11 February 1976, p. 1.
[568] CPA, CRD/4/4/28, Report of the Economic Reconstruction Group, undated (estimated summer 1976), pp. 8-9.

> accordance with its ability to earn the profits from which these activities must be financed'.[569]

Rather than raising taxes and increasing state involvement in the guiding of investments, as proposed by Labour's policy staff, the CRD saw a smaller state and lower taxes as the way to increased investment.

The ideological differences on profits and investment extended to the parties' approaches to price controls. Introduced in 1974-5 by the Labour government, price controls on a variety of consumer goods were designed as a counter-inflationary measure. In particular, Labour had agreed with the TUC on food subsidies, to buffer consumers against the effects of inflationary price rises. Shirley Williams, the Secretary for Prices and Consumer Protection, saw the subsidies as temporary, to be scaled down within a few years.[570] Despite the ministerial position, *Labour's Programme* of 1976 argued for the continuation of the subsidies.[571] In 1977, the LPRD sided with continued food subsidies and welcomed the recent establishment of a Price Commission, which the department saw as a basis of a continuing system of price controls.[572]

The CRD, in contrast, was highly critical of price controls. As the subsidies were being introduced in Parliament in 1974, the research department provided an internal briefing that cast price controls as a 'political ploy' by Labour, designed to keep the trade unions content.[573] In 1975, the research department argued for the gradual phasing out of

[569] CAC, Thatcher MSS (digital collection), 112551, The Right Approach to the Economy: Outline of an Economic Strategy for the Next Conservative Government, 8 October 1977, p. 27.
[570] LPA, LP/RD/68/5, Food Subsidies: An Information Paper from Shirley Williams (RE. 123), April 1975), p. 4.
[571] Labour Party, *Labour's Programme for Britain* (London, 1976), pp. 17.
[572] LPA, LP/RD/68/5, Party Policy on Prices (RE: 1359), November 1977, pp. 2-3.
[573] CPA, CRD/4/4/105, Prices Bill, 8 April 1974, pp. 1-3, 7.

subsidies.[574] Continuing on the theme, research officer George Cardona linked price controls to low investment rates, and argued that the party's long-term position should be the abolition of Labour's price control legislation.[575] The CRD was similarly critical of the Price Commission, viewing it as a new source of uncertainty for industry and concluding that it may '… prove to be another instrument by which the State will extend its influence over private industry to the further detriment of investment and jobs'.[576] *The Right Approach to the Economy* confirmed Conservative opposition to price controls.[577] The policy was not, however, seen as electorally popular. The Shadow Cabinet decided to abstain from publicly calling for the abolition of the Price Commission. In July 1978 the CRD counselled Thatcher to refrain from openly discussing the matter with the press.[578] As with the issue of profits and investment, Conservative and Labour policy experts were opposed on the question of price controls. Whereas the LPRD favoured long-term price controls and food subsidies, their Conservative counterparts saw price control as a socialist folly that suffocated private profits and industry.

The lost cause of bank nationalisation, 1971-9

Labour's price control policies meant that at least in the short term, the party accepted lower private sector profits as the cost of protecting consumers from the ravages of inflation. As pointed out by the LPRD, this had undesirable ramifications for the party's industrial policy. Artificially low prices curtailed companies' profit margins, which meant

[574] CPA, CRD/4/4/105, The Debate on the Second Reading of the Prices Bill, 28 January 1975, pp. 7-8.
[575] CPA, CRD/4/4/105, The Price Code, 21 May 1976.
[576] CPA, 4/4/105, Price Commission Bill, 22 April 1977, p. 6.
[577] CAC, Thatcher MSS (digital collection), 112551, The Right Approach to the Economy: Outline of an Economic Strategy for the Next Conservative Government, 8 October 1977, p. 27.
[578] CPA, 4/4/105, A. Hopkinson to M. Thatcher: The Price Commission – Briefing to the Sun, 11 July 1978, p. 1; CPA, 4/4/105, Dossier for Incoming Minister – Prices, Competition and Consumer Protection, 2 February 1979, p. 1.

less money for new investment. Without investment, British industry would continue to flounder. A potential solution offered itself, almost by accident, in the form of bank and insurance company nationalisation. If parts of the financial sector could be nationalised, the government would gain control of the wealth of institutional investors. For leftists who had little sympathy for banks and bankers, this was an appealing opportunity to marshal the nation's savings into productive use – to finance Labour's plans for rescuing British industry.

The idea of nationalising banks and other financial institutions had long traditions in the Labour Party. Proposals had emerged as early as the 1920s, and had been included in party manifestos in the 1930s. The issue had largely disappeared from the agenda in the post-war decades, until 1971, when the party's Annual Conference passed a resolution calling for the nationalisation of all banks and insurance companies.[579] This act of Conference radicalism sparked an acrimonious debate that went on for most of the decade. Two groups with sharply differing views clashed repeatedly on the issue of bank nationalisation. The proponents of nationalisation, mostly leftists, saw financial institutions as a bastion of capitalist interests that had to be brought under democratic control. The opponents, many of them prominent front benchers, believed nationalisation would disrupt markets and destroy confidence in Labour's economic stewardship.

The first stage of the debate took place in 1971-3 in Labour's Banking and Insurance Study Group. The group was established in response to the Annual Conference resolution and chaired by Ian Mikardo, a leftist veteran back bencher who used his position to steer the group toward far-reaching nationalisation. The LPRD's basic attitude towards

[579] J. Reveley and J. Singleton, 'Labour, Industrial Revitalization, and the Financial Sector, 1970-79', *Twentieth Century British History*, 27:4 (2016), pp. 606-7.

bank nationalisation was positive; the department emphasised that the true importance of bank nationalisation lay in the opportunity to secure funding for Labour's industrial strategy.[580] The research department contributed to the study group's work in several areas, as well as drafting the group's final report. Mikardo adopted the research department's proposals on the nationalisation of building societies, against opposition from Harold Lever, a right-leaning member of the Shadow Cabinet.[581] On the nationalisation of banks, the research department reiterated the '… tremendous potential for a publicly owned banking system in stimulating growth'.[582] Under instructions from the committee, the research department drafted a proposal for the public takeover of clearing banks and the formation of a holding company composed of various nationalised institutions.[583] The study group rejected a more modest proposal from an outside expert in favour of the expansive policy.[584] Thus the research department was closely involved in the formation of a policy for the nationalisation and reorganisation of a considerable segment of the financial sector.

The Banking and Insurance Study Group's final report recommended nationalisation of clearing banks as well as substantial portions of the insurance industry and building societies. Furthermore, the report called for the establishment of a 'British Bank', which would operate commercial and development banks and have the powers to

[580] LPA, box 81, Banking and Insurance (RD: 2014), December 1971, pp. 3-7.
[581] LPA, box 81, The Public Ownership of Building Societies (RD. 400), July 1972, p. 6; LPA, box 81, Banking and Insurance Study Group, 1 November 1972; LPA, box 81, The Public Ownership of Building Societies (RD 552), January 1973, pp. 5-6; LPA, box 81, Building Societies (undated), p. 5; LPA, box 81, Banking and Insurance Study Group, 24 January 1973, pp. 1-2.
[582] LPA, box 81, A Note on Banking (RD. 514), 11 December 1972, p. 2.
[583] LPA, box 81, Decisions on Banking (RD 578), January 1973; LPA, box 81, Proposals for Banking (RD 650), p. 1.
[584] LPA, box 81, Public Ownership in the Banking Industry (RD: 561), January 1973, pp. 9-10; LPA, box 81, Banking and Insurance Study Group, 24 January 1973, pp. 3-4.

acquire other banks and companies.[585] The report was met with strong objections, especially on the bank sector recommendations. Mikardo, as chairman of the group, had alienated most of the study group's members, and a majority of them expressed reservations about the report. The sceptics included notable economists, such as Thomas Balogh, Nicholas Kaldor, and Robert Neild. Beyond the study group, James Callaghan vowed to prevent the publication of the report.[586] In June 1973, Terry Pitt, the head of the research department, reported in dismay to the Home Policy Committee that the group had been unable to agree on the report.[587] The Banking and Insurance Study Group's two-year effort could not be presented as party policy. It was published as an opposition green paper, in essence a discussion paper, with a foreword that noted the controversy.[588]

Though stranded in political no man's land, the idea of nationalising the financial industry refused to die. Between 1974 and 1976, proposals for bank nationalisation were revived, making their way up through party working groups, to the Home Policy Committee, and eventually the NEC.[589] The LPRD worked to keep nationalisation on the agenda. In a 1974 survey of priorities, the department pushed for continued work on bank and insurance nationalisation, recommending that a dormant working group '…be urgently reconvened; and be asked to quickly complete its work'.[590] In November 1974, the research department produced a background paper for a newly established working group. The paper integrated the party's industrial strategy and reform of the financial sector. Starting from the assertion that '…the market mechanism has failed to produce the right

[585] LPA, pamphlet collection, box 289, Banking and Insurance Green Paper: Report of a Labour Party Study Group, August 1978, p. 22.
[586] Davies, *City of London*, p. 114-15.
[587] Labour Party, *Banking and Insurance (RD. 817)* (June 1973), microfiche 423, Labour History (Marlborough, 1993).
[588] LPA, pamphlet collection, box 289, Banking and Insurance Green Paper: Report of a Labour Party Study Group, August 1978.
[589] Reveley and Singleton, 'Labour, Industrial Revitalization', pp. 609-17.
[590] LPA, LP/RD/15/1, Programme of Work – 1974 Onwards (Res.15), April 1974.

investment in the right place at the right time', the paper drew attention to the party's 'post-Keynesian policy of selective intervention'.[591] The National Enterprise Board and planning agreements, the two pillars of the interventionist policy, would be used to ensure investment in manufacturing industry. However, a problem remained: '[t]he gap in our existing investment policy is where the resources for investment are to be found and in the form of institutions through which cash is channelled'.[592] The paper posited that there was no reason why British industry should continue to rely on retained profits as a source of investment, when countries like Japan and West Germany had managed to channel savings from financial institutions to industrial investment.[593] Options for rectifying the situation included using the National Enterprise Board to take over financial institutions, nationalisation of clearing banks, or implementation of the original model proposed by Mikardo's study group.[594]

Exerting control over the financial industry became intertwined with the party's alternative economic strategy, giving a new lease of life to the nationalisation debate. Tony Benn, Industry Secretary in 1974-5, believed that taxation would not produce enough funds for industrial investment, and therefore financial institutions should be compelled to channel their funds into investment.[595] The research department released studies that supported Benn's views. A paper released in March 1975 argued that the government should have control of the sources of capital funds, as well as the channels of their distribution, to ensure that they are directed to manufacturing industry.[596] A few months later, the research department declared that to achieve full employment and a rising

[591] LPA, box 63, A Note on Institutions and Investment Policy (RE: 17), November 1974, p. 3.
[592] ibid.
[593] ibid.
[594] ibid., pp. 4-5.
[595] Reveley and Singleton, 'Labour, Industrial Revitalization', pp. 612-13.
[596] Wickham-Jones Papers, The Institutions, Profits and Investment (RE: 97), March 1975, p. 6.

standard of living, Britain had to break out of industrial decline. This could only be achieved by increasing the level of investment in manufacturing industry, channelling it to export sectors, and by ensuring that more investment was directed to economically deprived areas of the country.[597] Despite Benn's removal from the Department of Industry in the summer of 1975, the fight for the party's industrial strategy continued. Segments of the party, including the research department, had become almost obsessed by the idea of channelling more resources into industrial investment. Labour's economic focus narrowed to the point where Britain's economic fate was inseparable from the success or failure of its manufacturing industry.

Another argument deployed in favour of nationalisation relied on international comparisons. In 1975 the research department presented a study of European banking systems to the Home Policy Committee. The study concluded that '[p]ublic ownership of banking can hardly be said to be an extremist course of action when it is so long standing in France, Italy and Belgium, and whilst other forms of social ownership predominate in West Germany'.[598] In early 1976, the research department likened the current state of British industry to post-war devastation, in an effort to justify state intervention in finance. International comparisons, especially with successful capitalist economies, allowed Labour's policy experts to present bank nationalisation as a solution to Britain's industrial troubles.[599] If economic powerhouses like West Germany and Japan were able to benefit from partially nationalised financial sectors, Britain would be foolish not to follow their example.

[597] Wickham-Jones Papers, Economic and Industrial Planning (RE. 144), May 1975, p. 2.
[598] LPA, LP/RD/9/4, Comparison of Banking Systems in the EEC: The Policy Implications (RE 324), October 1975, p. 3.
[599] Reveley and Singleton, 'Labour, Industrial Revitalization', p. 615-16.

In March and April 1976, the Home Policy Committee held two special meetings to discuss bank nationalisation. The research department had prepared policy options for the committee's first meeting: nationalisation of all four major clearing banks, nationalisation of only one or two clearers, or the takeover of one or two banks by the National Enterprise Board. The department further recommended integration and expansion of the already existing public sector, such as the National Giro (a postal savings bank).[600] The research department provided cursory political analysis of the options. In light of the 'difficult and emotive' nature of bank nationalisation, it cautioned against the 'monopoly approach' of nationalising all four of the major clearers.[601] Instead, bringing only one or two of the banks under public ownership would be 'a practical first step'.[602] In the committee's first meeting, Geoff Bish, the Research Secretary, reiterated the reasoning for nationalising only one or two banks. The committee, however, rejected Bish's caution and recommended the takeover of all four of the main clearing banks, to be placed under the control of a reformed Bank of England.[603] In effect, the Home Policy Committee had come full circle, arriving back at the original recommendations of Ian Mikardo's 1973 opposition green paper.[604]

The decisions of the Home Policy Committee paved the way for an official party statement. By the summer of 1976 the process had reached a point of no return. The policy statement, titled *Banking and Finance*, was moving for final approval at the NEC. An article appeared in *The Economist* under the title 'Labour's NEC ponders another vote-loser'. It contained the results of opinion research which revealed that only 14 percent of

[600] Wickham-Jones Papers, Financial Institutions: The Policy Options (RE: 551), March 1976, pp. 4-6.
[601] ibid., p. 4.
[602] ibid., p. 5.
[603] LPA, LP/RD/14/4, Minutes of a Special Meeting of the Home Policy Committee on Financial Institutions Held on 22 March, 1976 at the House of Commons, 22 March 1976.
[604] Mikardo participated in both of the Home Policy Committee's special meetings and chaired the second meeting.

all voters and 25 percent of Labour supporters approved of bank nationalisation.[605] The research department issued talking points for Labour politicians under punchy sub-titles: 'Investment & lending policies – based on short-term profits…', 'Stock exchange – doesn't do its job', and 'Public ownership – how it has helped our rivals'.[606] Despite press and public hostility, the NEC approved the statement and submitted it for a final blessing at the 1976 Annual Conference, which duly endorsed it.[607]

Banking and Finance contained much of the analysis put forward in earlier stages by the party's policy staff. The logic of bank nationalisation was intertwined with the need for investment in manufacturing industry. Foreign examples, including from France, Japan, and West Germany, showed that nationalisation of financial institutions could benefit the country. The main recommendation was the nationalisation of four clearing banks, seven insurance providers, and one merchant bank.[608] James Callaghan, Prime Minister and party leader, had an unambiguous response: 'I will not be able to recommend the inclusion of this part of the NEC's proposals in the next election manifesto. It would be an electoral albatross'.[609]

The final stage of the bank nationalisation debate took place in 1977-9. Though firmly rejected by the Prime Minister, the Conference statement on bank nationalisation led to the establishment of yet another party committee. The Working Group on Banking and Insurance began its work in March 1977. The group invited ten white collar unions representing workers in the financial industry to submit evidence and spent most of its

[605] LPA, LP/RD/9/4, Labour's NEC Ponders Another Vote-loser (press clipping, *The Economist*, 24-30 July 1976).
[606] LPA, LP/RD/9/4, Speaker's Notes: Banking & Finance (No. 12), July 1976.
[607] LPA, pamphlet box 289, Banking and Finance, August 1976.
[608] ibid., pp. 1-2, 17-18, 24.
[609] LPA, LP/RD/9/4, Statement Made by the Rt. Hon. James Callaghan, MP at a Meeting of the NEC in Blackpool on Friday 24 September, 1976.

meetings in consultations with union representatives.[610] By July 1978 the working party reported on its findings: while the unions accepted, in principle, the need for reforms in the financial sector, they were hostile towards public ownership. The LPRD noted various union criticisms of *Banking and Finance*, the party's policy statement.[611] The policy staff concluded that '[i]t thus seems unlikely that union support could be obtained for proposals for public ownership unless a stronger case was made out, and the fears of union members for the security of their employment assuaged'.[612] By September 1978 plans for large-scale nationalisation had been abandoned by the working group.[613] Accordingly, the group's final report, issued in early 1979, alluded to 'deep reservations' among trade unions and refrained from making any recommendations on nationalisation.[614] The report barely registered politically, as the country was consumed by industrial strife in the final chaotic months of the Callaghan government.

Davies argues that financial sector nationalisation was always a leftist cause, capable of generating support among party members and the Annual Conference, but with no prospects of being adopted as government policy.[615] The Labour left, including the party's policy unit, saw bank nationalisation as an untapped source of funding to halt Britain's deindustrialisation. Government control of banks promised to solve the problem of investment and profits; if savings could be directed to industrial investment, companies would not be constrained by retained profits, which were kept artificially low by price controls. This reasoning appealed only to the party's left wing, creating open disagreement

[610] LPA, LP/RD/120/1, Final Report of the Working Party on Banking and Insurance, undated (estimated March 1979), p. 22.
[611] Wickham-Jones Papers, Banking and Insurance – A Summary of Trade Union Views (RE 1730), June 1978, pp. 1-3.
[612] ibid., p. 4.
[613] Davies, *City of London*, p. 117.
[614] LPA, LP/RD/120/1, Final Report of the Working Party on Banking and Insurance, undated (estimated March 1979), p. 21.
[615] Davies, *City of London*, p. 117.

within the party. Inevitably, conflict over bank nationalisation was intertwined with the broader ideological conflict between leftist state interventionism and Keynesian revisionism. Further afield, the Labour Party's internal divisions were only part of the story: the British business class was united in opposition to plans for financial system reform.[616] The proximate cause for the failure of Labour's nationalisation plans was the resistance of white collar trade unions. But considering the array of forces that stood to oppose bank nationalisation – from Labour revisionists to City bankers – the policy never had much chances of succeeding.

The LPRD was an unwavering supporter of bank and insurance company nationalisation. Public ownership was consistent with the department's ideological leanings, especially its belief in state intervention in the economy, and also its general alignment with leftist causes. The institutional context offered an equally important rationale: as an agent of the party, the department was duty-bound to defend initiatives arising from the Annual Conference, even if they were unpopular and doomed to failure. Conceptually, bank nationalisation was not seen as an isolated issue. From the beginning, Labour's policy experts connected the party's alternative economic strategy, the investment needs of a declining manufacturing sector, and the possibility of using savings as an alternative source of investment funds. Thus the research department's involvement in the cause was part of a greater struggle to shape the party's economic philosophy. The resistance, often outright hostility, of the parliamentary leadership towards these ideas ensured that they were marginalised in the making of government policy.

[616] ibid., 138-9.

Conclusion

Within the space of one decade, the Conservatives and Labour had moved further apart in economic thought than ever before in the post-war period. The two parties' economic doctrines first diverged from each other, and after the crisis years of the mid-1970s, continued to travel further apart. Both parties rejected Keynesian demand management, but instead of coalescing around a new consensus, they developed separate visions of the future.

The prestige of Keynesian doctrine was eroded by its seeming inability to address stagflation. Economic thinkers across the political spectrum began a scramble for alternative policies. Three different schools of thought emerged, each based on a different theoretical understanding of inflation. Firstly, the conventional view of inflation as a product of a wage-price spiral – a dynamic where rising prices drove rising wage demands, and vice versa – continued to be influential in both parties. While unsatisfactory to many, the wage-price model was still the mainstream approach to understanding inflation in both parties, especially among Labour revisionists and Conservative right progressives. Secondly, the Labour left developed an understanding of inflation based on the monopolistic pricing practices of large corporations. The market mechanism was broken, and with it, demand management. Extensive state intervention in the markets was needed to prevent price rises and bring inflation under control. Lastly, monetarism provided new right Conservatives with an entirely new theoretical foundation for combating inflation. Monetarism was divided into two schools of thought: theoretical monetarists followed Milton Friedman's insistence that only money supply explained inflation, while practical monetarists added elements such as trade union pressure to explain inflation. The latter

conception appealed more to the sensibilities of British new right Conservatives, who were predisposed to seeing trade union power and corporatism as obstacles to market liberalism.

The more radical factions of the Conservative and Labour parties drew diametrically opposed conclusions from the decline of Keynesian orthodoxy. At the heart of this divergence was a philosophical and practical disagreement on the role of the state in economic management. The Labour left was influenced by Marxist economic theories, which posited that the markets had succumbed to the oligopolistic power of large multinational corporations. To overcome stagnation and guarantee full employment, the state had to take an active interventionist role. This required the state to acquire the means of control, either through outright nationalisation of the commanding heights of the economy or through more limited planning initiatives. The Conservative new right, which gained a dominant position in the party in the latter half of the decade, convinced itself that state control was the cause of almost all of Britain's woes. Markets were the solution. Inspired by neo-liberal economics, in particular by the theoretical arguments of the monetarist school, the new right sought to roll back the state, to allow the unfettered market to do its job. The new right's approach was thus the complete opposite of the radical left.

The CRD's economic ideas evolved considerably in the course of the decade. During the Heath ministry, the research department remained securely in the Keynesian right progressive framework, showing little inclination for doctrinal innovation. Once Thatcher replaced Heath as party leader in 1975, the CRD began to adapt to the ascendancy of the new right, firstly, by replacing Keynesianism with monetarist ideas, and secondly, by promoting measures to roll back the state. The result was an eclectic but

recognisably market liberal doctrine that drew extensively from monetarist ideas, while keeping a distance from the theoretical strictures of Friedmanite theoretical monetarism. Despite this intellectual rapprochement with neo-liberalism, the department could not be described as part of the Thatcherite new right. The CRD was culturally incapable of relating to the crusading style of the new right, as represented by their rivals at the Centre for Policy Studies.

The CRD's ideological shift can be seen in its policy advice. Firstly, during the Heath government, the department's economic thought was characterised by caution and the acceptance of conventional Keynesian methods of economic management. Subscribing to the conventional wage-price model of inflation, the research department saw government action on prices as well as moderation in industrial relations as necessary elements of prudent economic management. Secondly, in the 1975-9 period, the research department, mainly through the work of Adam Ridley, changed its ideas on economic management. Ridley acted as a conduit for monetarist ideas, while resisting the simplistic prescriptions of theoretical monetarism. The fiscal measures of Keynesian demand management were explicitly rejected, dismissed as 'fine-tuning', and monetary policy was elevated to take its place. Keynesian concern with full employment was similarly replaced by an intense focus on counter-inflationary policies. The research department's economic thought was characterised by eclecticism rather than dogmatism. Lastly, the department was active in promoting the idea of rolling back the state. Adam Ridley again assumed a leading role in creating intellectual justification for cuts in public expenditure. The department also sought to end the Labour government's price controls, which it saw as another restriction on private profit-making. Though the focus on company profitability betrayed an instinctive pro-business bias, the political objective was more ambitious: a

decisive shift in the political economy by replacing the mixed economy with the discipline of markets.

The CRD's impact on party ideology can be most clearly discerned in the gradual shift from Keynesian to neo-liberal economic thought after 1975. It is difficult to say to what extent the department's own thinking changed as a result of Adam Ridley's influence, or to what extent the department tracked the changing balance of opinion in the party's senior ranks. Nevertheless, the research department's collaboration with Geoffrey Howe, on economic management as well as public expenditure, played an important part in legitimising neo-liberal ideas and creating a new kind of intellectual framework for the Shadow Cabinet. Keynesianism, full employment, and the social democratic state were out, and monetarism, counter-inflation, and a limited state became the new order of the day. At the same time, the research department's refusal to accept Friedmanite theoretical monetarism promoted eclecticism in economic thought, helping the party to conceal the factional divide between the remaining Heathite right progressives and the Thatcherite new right. The research department's changing economic thought in the 1970s demonstrates that it was not a right progressive cabal, as often depicted in new right lore, but an active participant in the shaping and propagation of Thatcherite ideology.

The LPRD's ideology was deeply affected by the emergence of the leftist alternative economic strategy, and the department, in turn, became one of the strategy's most fervent champions. The eroding prestige of Anthony Crosland's revisionism, criticised by leftists within the party and by the intellectual new left outside the party, formed the background for the department's move to the left. Public ownership, economic planning, and trade protectionism assumed a central place in the department's economic

thought. Over time, the department became closely associated with the radical leftist faction, to the point where the department found itself in open conflict with Labour's revisionist parliamentary leadership. As the guardian of party policy, the department was honour-bound to defend the party line, even when it was controversial or unpopular. Personal loyalties also played a role: Geoff Bish developed a close working relationship with Tony Benn, becoming a member of the factional clique that formed around Benn. The department's ideological commitment thus rested on a firm foundation of intellectual conviction, identification with party policy, and personal loyalties.

The research department's ideological leanings came to the fore in several economic debates. Firstly, the research department was an active factional advocate of the leftist industrial policy, built around Stuart Holland's *dirigiste* ideas of public ownership and economic planning. The department, especially Geoff Bish, became a close ally of Tony Benn in the promotion of the party's industrial policy ideas, continuing the struggle long after Benn's industrial policy bill was scrapped. For the research department, industrial policy became an ideological keystone, an indispensable instrument by which Britain's decline could be halted. Secondly, if industrial policy provided the domestic means of rescuing British manufacturing industry, the party's external policy was based on trade protectionism. In the mid-1970s, the research department became a conduit for the protectionist ideas of the New Cambridge School. By weaving the New Cambridge School's macroeconomic arguments with the party's microeconomic industrial policy ideas, the department made import controls an important leftist cause. Lastly, the research department played an active role in the nearly decade-long internal party debate on bank and insurance company nationalisation. The department saw the issue not only as an opportunity to extend public ownership into the City, one of the bastions of the capitalist

establishment, but also as an opportunity to secure funds for the all-important rescue of manufacturing industry.

The LPRD's impact can be seen in two areas of party ideology: firstly, the research department was present at the creation of the alternative economic strategy, contributing to the party's turn towards state interventionism. The department's persistent promotion of the alternative economic strategy secured the strategy's central place in the party's official policy platform, as expressed in the 1972 policy statement *Labour's Programme for Britain* and its subsequent editions. Rhetorically, the left had a tendency to refer to its policies as 'socialist'. This was reminiscent of the affluence debate in the late 1960s, where Crosland's critics presented revisionism and socialism as competing ideologies. By making public ownership and economic planning the flagship policies of the socialist left, the left called into the question the socialist commitment of its revisionist opponents. As an active participant in the factional struggle, the research department contributed to the leftist ideological stridency that suffused the party during Michael Foot's leadership in 1980-3. Secondly, the research department's main contribution to the alternative economic strategy took the form of trade protectionism. By channelling the New Cambridge School's ideas from the mid-1970s onwards, the department inserted import controls on the left's agenda. Furthermore, by combining the New Cambridge School's macroeconomic arguments with the microeconomic objectives of the party's industrial policy, the research department performed an act of intellectual integration. The research department's intellectual contribution led party ideology to an increasingly protectionist direction: socialism in Britain was structurally incompatible with free trade capitalism, including its regional expression, the EEC.

Chapter 4

Party Research Departments and Industrial Relations, 1970-9

In the historical understanding of the 1970s as a decade of crises, the trade union question holds a prominent place. Denis Barnes, Permanent Secretary at the Department of Employment and Productivity in 1968-72, summarised the problem as follows: 'Between 1969 and 1979 three successive Prime Ministers have been prevented by the industrial and political power of the unions from pursuing policies they declared essential in the national interest. All lost the elections which followed the defeats of their policies'.[617] This chapter discusses the party research departments' responses to such questions as trade union militancy, incomes policy, corporatism, and industrial democracy, and the impact they had on factional struggles within the parties.

Voluntarism and trade union legislation in the 1960s

The British industrial scene in the twentieth century was characterised by a voluntarist tradition. Trade unions and employers operated a system of free collective bargaining, where the two sides bargained over working conditions and wages with minimal state intervention. Unlike in many other European countries, the unions did not seek positive rights, but were content with state protection against prosecution. This requirement had been largely satisfied by the 1906 Trade Disputes Act, which gave trade unions immunity from tort in trade disputes. Thus, until the 1960s, the established practice

[617] Quoted in Taylor, *Trade Union Question*, p. 1.

was for the state to leave the unions and the employers alone, to conduct industrial bargaining in accordance with their own practices and conventions.[618]

This situation began to change in the 1960s, when both main parties, the Conservatives and Labour, developed an interest in greater government intervention in the collective *laissez-faire* world of industrial relations. The 1968 report of the Donovan Commission refrained from recommending major new industrial relations legislation. Unsatisfied with the commission's voluntarist prescriptions and responding to political pressures, Harold Wilson's Labour government, in power since 1964, developed its own programme of industrial relations reform.[619] Barbara Castle, a leftist Secretary of Employment and Productivity, oversaw the publication of a white paper titled *In Place of Strife* in January 1969. The white paper aimed to strengthen the power of unions over their members, in an attempt to reduce unofficial strikes. But the specific means of achieving this aroused vehement opposition in trade unions ranks. The unions were particularly critical of so-called 'penal clauses', which would give the government powers to compel unions to halt strikes and hold secret ballots. Despite signs of resistance, Wilson and Castle decided to introduce a legislative bill based on *In Place of Strife*. The result was a revolt among Labour Members of Parliament who sympathised with the unions. The Prime Minister was forced to back down and accept a face-saving measure known as the 'solemn and binding undertaking'; essentially a promise by the trade unions to do more to prevent unofficial strikes.[620]

[618] Taylor, *Trade Union Question*, pp. 4-11.
[619] Howell, *Trade Unions and the State*, pp. 106-9
[620] Taylor, *Trade Union Question*, pp. 159-69.

The CRD had proposed new trade union legislation as early as 1964.[621] With the fall of Alec Douglas-Home's Conservative government in 1964 the party found itself in opposition and in need of new policies. With the approval of Edward Heath, who had become party leader in 1965, an industrial relations programme titled *Fair Deal at Work* was published in March 1968. An ambitious programme, it proposed, among other measures, legally binding collective bargaining agreements and wide-ranging powers for the government to intervene in industrial disputes. Despite scepticism within the party and opposition from the TUC, the umbrella group of trade unions, the programme was adopted as official party policy.[622] *Fair Deal at Work* would form the basis of a comprehensive programme of industrial relations reform under Heath's Conservative government.

By the beginning of the 1970s, industrial relations legislation featured high on the political agenda. Wilson's Labour government had attempted its version of legislation, only to be humiliatingly driven back by union and back bench resistance. The Conservative Party was waiting in the wings, convinced that it had a better plan and the determination to see it through.

Industrial Relations Act, 1970-1

The failure of *In Place of Strife* was a major blow to the Labour government, particularly for Wilson and Castle, but it was not the end of the story. In the opening of the parliamentary session in October 1969 the Queen's Speech contained a passage promising a bill 'to promote improved industrial relations'.[623] The resulting Industrial Relations Bill was considerably less ambitious than *In Place of Strife* and therefore more acceptable to

[621] Middlemas, *Power, Competition and the State*, p. 270.
[622] Taylor, *Trade Union Question*, pp. 181-6.
[623] [Hansard], *Parliamentary Debates*, 5th series, 1969, dccxc, col. 6.

the party and trade unions. In April 1970 Castle reported to the Cabinet that the TUC did not have major objections to the bill.[624] Yet, politics intervened, and the Conservative Party took a decisive victory in the June 1970 general election. Castle's second attempt at industrial relations legislation expired with the end of the parliamentary session.

A month before the election, the CRD presented an analysis of Labour's watered-down Industrial Relations Bill to the Shadow Cabinet. In the department's estimation, the bill contained several provisions that the Conservative Party could support. But the memorandum drew attention to the numerous 'firm commitments' contained in *Fair Deal at Work*. These commitments were designed to scale back the legal immunities of trade unions, end the closed shop, introduce registration of unions, and establish a code of practice for industrial relations.[625] As far as the research department was concerned, the Conservatives had a more ambitious plan. The Conservative Party was committed to comprehensive reform of industrial relations, going far beyond the compromise proposals of Labour's final months in office.

After Heath's election victory the Conservative government proceeded quickly to enact industrial relations legislation. This was led by Robert Carr, the new Minister for Employment. The new legislation would, in the words of the Conservative election manifesto, 'provide a proper framework of law within which improved relationships between management, men and unions can develop'. [626] It would also 'create conditions in

[624] 'Conclusions of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 9 April, 1970, at 10.15 a.m.', 9 April 1970, The National Archives, CAB 128/45/15.
[625] CPA, LCC/1/2/20, The Industrial Relations Bill, 11 May 1970.
[626] Craig (ed.), *General Election Manifestos*, p. 119.

which strikes become the means of last resort, not of first resort, as they now so often are'.[627]

Believing they had a strong mandate from the electorate, Heath and Carr set aside only one month for consultation with employers and trade unions. Relations with trade unions were strained by a meeting between Carr and representatives of the TUC on 13 October 1970. In the meeting Carr told the trade unionists that the government was not prepared to make major amendments to the new Industrial Relations Bill.[628] The trade unionists' frustrations culminated in a large demonstration on London's Trafalgar Square on 21 February 1971.

James Douglas, Director of the CRD, became concerned in February 1971 by signs of growing resistance to the Industrial Relations Bill. Noting that Labour and the trade unions were spreading misrepresentations of the bill's provisions, he proposed a Conservative counter-campaign to refute the false claims.[629] In early March, following the massive Trafalgar Square demonstration, research department officer Stephen Sherbourne pointed to opinion polling data that indicated an 'alarming fall' in support for the bill, especially among trade unionists.[630] Douglas approached the party Chairman, Peter Thomas, with a proposal to circulate a research department question and answer memorandum to the constituency organisations. The memorandum was sent to English and Welsh constituencies on 12 March 1971, along with a message from the party Chairman

[627] ibid.
[628] Taylor, *Trade Union Question*, pp. 186-8.
[629] CPA, CRD/3/7/12/1, J. Douglas to Webster, O'Brien, and Howe, 4 February 1971; CPA, CRD/3/7/12/1, J. Douglas to S. Sherbourne, 4 February 1971.
[630] CPA, CRD/3/7/12/1, S. Sherbourne to J. Douglas, 3 March 1971.

that called on the constituency organisations to 'speak authoritatively' and rebut 'false charges' relating to the bill in local newspapers and public gatherings.[631]

As the bill moved through the parliamentary process during the early months of 1971, the trade unions deliberated on the methods of resistance. The TUC called a special meeting in March, which recommended that affiliated unions should abstain from registering under the new law. Avoidance of registration became the spearhead in the unions' opposition to the bill and it was perceived as a direct challenge to the new legislation. The Industrial Relations Act became law in August 1971. The trade union movement's annual Congress, held in September, escalated its opposition to the Act by passing a motion that 'instructed' trade unions to abstain from registering.[632] A little over a year after coming to power, the Conservative government had implemented its policy as laid out in *Fair Deal at Work*. But the price of the 1971 Industrial Relations Bill was a breakdown in relations with the trade unions.

During the first years of the Heath government the CRD did little systematic work on industrial relations. Having played a role in the formation of industrial relations policy in opposition, the department now stepped back. In part, this reflected a tradition where the department would have a more hands-on role when the party was in opposition, but would assume a quieter stance when the party was in government. Personal style mattered as well. James Douglas was wary of involving his staff in day-to-day government work: 'In so far as policy is determined by the reaction to events and in so far as it is a logical development of existing policies, the Research Department cannot, in my view, be the

[631] CPA, CRD/3/7/12/1, J. Douglas to the Chairman of the Party Organisation (P. Thomas), 5 March 1971; CPA, CRD/3/7/12/1, Industrial Relations Bill: Misrepresentations, 9 March 1971; CPA, CRD/3/7/12/1, P. Thomas to Constituency Chairmen (England and Wales), 12 March 1971.
[632] ibid., pp. 193-6.

prime mover'.[633] If the department was nevertheless called upon to support ongoing policy work, it would 'play second fiddle' to ministers and civil servants. [634]

Douglas's attitude arose from the observation that a period in opposition allowed a party to advance bold new ideas, while a party in government was constrained by the continuity of government policy. Reflecting on the change in Conservative thinking on industrial relations legislation in the course of the 1960s, he opined that '[o]nly the break of a change of Government permitted the radical – and, in my view, very necessary – change of position'.[635] The CRD saw the *Fair Deal at Work* – which was the basis of the Industrial Relations Act – as the culmination of extensive policy work on industrial relations. It encapsulated the radical new ideas that could only arise from a period in opposition. Now that the party was in government, and the legislation was enacted, the department did not see a need to revisit industrial relations policy.

The CRD's stance on industrial relations policy in the early part of the Heath ministry reflected organisational isolation and ideological confidence. Organisationally, Conservative policy was produced by a relatively small circle of experts. During the late 1960s opposition policy review, the Conservative Party lacked access to industrial relations experts, most of whom were sympathetic to the Labour Party. The Conservatives had to rely on lawyers, who tended to emphasise an individual rights approach, as well as research department experts.[636] The isolated nature of policy development contributed to the party's misjudgements regarding the law's effects and acceptability.[637] The CRD had a close working relationship with Heath in opposition and the department was instrumental

[633] CPA, CRD/D/6/7, J. Douglas to M. Fraser: Long-Term Policy, 28 May 1971, p. 2.
[634] ibid.
[635] ibid., p. 1.
[636] Taylor, *Trade Union Question*, pp. 185; Williamson, *Conservative Economic Policymaking*, pp. 169.
[637] Caines, *Heath and Thatcher*, pp. 80-3.

in the development of the party's legislative approach on industrial relations. The department was unlikely to turn around and criticise a law it had helped to write.

In ideological terms, *Fair Deal at Work* and the resulting legislation reflected the dominance of right progressive ideas. In the 1960s, Heath had made national modernisation the cornerstone of Conservative policy. Modernisation was to be achieved by structural reforms, and a key part of this was to address the lack of institutional and legal structures in industrial relations. Powellism offered an intellectual alternative, but its influence was limited by Powell's reduced stature in the party following the 1968 scandal over his xenophobic anti-immigration views. The broader new right's influence was undercut by intellectual uncertainty. The neo-liberal economic thought that defined the new right offered no clear-cut answers on trade unions: Friedrich Hayek saw the curbing of union power as essential, whereas Milton Friedman suggested the unions were irrelevant, and could therefore be ignored (Powell himself had changed his views, arriving at the Friedmanite position in 1971). Discordant voices prevented the formation of cohesive internal opposition and aided the dominance of right progressive ideas.[638] The CRD's activity on the Industrial Relations Act indicated confidence in the party's right progressive ideas and the rightness of the government's course. The department saw the Act as viable, but grossly misrepresented in opposition propaganda, as seen in James Douglas's efforts in early 1971 to mount a counter-propaganda campaign to address the misrepresentations. In this sense, the department reinforced the dominance of right progressivism in the party during the early 1970s. Critical new right ideas found no purchase in the research department.

[638] Williamson, *Conservative Economic Policymaking*, pp. 169-71.

Radical ideas on industrial democracy, 1971-2

Within the broad remit of industrial relations, the concept of industrial democracy made rapid advances in the early 1970s. An old idea of the left, industrial democracy had experienced a revival in the 1960s, aided by the emergence of an activist shop stewards' movement and a general cultural climate that questioned deference to authority and centralised decision-making. While many trade unionists and leftist activists were keen on the idea of industrial democracy, turning it into a political programme was problematic, as there was no commonly agreed understanding of what the term entailed. Ideas ranged from modest suggestions of increased workplace consultation to full-fledged workers' control, as advocated by the militant Institute for Workers' Control.

After Labour's loss in the June 1970 general election, the party's policy committees became an important centre of intellectual effort to shape the party's ideological posture. The Industrial Policy Sub-committee, reporting to the Home Policy Committee, quickly established itself as one of the most active of the policy groups. The Sub-committee had an expansive interpretation of its role, and it did not hesitate to weigh in on industrial relations. The conceptual vagueness surrounding industrial democracy meant that there was a great need for research into its policy implications. In a meeting held in December 1971, the Industrial Policy Sub-committee tasked the LPRD to draw up a research paper on the topic. The Sub-committee also approved plans for a weekend conference on industrial policy, which would include a session on industrial democracy.[639]

[639] LPA, LP/RD/79/1, Industrial Policy Sub-committee (1), 21 December 1971.

Geoff Bish, secretary to the Sub-committee, presented a detailed – but in his opinion 'sketchy' – paper on industrial policy for the January 1972 meeting.[640] The discussion revealed deep divisions in the Sub-committee. Left-wing Members of Parliament Ian Mikardo and Tony Benn were supportive of giving workers more control over company governance. Another left-winger, Judith Hart, doubted whether such measures would work in the private sector, and preferred instead the nationalisation of industry. On the other side, Barbara Castle, the author of the failed *In Place of Strife* policy, expressed critical views. She opined that a change in trade union attitudes would have to take place before industrial democracy could work. Castle's views were criticised by several participants, including Mikardo, Benn, and John Chalmers, the chairman of the meeting. Towards the end of the meeting, Castle warned the other participants against engaging in theoretical arguments, which the trade unions would find irrelevant. Anthony Crosland, a leading revisionist, disagreed with her and said that the paper had been useful in clarifying the concept.[641] At this point Bish joined the critics, despite his role as secretary. He argued that the paper was not empty theorising but 'led directly to considerations concerning power in the enterprise and its balance as between managers and managed – and too, to suggestions for radical and far reaching changes in statute law'.[642]

The meeting revealed the extent to which left-wingers had come to dominate party policy-making. Barbara Castle was the only member of the group to clearly voice scepticism on industrial democracy. While perceived as a leftist within the party, she broke ranks with the advocates of industrial democracy. Scarred by her failed defence of *In Place*

[640] LPA, LP/RD//79/2, G. Bish to the Industrial Policy Sub-committee: Industrial Policy Sub-committee, January 1972; Labour Party, *Industrial Democracy (RD:230)* (January 1972), microfiche 365, Labour History (Marlborough, 1993).
[641] LPA, LP/RD/79/2, Industrial Policy Sub-committee (2), 25 January 1972.
[642] ibid., p. 3. Emphasis original.

of Strife a few years earlier, Castle displayed a hard-headed and sceptical view of the trade unions' willingness to reform workplace practices. She was roundly criticised for her views, by the chairman, other Members of Parliament, and even the research department secretary of the Sub-committee. Unsurprisingly, Castle made only infrequent appearances in later meetings. In her absence the committees were free to frame policy in terms that suited a more radical agenda.

The research department was asked to redraft the industrial democracy paper and present it to the weekend conference, held on 26-27 February 1972 in London. The conference brought together members of the Industrial Policy Sub-committee, Finance and Economic Affairs Sub-committee, TUC General Council, as well as a range of academics, experts, and back benchers.[643] One of the five sessions concentrated on industrial democracy, on the basis of a discussion paper prepared by the research department.[644]

The research department took as a starting point a 1967 report from Labour's working party on industrial democracy.[645] But the department argued that there is a need for a more radical approach. Industrial democracy would have to be extended beyond the familiar questions of working conditions and terms of employment, to include the governance of the enterprise. To achieve this, a new Industrial Democracy Act would be needed.[646] The paper argued that there is a need for a multi-dimensional approach that

[643] Labour Party, *List of Those Invited to Industrial Policy Conference (RD:265)* (February 1972), microfiche 367, Labour History (Marlborough, 1993).
[644] LPA, LP/RD/78/7, Labour's Industrial Policy (PS32/72), February 1972.
[645] Labour Party, *A Summary of the Labour Party Working Party Report on Industrial Democracy (information paper 27)* (February 1972), microfiche 454, Labour History (Marlborough, 1993).
[646] Labour Party, *Industrial Democracy: A Discussion Paper (RD:277)* (February 1972), microfiche 369, Labour History (Marlborough, 1993).

would democratise all areas of industrial relations.[647] The policy implications 'point the way towards a comprehensive and radical programme on industrial democracy'.[648]

This multi-dimensional and comprehensive programme was to be aimed primarily at the governance and executive management of companies. In both cases, the research department argued that there is a need to effect fundamental change in the power relations between workers and managers. Governance of the enterprise could be democratised by giving workers a veto over important management decisions. In addition, worker-directors could be placed on company boards, possibly in a German-style two-tier board model, where the board is divided into a supervisory board and an executive board. Democratisation of executive management would go even further. The department suggested the establishment of joint shop committees, which would assume total control over the day-to-day running of the shop floor.[649]

To implement the ambitious programme, the research department emphasised the need to move beyond collective bargaining. Achievement of industrial democracy would require a new Industrial Democracy Act. The discussion paper warned that a simple 'acceptance in principle' of industrial democracy was not enough. Instead, a rolling programme of democratisation was needed, where each advance serves as a basis for further progress. The discussion paper ended with a sweeping statement of values with Marxist undertones:

> 'Implicit throughout this paper have been two basic value judgements. The first is that the creation of real income and wealth is a social and co-operative process, the product of the combined efforts of workers past and present; workers must have the

[647] ibid., pp. 1-2.
[648] ibid., p. 14.
[649] ibid., pp. 21-2.

> right, therefore, to provide this co-operation only on their own terms. And the second is that the right of workers to determine the conditions under which they spend their working lives is intrinsically more important than the rights of the owners of capital to control the firms in which they invest, or the rights of the managers of capital to rule their industries'.[650]

The weekend conference included a wide-ranging discussion on industrial democracy, where participants offered both support and opposition to the ideas expressed in the discussion paper. At the end of the session, Bish weighed in: he accepted strengthening of the trade unions' position, but opposed the idea that collective bargaining was sufficient for expanding industrial democracy. Bish also opined that workers' representatives on company boards (known as worker-directors) were a good idea, but they should have greater powers.[651] In making these comments, Bish was exposing a tension between the department's views and the position of most trade unionists. The unions were instinctively wary of any limitations on free collective bargaining. They feared that externally imposed changes in the worker-management relationship could blur the lines of responsibility and make trade unions appear as members of management.[652] In arguing for a programme of far-reaching changes, the research department was at risk of alienating union members who preferred the traditional organisation of industrial relations.

Following the weekend conference, the LPRD circulated a note on unresolved issues arising from the conference. The policy machinery was working towards an opposition green paper on industrial policy, and certain issues would require clarification. Noting that the conference was 'somewhat divided on the way forward in the industrial democracy field', the department offered a choice: proceeding on the basis of the 1967 working party report, which emphasised collective bargaining, or alternatively, pushing for

[650] ibid., p. 26.
[651] LPA, LP/RD/78/7, Ind Democ., undated (handwritten minutes of the industrial democracy session held on 27 February 1972, during the industrial policy weekend conference).
[652] Minkin, *Contentious Alliance*, p. 43; Taylor, *Trade Union Question*, pp. 150, 240-41.

a legislative 'rolling programme' of reforms, as advocated in the department's discussion paper.[653] A compromise option would be to proceed with the recommendations of the 1967 working party report, but indicate intention to publish a separate opposition green paper on industrial democracy.[654] When the Industrial Policy Sub-committee met again in March, it selected the compromise option.[655]

In April 1972, the LPRD sent the Sub-committee a draft text for the opposition green paper. In the section on industrial democracy, the department followed the Industrial Policy Sub-committee's guidance from the March meeting. The emphasis was now on the 1967 working party report and a slightly muddled assortment of legislative and institutional changes to strengthen collective bargaining. Earlier radicalism was still on display, for example in the objective 'to develop, in each enterprise and at each level, continous [*sic*] systems of joint regulation and joint determination, covering all facets of the operation of the enterprise…'.[656] The department did not, however, manage to transform this radicalism into feasible policy.

After the initial burst of activity in the early months of 1972, industrial democracy became mired in the bureaucratic process. The Public Sector Group, a subsidiary organ of the Industrial Policy Sub-committee, agreed in July 1972 that the Sub-committee should be pressed to take action on industrial democracy.[657] In response, the Sub-committee asked Bish to check if the TUC was ready to offer their views.[658] With no sign of a formal

[653] Labour Party, *The Weekend Conference: A Note on Some Unresolved Problems (RD 314)* (March 1972), microfiche 373, Labour History (Marlborough, 1993).
[654] ibid.
[655] LPA, LP/RD/79/2, Industrial Policy Sub-committee (4), 21 March 1972.
[656] Labour Party, *The Contribution to the Green Paper (RD 336)* (April 1972), microfiche 375, Labour History (Marlborough, 1993). Emphasis original.
[657] LPA, LP/RD/79/2, Minutes of a Meeting of the Public Sector Group Held at 5.0 p.m. on Tuesday 20th July at the House of Commons, 20 July 1972.
[658] LPA, LP/RD/79/2, Industrial Policy Sub-committee (9), 25 July 1972.

response, and an unspoken understanding that progress could not be made without consulting the unions, discussion on a radical industrial democracy programme stalled.

TUC and the Labour Party, 1971-2

In December 1971 the Industrial Policy Sub-committee considered the remit of its own work. The Sub-committee noted that while industrial democracy was a suitable issue for consideration, 'a detailed discussion on industrial relations reform and incomes in general … should await the outcome of the forthcoming talks between the TUC and the Party'.[659] While the Sub-committee tended to view its role in expansive terms, in this instance there was a clear decision to avoid industrial relations policy.

The reason for the Sub-committee's self-restraint was that industrial relations were moving to the sphere of high politics. The Conservative Industrial Relations Act of 1971 had a galvanising effect on the labour movement, bringing the party and the trade unions together in pursuit of shared objectives. In the 1971 Labour Party Conference, Jack Jones, leader of the Transport and General Workers' Union, called for close and continuous liaison between the party and the unions.[660] Despite the debacle over *In Place of Strife* in 1969, the Labour Party leadership was ready to seize on this proposal.

The General Secretary of the party, Harry Nicholas, wrote to the TUC on 30 November 1971, inviting the unions to joint discussions with the NEC on economic and industrial policy.[661] This was an attempt by the NEC to position itself as the main

[659] LPA, LP/RD/79/1, Industrial Policy Sub-committee (1), 21 December 1971.
[660] Taylor, *Trade Union Question*, pp. 224.
[661] Labour Party, *Discussions with the T.U.C. (RD.199)* (November 1971), microfiche 361, Labour History (Marlborough, 1993).

interlocutor with the trade unions. But the TUC had other thoughts. Jack Jones said: 'To most of us at the TUC it would have been a waste of time if the MPs had not been there. We wanted commitments, especially for the repeal of the Industrial Relations Act and only the leaders of the Party could deliver these'.[662] Thus, against the wishes of the NEC, the new TUC – Labour Party Liaison Committee would be a trilateral body. The committee members came from the Parliamentary Labour Party, the NEC, and the TUC.

The Liaison Committee was composed of some of the most important leaders of the labour movement. The Parliamentary Labour Party was represented by front bench politicians, and the party leader, Harold Wilson, was a frequent participant. On the trade union side, the committee included heavyweights such as Jack Jones, Hugh Scanlon, leader of the Amalgamated Union of Engineering Workers, and Vic Feather, General Secretary of the TUC. Members of the NEC included many of the stalwarts of the Industrial Policy Sub-committee, such as Tony Benn, John Chalmers, and Ian Mikardo. Harry Nicholas, the party's General Secretary, also attended as a member of the NEC side. Practical arrangements reflected the symbolic equality of the delegations: the Liaison Committee had a rotating chairmanship and the meetings alternated between the party headquarters in Transport House, the House of Commons, and the TUC headquarters in Congress House. The joint secretariat was provided by the Research Secretaries of the LPRD and the TUC.[663]

The Liaison Committee was an institutional innovation aimed at restoring unity in the labour movement. This was not without precedent: the National Council of Labour, established in 1921, brought together the TUC, the NEC, and the Parliamentary Labour

[662] Quoted in Taylor, *Trade Union Question*, pp. 224-5.
[663] LPA, box 49, TUC-Labour Party Liaison Committee (1), 21 February 1972.

Party. It had, however, gone into decline after 1946 and had failed to hold any meetings during the 1969 crisis.[664] During the 1970s the National Council of Labour was replaced by the Liaison Committee, which became an important forum of policy-making, at times acting as a virtual Shadow Cabinet. But the trilateral configuration of the committee betrayed a deepening divide between the NEC and the Parliamentary Labour Party. In a more unified party, a trilateral configuration would have been unnecessary. Yet, cooperation held the prospect of benefiting all sides. As long as overt disagreements were avoided, the Liaison Committee increased the public profile and legitimacy of the participants. Importantly for electoral considerations, the committee allowed Labour to project an image of itself as a party with constructive relations with the unions.

In the first months of its existence, the Liaison Committee could take heart from events beyond Westminster. The coal miners had gone on strike on 8 January 1972 in support of their claim for a 47 percent rise in pay. The six-week strike reached its climax at the Saltley coal depot near Birmingham, where an estimated 15 000 members of the National Union of Mineworkers organised a mass picket to halt the transportation of coal. With dwindling coal supplies and inability to move coal from depots to power plants, the Heath government was forced to accept a humiliating defeat, with a 20 percent pay rise and generous additional benefits for the miners. The strike ended on 28 February.[665]

Given the high-level nature of the Liaison Committee, it quickly became the leading body for the making of Labour's industrial relations policy. At the committee's first meeting on 21 February 1972, the parties agreed that the next Labour government would repeal the 1971 Industrial Relations Act. The TUC agreed to present a paper on the

[664] J.H. Brookshire, 'The National Council of Labour, 1921-1946', *Albion*, 18:1 (1986), pp. 43-69; Minkin, *Contentious Alliance*, p. 110.
[665] Taylor, *Trade Union Question*, pp. 196-9.

legislation that would replace the Conservative Act.[666] Between February and July, the TUC was in the driver's seat in discussions over future industrial relations legislation. A pattern emerged where the trade unions tabled proposals and the party commented on the details.

In the next meeting of the Liaison Committee, in March, the trade union side tabled an initial proposal for new legislation. Particular attention was drawn to the establishment of an independent but publicly funded Conciliation and Arbitration Service.[667] The Labour Party side refrained from detailed commitments. The LPRD was asked to prepare a draft response to the unions' proposal. This was presented to a meeting of the Parliamentary Labour Party and the NEC, for the purpose of preparing for the next meeting of the full Liaison Committee in late April.[668] In the paper the department agreed with the trade unions' insistence on voluntary reform of industrial relations, with the government taking a non-interventionist stance. But the department also argued that this approach lacked political credibility. The paper went on to suggest, in gentle terms, that criticisms made of union power 'have a certain facile plausibility'.[669] It would be difficult for Labour to ignore the critics unless a credible reform programme was in place. After discussion, these critical observations were dropped from the redrafted version of the department's paper, which constituted the party's formal response to the unions' proposal.[670]

The April meeting of the Liaison Committee concentrated on the Labour Party's response to the TUC proposals. The research department's paper advanced the argument

[666] LPA, box 49, TUC-Labour Party Liaison Committee (1), 21 February 1972.
[667] LPA, box 49, TUC-Labour Party Liaison Committee (2), 20 March 1972.
[668] LPA, box 49, NEC-PLP Side of Labour Party/TUC Liaison Committee (1), 13 April 1972.
[669] Labour Party, *Industrial Relations and the Law (RD: 333)* (April 1972), microfiche 375, Labour History (Marlborough, 1993).
[670] Labour Party, *Legislation and Industrial Relations (RD: 339)* (April 1972), microfiche 376, Labour History (Marlborough, 1993).

that reform of industrial relations had to be completely separated from the reform of British industry. Economic problems were to be dealt with by the party's interventionist industrial policy (that is, the emerging alternative economic strategy), but the party would not seek to intervene in industrial relations. The paper also included a section on industrial democracy, with an attempt to appeal to the unions by promising that the next Labour government would support the unions 'as the instrument by which industrial life can be made more democratic'.[671] In the discussion, the proposals on industrial democracy were ignored, and the committee mainly focused on the proposed Conciliation and Arbitration Service.[672] In May and June, the committee continued to work on the details of the Conciliation and Arbitration Service.[673] In the May meeting, the TUC side tabled more detailed proposals for trade union legislation to replace the 1971 Industrial Relations Act, concentrating mainly on the rights of trade unions and their members.[674]

In July 1972, the Liaison Committee issued a press statement, summarising the areas where the party and trade unions had reached agreement. The starting point was a commitment to repealing the 1971 Industrial Relations Act. New legislation would be enacted to guarantee the rights of trade unions. The committee members also committed themselves to the establishment of a Conciliation and Arbitration Service, as a body independent of government control. The committee also intended to expand its agenda to cover economic policy, including issues such as unemployment, economic growth, regional development, investment, and industrial democracy.[675] After July, the Liaison

[671] ibid., p. 6.
[672] LPA, box 49, TUC-Labour Party Liaison Committee (3), 24 April 1972.
[673] LPA, box 49, TUC-Labour Party Liaison Committee (4), 22 May 1972; LPA, box 49, TUC-Labour Party Liaison Committee (5), 20 June 1972.
[674] LPA, box 49, Industrial Relations – The Scope of Future Legislation (Liaison Ctee 4/2), 17 May 1972.
[675] LPA, box 49, Statement on Industrial Relations, 26 July 1972.

Committee held three more meetings in 1972, but in line with the expanded agenda, the meetings were focused on general exchanges of views on the economy.[676]

Towards the end of 1972, Terry Pitt, the head of the research department, wrote to the Labour Party side of the Liaison Committee. He suggested that a programme of work would be urgently needed for the committee. In Pitt's view, the committee had been proceeding at a 'rather leisurely pace'.[677] The meetings had 'little of value coming out of them, apart, that is, from our general agreement on industrial relations'.[678] This impatience might have reflected the fact that the party policy machinery routinely employed programmes of work prepared by the research department. This was one of the main ways for the department to influence the agendas of the policy committees. The absence of such an arrangement limited the department's ability to guide the work of the Liaison Committee. The proposal for a programme of work was placed high on the agenda of the Liaison Committee's meeting on 20 November 1972.[679] It was perhaps not a coincidence that the meeting, chaired by James Callaghan, entirely ignored that agenda point.[680]

The Liaison Committee's first year might not have led to many concrete policies, as Pitt accurately observed. But it made a crucial difference by shifting the institutional context of the party's handling of industrial relations. The presence of the political and industrial wings of the labour movement on the Liaison Committee, and the senior level of the body, meant that the party's policy-making machinery had a deferential attitude

[676] LPA, box 49, TUC-Labour Party Liaison Committee (7), 25 September 1972; LPA, box 49, TUC-Labour Party Liaison Committee (9), 20 November 1972.
[677] LPA, box 49, T. Pitt to the Labour Party Representatives on the TUC-Labour Party Liaison Committee, undated (estimated October-November 1972).
[678] ibid.
[679] LPA, box 49, TUC-Labour Party Liaison Committee: Meeting to Be Held at Transport House, London, SW1, on Monday, 20 November, 1972, 20 November 1972.
[680] LPA, box 49, TUC-Labour Party Liaison Committee (9), 20 November 1972.

towards the committee. And not only that, the Liaison Committee was in practice dominated by the TUC and the Labour front bench. The influence of the NEC, and by extension the influence of party professionals, was far less significant than it was in the party's internal policy machinery.

Moreover, the establishment of the Liaison Committee created an informal division of labour. While the party's policy committees continued to work on overarching industrial policy, discussion of industrial relations became the exclusive domain of the Liaison Committee. Terry Pitt's frustrations with the working methods of the Liaison Committee betrayed some dissatisfaction with this arrangement; any serious discussion of industrial relations would have to take place in the committee. Thus, in one crucial area, the Labour front bench wrested control of policy-making from the party's formal policy machinery.

The LPRD had a role in preparing the party's positions on industrial relations legislation, as seen in the meetings of April 1972. But this role was limited in two ways. Firstly, the politicians and party leaders kept a tight rein on the research department, and the department's capacity to insert its own ideas into policy discussions was limited. Secondly, the Labour Party as a whole was not the initiator of policies. The TUC brought forward ideas and legislative proposals, and the party commented on these. In this situation, the LPRD was unable to overstep the boundaries of its secretariat role.

Emerging Conservative interest in industrial democracy, 1973

All was not well for the Heath government in early 1972. The coal miners' strike in January and February was seen as a humiliation for the government. The government's

initial emphasis on a 'hands-free' attitude to industrial policy and belief in free enterprise had turned into an abrupt 'U-turn' of government intervention in the economy. Rolls-Royce was nationalised in 1971. In January 1972, at the height of the miners' strike, unemployment climbed to one million, the highest level so far in the post-war period. In response, Anthony Barber, the Chancellor, introduced a Keynesian stimulus budget in April, which sent inflation and wage demands soaring. After lengthy but unsuccessful negotiations with the TUC at Chequers, the Prime Minister's weekend residence, Heath declared a 90-day wage and price freeze on 6 November 1972. For the rest of the Heath government's period in office, wages and prices were controlled through statutory means, an unpopular policy among the unions, which nevertheless managed to contain wage claims until the autumn of 1973.[681]

The trade unions' mobilisation against the 1971 Industrial Relations Act was causing further turmoil. On the recommendation of the TUC, many trade unions had refused to register themselves with the government Registrar. Under the provisions of the Industrial Relations Act, this meant that unregistered unions did not enjoy the traditional legal protections, and could therefore be targeted for litigation. In July 1972, the Industrial Relations Court (a new court created by the 1971 Act), sentenced five dockers' shop stewards to prison sentences for their actions during an industrial dispute. The 'Pentonville five', named after the prison where they were held, became an instant *cause célèbre* for the trade union movement. The House of Lords intervened and overruled the sentence. This averted the threat of large-scale strikes, but the Industrial Relations Act was thoroughly discredited.[682]

[681] Taylor, *Trade Union Question*, pp. 202-4, 206-8.
[682] ibid., pp. 199-202.

The professionals in the Conservative Party did not have a significant role to play in the events of 1972-3. In line with James Douglas's preferences, the CRD remained on the sidelines. But the realisation that *Fair Deal at Work* and subsequent legislation had failed to solve the trade union question might have engendered a renewed focus on industrial relations. One manifestation of this was an emerging interest in industrial democracy (or employee participation as the Conservatives preferred to call it).[683]

More importantly, developments in the EEC, which Britain was to join in January 1973, gave an impetus for thinking about industrial democracy. A proposal to harmonise European commercial law through the introduction of a European company statute had been under discussion since 1971. Heads of the Community member states had called for its adoption in a summit meeting in October 1972. During the same month, a draft directive on company law, known as the fifth directive, had been presented for discussion in the European Parliament. One of the main reforms in these European proposals was to introduce greater worker representation in the governance of enterprises. The specific means to achieve this included a two-tier board structure (with a supervisory board and executive board), allocation of one third of seats on the supervisory board to workers' representatives, and a consultative employees' council.

The first signs of the CRD's interest in industrial democracy came in January 1973, with an analysis of the EEC's policy proposals. Christopher Mockler, one of the department's senior staff members, argued that if the European company statute is imposed, Britain had nothing to lose by taking the lead. Based on this premise, Mockler recommended embarking on a more ambitious programme of reforms than envisioned in

[683] For the sake of consistency, the term 'industrial democracy' will be used. This term better captures the wide range of interpretations of this concept, as opposed to the narrower focus implied by 'employee participation'.

the statute. He also viewed the establishment of two-tier boards as an interesting proposal, with the hope that greater participation of workers in company decision-making would reduce industrial tensions. In addition to the practical reasoning, a purely political rationale was also provided: 'The militant unions, communists and others would certainly oppose employee participation, which is a good reason for going ahead. A partnership model of society helps undermine their raison d'etre [*sic*]'.[684] In line with the post-war right progressive tradition, the CRD saw industrial democracy as an opportunity to foster a sense of partnership in industry.

At the same time, the Conservative back benches had begun to express interest in the issue. A joint meeting of the Legal, Trade and Industry, and Employment Committees in April 1973 held a generally favourable view of industrial democracy. The back benchers expressed some concerns over the possibility that greater workers' participation might allow militant trade unionists to cause disruption.[685] Similar sentiments for and against industrial democracy were voiced in a June meeting of the Employment Committee. In briefing the committee, Maurice Macmillan, the minister for employment, explained that the EEC's efforts were driving government interest. But he also argued that there was a domestic rationale: industrial democracy was a way of 'modernising the one nation concept'.[686] The Prime Minister echoed the right progressive sentiments of his party in a 15 May speech at the annual dinner of the Confederation of British Industry. Though

[684] CPA, CRD/4/4/56, Reform of Company Law, 24 January 1973. Emphasis original.
[685] CPA, CRD/4/4/56, Note of a Joint Meeting of the Legal, Trade and Industry and Employment Conservative Parliamentary Committees, 13 April 1973.
[686] CPA, CRD/4/4/56, Note on a Meeting of the Employment Committee, on 14th June 1973, addressed by Mr. Maurice Macmillan, 20 June 1973.

Heath avoided any firm commitments, he stated that the government was studying options for increasing workers' participation.[687]

Thus the CRD was firmly in the party mainstream when it organised a seminar on 9 May 1973 on industrial democracy. The seminar was a modest affair, with 15 participants, mostly party officials and representatives of various firms. The participants were to some extent a select group; the research department desk officer had decided not to invite a representative of the Engineering Employers' Federation, who was knowledgeable about industrial democracy but 'probably a little too disgruntled to be worth involving'.[688]

The general mood in the seminar was supportive of industrial democracy. Some participants felt that nothing in the present system warranted change, but others pointed out that the British system was not helpful to economic objectives. Countries with more worker participation had less strikes; in any case European countries were moving towards more participation. The German example of industrial democracy was debated, and arguments were made for the exceptionalism of Britain. The overall conclusion of the seminar was that the 'Government should take action ahead of confirmation by EEC members of the fifth directive, so that one should not be seen merely to be obeying outsiders'.[689]

After the seminar, the research department received an unusual memorandum from the Industrial Department of the Conservative Central Office. The two full-time staff

[687] CPA, CRD/4/4/56, Extract from a Speech by the Prime Minister, the Rt. Hon. Edward Heath, MBE, MP, at the Annual Dinner of the Confederation of British Industry at the Hilton Hotel, London on Tuesday 15 May 1973, 15 May 1973.
[688] CPA, CRD/L/3/19/1, T. Boswell to J. Douglas: Workers' Participation Seminar, 19 April 1973.
[689] CPA, CRD/4/4/56, Report on a Seminar at 24 Old Queen Street on 9th May 1973 on Worker Participation in Industry, 18 May 1973, p. 2.

members of the Industrial Department, J. McDonald Watson and Robert Walsh, had attended the seminar, but they were not pleased with its tone. They disagreed in the strongest terms with the notion that British trade unions could be trusted with industrial democracy. The reason for this was the unions' close association with Labour and other left-wing political groups. According to the Industrial Department officers 'the goal of the unions is set out as plainly as Hitler's was in Mein Kampf. It is the overthrow of capitalism and the state ownership of industry'.[690] Moreover, 'the election of union delegates to the boards is no more nor less than the installation of fifth columnists determined on the destruction of the existing system'.[691]

The Industrial Department was, however, in a state of decline, along with the grassroots Conservative trade unionist movement it was intended to oversee. Indeed, a few years later, in 1975, the Industrial Department was closed down, its functions taken over by the Community Affairs Department of Central Office.[692] After 1975 there was an attempt to reorganise the grassroots movement, aimed at subverting trade union militancy by increasing the numbers of Conservatives in union ranks. But the party's commitment to this effort was lukewarm and the headquarters organisation was closed down by 1980.[693] The moribund state of the Conservative trade unionists' organisation meant that the Industrial Department posed no threat to the research department's status as the party's policy shop.

Nevertheless, the Industrial Department's hostility to workplace democracy was a reminder of an older, less fashionable attitude towards trade unions. A deep-seated fear of

[690] CPA, CRD/4/4/56, J. McDonald Watson to D. Nicholson: Worker Participation, 21 May 1973, p. 1.
[691] ibid., p. 2.
[692] A. Rowe, 'Conservatives and Trade Unionists', in Z. Layton-Henry (ed.), *Conservative Party Politics* (London, 1980), pp. 210-30.
[693] Williamson, *Conservative Economic Policymaking*, pp. 179-80.

trade union power was alive and well in the Conservative Party, and the notion of deliberately empowering unions was anathema to many, especially those who subscribed to the anti-union views of the new right. But the party's front bench did not agree with this. As expressed by Heath and Maurice Macmillan, industrial democracy was acceptable and even desirable. Right progressive notions of partnership in industry prevailed. The research department's attitude on the matter was in line with the leadership's views.

By the summer of 1973, the Conservative government was in the process of writing a white paper on the reform of company law. The research department's initial comments reflected a tendency to cast company law, and by extension industrial democracy, as an issue of modernisation. In his comments James Douglas argued: 'The message we want to convey is surely that of a reforming Government defining a modern framework for capitalism'.[694] He criticised the draft white paper for lacking clear philosophical context, and recommended the addition of an introduction that would 'define a modern Conservative approach to the relationship between management, shareholders, consumers, workers and the public interest'.[695]

Aside from an intellectual attachment to 'modernising the one nation concept' (as Maurice Macmillan, the Employment Secretary, had put it), the Conservative Party's interest in industrial democracy was driven by a more prosaic motivation. The notion that the Conservatives must win over working class voters to remain in power loomed in the background. In August 1973 the research department drew up an analysis based on recently commissioned public opinion research. The analysis suggested that the introduction of worker-directors on company boards might upset some Conservative

[694] CPA, CRD/4/4/56, J. Douglas to J. Prior: Company Law White Paper, 5 July 1973, p. 1.
[695] ibid.

supporters as well as the employers' organisations. But among the general electorate, nearly half supported the principle that workers should have more say in the management of companies. Therefore there was a need to find ways to expand industrial democracy without raising the spectre of militant trade unionists disrupting company boards. The department's judgement was that 'a programme involving progress towards more employee representation on boards, together with employee committees, and emphasising the involvement of non-unionists through secret ballots, would maximise political support'.[696]

Planning Labour's legislative programme, 1973

The main achievement of the TUC – Labour Party Liaison Committee in 1972 was a public commitment to the repeal of the Heath government's Industrial Relations Act. But a more profound alignment of interests was also emerging. The notion of a social contract between the party and the unions began to gain currency. As an unwritten and unofficial agreement, the exact provisions of the social contract were never made clear. But at its heart lay the idea of cooperation in industrial affairs. Specifically, the Labour leadership committed the party to upholding free collective bargaining, while the union leaders committed themselves to pay restraint.[697]

The Liaison Committee met twice in January 1973 to discuss a new policy statement.[698] Published in February as *Economic Policy and the Cost of Living*, the statement criticised the Conservative government for its confrontational industrial relations

[696] CPA, CRD/4/4/57, Employee Participation – Political Issues, 10 August 1973.
[697] Pelling, *British Trade Unionism*, pp. 290-1.
[698] LPA, box 49, TUC-Labour Party Liaison Committee (10), 22 January 1973; LPA, box 49, TUC-Labour Party Liaison Committee (11), 29 January 1973.

approach and high price inflation. The Liaison Committee called for the establishment of a wide-ranging system of price controls for necessities such as food, housing, and rents. Furthermore, the statement advocated stimulation of economic growth and employment through state supervision of the investment decisions of public and private corporations. Lastly, the statement included a reaffirmation of the primacy of free collective bargaining, along with a vague commitment to the extension of industrial democracy.[699] Stopping far short of clear commitments on industrial democracy, the Liaison Committee was content to observe that '[t]his is one of the most complex fields of our national life, and this is the fundamental reason why policy in this field can only be based on agreement and not compulsion…'.[700]

Aside from the policy proposals, *Economic Policy and the Cost of Living* represented a widening of the social contract. The statement promised that the next Labour government's first task would be to conclude an agreement with the TUC on economic policies and the order of priorities for enacting them.[701] From the perspective of the NEC and the party professionals, the growth of trade union influence on Labour policies must have appeared an unwelcome intrusion. The Liaison Committee, rather than the party's policy committees, was becoming the primary source of policy on economic and industrial matters. This increased the influence of the parliamentary leadership at the expense of the NEC.

The elaboration of Labour's future legislative programme continued in the spring of 1973. At this point, the Liaison Committee turned to the critical issue of industrial relations legislation. In meetings of the committee in March, April, and May, a pattern

[699] LPA, box 49, Economic Policy and the Cost of Living (PS 47/73), 28 February 1973.
[700] ibid., p. 8.
[701] ibid., p. 9.

emerged where the TUC offered detailed proposals on future legislation and the Labour Party side reacted to these proposals.[702] Having taken the initiative in the negotiations, the unions set their sights on a key demand: the restoration of traditional legal protections for unions, following the repeal of the 1971 Industrial Relations Act. In addition, the TUC sought to extend the unions' legal rights in some areas.[703]

The LPRD was tasked with formulating a response to the union proposals. The central objective of repealing the Industrial Relations Act was widely accepted as a starting point. For example, in March 1973 Terry Pitt, the head of the research department, included the repeal of the Act as a campaign commitment in a ten-point election manifesto, created for a hypothetical snap election that never took place.[704] The real question was what should come after the repeal. In an April 1973 paper, circulated only to the Labour Party side of the Liaison Committee, the research department listed a number of party positions that were not reflected in the trade unions' proposal. These fell into two categories: firstly, on the contentious issue of industrial relations reform, Labour should seek to introduce measures for expanding the role of the planned Conciliation and Arbitration Service, the registration of trade unions, the independent review of complaints on union conduct, and scrutiny of trade unions' financial accounts. Secondly, the party should advocate for the extension of industrial democracy in the context of a 'radical overhaul' of company law.[705]

[702] LPA, box 49, TUC-Labour Party Liaison Committee (12), 12 March 1973; LPA, box 49, TUC-Labour Party Liaison Committee (13), 16 April 1973; LPA, box 49, TUC-Labour Party Liaison Committee (14), 21 May 1973.
[703] LPA, box 49, New Industrial Relations Legislation, 15 January 1973.
[704] CPA, CRD/D/6/27, Labour's Ten Points for a Snap Election Manifesto, 16 March 1973.
[705] LPA, box 49, R.G. Hayward to the Labour Party Representatives on the TUC-Labour Party Liaison Committee, 12 April 1973; LPA, box 49, A Note on the TUC Document "New Industrial Relations Legislation" (RD.744), April 1973.

This initial analysis was redrafted by the research department into the Labour Party's formal response to the TUC. Some of the original points on trade union reform were retained and greater emphasis was placed on union conduct and the rights of individual union members vis-à-vis unions. The second research department proposal, extension of industrial democracy, was not mentioned at all in the response to the TUC.[706] This omission likely reflected the complexity of the industrial democracy question and the party's unwillingness to raise the difficult issue with the unions. In addition, a Labour Party Working Group on Company Law had been established in the spring of 1973, and the working group was expected to formulate a party position on industrial democracy.[707]

The TUC provided its own response in September. In a written response the union side dismissed Labour's attempt to introduce limited measures for industrial relations reform in the legislation. Seeking to defend against state intrusion into their internal practices, the unions argued that their internal dispute resolution mechanisms were already sufficient and therefore there was no need for an independent review body.[708] In the September 1973 meeting of the Liaison Committee, the trade union side expressed additional concern regarding the mention of 'right to work' in Labour's comments; the unions feared that this could be interpreted as an endorsement of the right to not join a union. The Labour representatives denied such intentions and promised to pursue the issue separately.[709]

A parallel discussion took place in the Liaison Committee on the form and procedure of the new legislation. In a July meeting the Labour Party side accepted a

[706] LPA, box 49, New Industrial Relations Legislation: Comment by Labour Party Side (RD 782), May 1973.
[707] B. Clift, A. Gamble, and M. Harris, 'The Labour Party and the Company', in A. Gamble, G. Kelly, and J. Parkinson (eds.), *The Political Economy of the Company* (London, 2000), pp. 70-1.
[708] LPA, box 49, New Industrial Relations Legislation (16/1), 24 September 1973.
[709] LPA, box 49, TUC-Labour Party Liaison Committee (16), 24 September 1973.

proposal from the TUC for three successive bills: a bill to repeal the Conservative 1971 Industrial Relations Act and grant legal protections for the unions, an Employment Protection Bill to extend the rights of workers and unions in certain areas, and a Companies Bill which would include an extension of industrial democracy.[710] As before, the trade unions took the initiative in determining not only the content of Labour's programme but also its legislative form.

The unions' negotiation position in 1973 constituted a rejection of the proposals made by the Labour Party. The attempt by the LPRD to introduce two concepts on the agenda, industrial relations reform and industrial democracy, had failed completely. The trade union side had rejected all proposals for reform and greater scrutiny of unions' internal practices. The question of industrial democracy had not even been tabled by the Labour party side, partially because of the complexities involved, and partially because the party was still formulating its policy. As a result, the preparation of Labour's legislative programme was dominated by the trade unions. Labour had ceded the initiative and adopted an almost deferential stance towards the unions. From the point of view of the parliamentary leadership, this approach made sense. By allowing the trade unions to determine industrial relations legislation, and thus reinforce the unions' capacity for collective bargaining from a position of strength, the Labour Party was keeping its own end of the social contract. In terms of electoral politics, Labour could solidify its support among trade unionists and present itself as the party best placed to work constructively with the unions. From the perspective of the NEC and the party professionals, the picture was more problematic. The alignment of interests in the Liaison Committee meant that few items of party policy were adopted by the committee. The marginalisation of party policy

[710] LPA, box 49, New Industrial Relations Legislation: Legislative Procedure, 12 July 1973; LPA, box 49, TUC-Labour Party Liaison Committee (15), 23 July 1973.

in the Liaison Committee was a foreshadowing of the bitter disagreements that were to emerge once Labour regained power.

The narrowing horizon of industrial democracy, 1973-4

Industrial democracy was treated as a secondary concern during the Liaison Committee's detailed discussions on legislation in 1973. In the spring of 1973 the LPRD attempted to put the issue back on the agenda, without success. Eventually in July, the TUC presented a summary of its interim position. The unions had three demands: firstly, half of the seats on company boards should be allocated to workers' representatives, secondly, workers' representation should be based on the trade union organisation, and thirdly, rejection of the concept of works councils (company-level groups to represent the employees).[711] These demands revealed that the trade unions viewed industrial democracy in a narrow manner, mainly concerned with boardroom representation. They were also fiercely protective of the right of unions to act as the sole representatives of workers. It was becoming clear that far-reaching measures to democratise the workplace held greater appeal among Labour policy experts than among the trade unionists. As a result, in a September 1973 meeting the party decided to resume its own work on industrial democracy, with the intention of consulting the trade unions later.[712]

Labour's Industrial Policy Sub-committee, the main source of the party's leftist economic programme, promptly revived discussion on industrial democracy. In a meeting held in September 1973, the members of the committee noted that the key issue was now the degree of workers' representation in corporate governance. The main objective was to

[711] LPA, box 49, Industrial Democracy (15/2), 23 July 1973.
[712] LPA, box 49, Labour Party Side: TUC/Labour Party Liaison Committee, 19 September 1973.

gain half of the seats on company boards for workers' representatives.[713] In defining these objectives, the Sub-committee was closely following the line taken by the TUC. The committee also sought to place industrial democracy within the wider context of Labour's industrial policy. They envisioned an overhaul of company structure, democratisation of both private and public sector enterprises, and a close linkage between industrial democracy and the proposed system of planning agreements (one of the central components of Labour's alternative economic strategy). In a nod to the trade unions and grassroots democracy, industrial democracy would not be introduced by government fiat, but instead the workers of each company would set the pace. Democratisation of the workplace would proceed on a flexible and 'rolling' basis.[714]

The Sub-committee's emerging vision of industrial democracy aligned with the priorities of the TUC. This had the effect of making workers' representation on company boards the main issue. Industrial democracy would operate on the level of strategic management, rather than the executive level. Far-reaching proposals made by the LPRD in early 1972, such as workers' control of day-to-day executive management or workers' veto over management decisions, were cast aside. By following the trade unions' priorities, the industrial democracy debate within Labour was narrowed down considerably. This caution was connected to the fact that industrial democracy was not uniformly welcomed among the trade unions. The Industrial Policy Sub-committee was aware that certain unions opposed the reform of company structure, because of fears over the effect on collective bargaining positions.[715]

[713] LPA, LP/RD/79/3, Industrial Policy Sub-committee (9), 25 September 1973.
[714] ibid., p. 3.
[715] ibid., p. 4.

The Working Group on Company Law, set up in the spring of 1973 and reporting to the Industrial Policy Sub-committee, represented the party's main push on industrial democracy, as part of a broader overhaul of company law. The group's report was completed in December 1973, but it was not published until May 1974, when it was issued under the title *The Community and the Company* (the report was billed a green paper, but it was a party policy statement, not an official government consultation paper).[716] The report's main recommendations were the establishment of two-tier company boards (non-binding, but preferred), with half of the top-tier supervisory board members elected by the workers through the trade union machinery.[717] The supervisory boards should have control over the 'fundamental nature of the company's operations'.[718] The report made efforts to court trade union interests: company level works councils were rejected, as they would infringe upon the single channel representation of workers through the trade unions. Furthermore, the report acknowledged that trade unions had not always been interested in worker-directors, and therefore the proposed legal changes would always be subsidiary to collective bargaining.[719] In practice, the industrial democracy proposals of *The Community and the Company* aligned closely with the views of the TUC.

The Public Sector Group, a subsidiary group of the Industrial Policy Sub-committee, addressed industrial democracy in November 1973. A paper by Ian Mikardo, a left-leaning parliamentarian, sought to move the debate beyond the boardroom, arguing that decision-making closer to the shop floor mattered more to the ordinary worker. Yet, in calling for greater shop floor democracy, Mikardo was clear it should be based on the trade

[716] LPA, pamphlet collection, box 251, The Community and the Company: Reform of Company Law, May 1974 (see Foreword).
[717] ibid., pp. 12-17.
[718] ibid., p. 15.
[719] ibid., pp. 11-12.

union organisation.[720] In this respect, he aligned with the TUC, which saw the protection of trade union privileges as a central objective. Stuart Holland, the architect of the party's alternative economic strategy, presented a paper arguing that industrial democracy and planning agreements would not lead to a clash between workplace democracy and state-led central planning. Holland predicted that workplace democracy would play to the hands of ministers and their advisers by giving them better access to information; this, in turn, would allow ministers to exert greater control over an instinctively conservative civil service. [721]

In trying to sum up the debate in December 1973, the LPRD emphasised that industrial democracy in the public sector should be based on the trade union organisation. Unions, rather than ministers, should have the right to appoint worker-directors to the boards of public companies.[722] In addition, the research department linked party policy to trade union objectives: 'We believe that the proposals put forward in the TUC's interim report constitute the minimum that should be accepted and therefore that these proposals should be pursued by the next Labour Government'.[723]

Despite the renewed discussions in Labour's policy machinery, a common position proved elusive. The LPRD reported back to the Industrial Policy Sub-committee in March 1974 and listed industrial democracy as an area requiring further work. The research department also referred to a planned meeting of the TUC – Labour Party Liaison

[720] Labour Party, *Introductory Green Paper Section on Industrial Democracy (RD 921)* (November 1973), microfiche 431-2, Labour History (Marlborough, 1993).
[721] Labour Party, *Industrial Democracy (RD: 930)* (November 1973), microfiche 432, Labour History (Marlborough, 1993).
[722] Labour Party, *Industrial Democracy in the Public Sector (RD: 950)* (December 1973), microfiche 434, Labour History (Marlborough, 1993).
[723] ibid., p. 3.

Committee, which was expected to agree on a common position.[724] However, the Liaison Committee failed to reach an agreement. In a meeting held in April 1974, the TUC proposed the creation of supervisory boards with half of the seats allocated to worker-directors. Ultimate authority over company decision-making would rest with the new supervisory board, overriding even the shareholders' annual general meeting.[725] The union and party positions were now in close alignment, with Labour's *The Community and the Company* and the TUC's 'interim position' both calling for two-tier company boards with trade union representatives. Yet, *The Community and the Company* was party policy rather than government policy. Decisions on industrial democracy were deferred to the drafting of the party's next election manifesto.[726]

By mid-1974 the internal discussions within Labour, and between Labour and the unions, had failed to produce an agreed policy on industrial democracy. But on an intellectual level, the debate had shifted. The TUC's position, which prioritised workers' representation in the boardroom, had become the accepted starting point. This considerably narrowed the terms of the debate. Industrial democracy came to be seen as worker-directors in the boardroom and protection of the status of trade unions. More radical visions of shop floor democracy gradually disappeared from the agenda. As a result, industrial democracy had become a more feasible concept but also less transformative. The LPRD's original radical vision from 1972, which included ideas such as shop floor workers' control, had been pushed aside.

[724] LPA, LP/RD/79/4, Labour's Policies and the Work of the Committee (RES: 3), March 1974.
[725] LPA, box 49, Industrial Relations and Industrial Democracy – Next Legislative Steps, 22 April 1974, pp. 3-4.
[726] LPA, box 49, TUC-Labour Party Liaison Committee (20), 22 April 1974, pp. 2-3.

The end of the Heath government, 1972-4

While Labour and the unions were honing their future legislative programme, the Conservative government of Edward Heath found itself in deepening trouble. Following the introduction of a wage freeze in November 1972, the government's credibility was tied to the unions' willingness to acquiesce to a statutory incomes policy. Having successfully overseen the initial wage freeze, known as stage 1, the government introduced stage 2 pay norms in January 1973. These were intended to last until the autumn of 1973, at which point further pay norms would be launched – a stage 3.[727] Despite careful preparations, stage 3 was an abject failure, and a major contributing factor to the fall of the Heath government.

The CRD's earlier confidence in the Industrial Relations Act began to turn into uncertainty. Turmoil in industrial relations brought out the question of whether to confront or conciliate the unions. Already in the spring of 1972, James Douglas counselled against confrontation, specifically rejecting the idea of an early election to resolve the industrial relations deadlock.[728] When the stage 1 wage freeze was implemented, Douglas wrote to Prime Minister Heath and recommended that he should re-start negotiations with the trade unions.[729] During 1973, Heath's final year in power, party insiders debated whether to placate unions by dropping controversial provisions of the Industrial Relations Act.[730] The CRD again argued for conciliation. In February 1973, Douglas responded to the ideas of Nigel Lawson, a journalist and future Conservative minister. Lawson advocated the curbing of union powers, including strikers' benefits and the right to picket. Douglas

[727] Taylor, *Trade Union Question*, p. 206.
[728] CPA, CRD/3/7/7/10, J. Douglas to D. Hurd: The People V. The Unions, 21 April 1972, p. 1; CPA, CRD/3/7/7/10, J. Douglas to B. Sewill, 2 May 1972, pp. 2-3.
[729] CPA, CRD/3/7/2/6, J. Douglas to E. Heath, 17 November 1972, p. 4.
[730] Williamson, *Conservative Economic Policymaking*, pp. 175-6.

resisted, arguing that such confrontation would necessitate radical limitations of the right to strike, which went against his personal convictions.[731] A few months later, Michael Fraser, the Deputy Chairman of the party and Douglas's supervisor, requested the research department's views on the Industrial Relations Act. David Nicholson, the department's trade union expert opined that the government should be prepared to negotiate with the unions not only on incomes, but also on the problematic aspects of the 1971 Act. In particular, Nicholson was prepared to drop the union registration requirement, which had become the centrepiece of union resistance, and which Nicholson regarded as a 'dead letter'.[732]

The government faced two interrelated crises in the winter of 1973-4, both revolving around energy. Firstly, on 6 October 1973, Egypt and Syria invaded Israel, launching the three-week Yom Kippur War. To protest American support for Israel, the Arab members of the Organization of the Petroleum Exporting Countries announced an oil embargo, leading to an international oil crisis. Secondly, in Britain the government published its plans for stage 3 incomes policy on 8 October, just two days after the attack against Israel had begun. The National Union of Miners, which had humiliated the government in January and February of 1972, almost immediately declared its dissatisfaction with the new pay norms. Facing an international oil crisis and a looming strike in the coal mines, Heath decided to restrict electricity consumption by announcing a three-day working week on 13 December (to take effect on 1 January 1974).[733] This further contributed to the sense of a spiralling crisis.

[731] CPA, CRD/3/7/7/10, J. Douglas to D. Hurd: Industrial Relations, 23 February 1973, p. 2. Williamson, *Conservative Economic Policymaking*, p. 176.
[732] CPA, CRD/3/7/12/1, M. Fraser to J. Douglas: Industrial Relations Act, 11 May 1973; CPA, CRD/3/7/12/1, D. Nicholson to J. Douglas: Industrial Relations Act, 16 May 1973.
[733] Taylor, *Trade Union Question*, pp. 207-10.

In November-December 1973, Lord Carrington, the party Chairman, asked the research department for 'quick and original thinking on the Industrial Relations Act, notably how to deal with registration'.[734] Douglas consulted Stephen Abbott, a former research department officer who was one of the leading minds behind *Fair Deal at Work.* Abbott thought the party should remain firm and not remove the requirement for union registration. He believed that, properly marketed, the Industrial Relations Act would prove to be an advantage in a future election campaign.[735] Douglas disagreed with Abbott's views, suggesting that Abbott was too wedded to the policy he had helped to author. Douglas decided that the research department would have to develop its own proposals for amending the Act.[736] The research department viewed the registration requirement, a key irritant for the unions, as an expendable bargaining counter.

Despite direct negotiations between the Prime Minister and the TUC, efforts to settle the miners' pay dispute were unsuccessful. The National Union of Miners declared an all-out strike to begin on 9 February 1974. Heath's response was to call a general election for 29 February 1974. Having staked the government's credibility on a statutory incomes policy, Heath decided to go to the country for a renewed mandate rather than capitulate to the miners' demands.

In January 1974, in the midst of the unfolding crisis over miners' pay, CRD officer Christopher Mockler wrote to James Douglas and argued that '[i]f there is a snap General Election then on[e] [*sic*] of our objectives will be to keep public attention on the main issue and to take the headlines away from the Tory Right-wingers who will make wild

[734] CPA, CRD/3/7/12/1, Lord Carrington to M. Fraser, 30 November 1973; CRD/3/7/12/1, M. Fraser to J. Douglas: Industrial Relations Act, 10 December 1973.
[735] CPA, CRD/3/7/12/1, Industrial Relations – Conservative Policy, 8 December 1973, pp. 11-12, 14-15.
[736] CPA, CRD/3/7/12/1, J. Douglas to D. Nicholson: Industrial Relations Act, 11 December 1973.

attacks on the trade unions'.[737] Mockler went on to propose that the party should appeal to the working class and trade unions by 'playing down' politicians who were seen as hostile to the unions and 'playing up' more union-friendly figures. Ominously for the research department's future status, Margaret Thatcher, who would become the party leader one year later, was counted among those to be played down.[738]

The Conservative election strategy pitted the legitimacy of the government against the power of the trade unions by posing a stark question to the electorate: 'who governs the country?'. Accordingly, the Conservative manifesto painted a grim picture of a 'danger from within' composed of high inflation and excessive trade union power.[739] Campaigning on an anti-union platform turned out to be a mistake for the Conservatives, as the election turned into a verdict on the overall performance of the government since 1970. The election result was indecisive: the Conservative Party gained fewer seats than the Labour Party, but neither reached an absolute majority in the Parliament. Heath stepped down on 4 March 1974, after a failed attempt to gain the support of the Liberal Party. This opened the way for Harold Wilson's return to Downing Street as the leader of a minority Labour government.[740] One of the new government's first acts was to accept the miners' pay demands, thus ending the strike that had brought down the Heath government.

Labour's legislative drive, 1974-6

The election of a Labour government in March 1974 set into motion the decade's second round of reform in industrial relations legislation. By the time Labour took power

[737] CPA, CRD/D/6/28, C. Mockler to J. Douglas, 10 Jan 1974, p. 1.
[738] ibid.
[739] Craig (ed.), *General Election Manifestos*, pp. 162-4.
[740] Taylor, *Trade Union Question*, pp. 214-17.

the Conservative Industrial Relations Act of 1971 was thoroughly discredited and Labour was committed to its repeal. The plan was to replace it with legislation designed in collaboration with the unions, as a central part of the social contract. This came in three stages: firstly, the Trade Unions and Labour Relations Act of 1974, secondly, the Employment Protection Act of 1975, and lastly, an amendment of the Trade Unions and Labour Relations Act in 1976.

The Labour government moved quickly to uphold its end of the social contract with the unions. The first step was to repeal the 1971 Industrial Relations Act and restore the traditional legal rights of trade unions. Towards this end, the government introduced the Trade Union and Labour Relations Bill in the spring of 1974. As a minority government, Labour had to work with opposition parties to pass the legislation. The Conservatives took this as an opportunity to salvage parts of the 1971 Act. In a memorandum issued in May 1974, the CRD recommended: 'We should seek as far as possible to maintain a continuity of philosophy with that implied in the Industrial Relations Act … but that we were always willing to amend it in particulars in the light of experience'.[741] Accordingly, the Conservatives introduced amendments to the bill to protect the rights of individuals vis-à-vis unions and prevent the government from extending the immunities of trade unions in industrial disputes.[742] The Trade Union and Labour Relations Bill became law in July 1974.

Governing without a parliamentary majority was not a satisfactory situation for the Labour Party, and unsurprisingly Wilson moved for an early general election. The election date was set for 10 October 1974. Labour sought to capitalise on the relative stability

[741] CPA, CRD/4/4/76, The Trade Union and Labour Relations Bill, 3 May 1974, p. 8.
[742] CPA, CRD/4/4/76, Opposition Amendments and Government Undertakings in Relation to the Trade Union and Labour Relations Act, 6 August 1974.

during its six months in government and the social contract was given pride of place in the manifesto. Harold Wilson stated in the foreword: 'The policies we have followed over the past six months, the policies which the next Labour Government will follow, are policies to strengthen the Social Contract'.[743] In accordance with the deal struck in the TUC – Labour Party Liaison Committee, the manifesto promised new legislative action: an Employment Protection Bill and new legislation to extend industrial democracy. Amendments placed in the Trade Union and Labour Relations Bill by opposition parties would be removed.[744]

The Conservative manifesto struck a conciliatory tone after the failed attack on trade union power in the March election. The main danger facing Britain was inflation and cooperation with the trade unions was needed to address it.[745] To do this, the manifesto called for the strengthening of the existing NEDC as a forum on industrial policy.[746] In a spirit of compromise and national unity, the manifesto pledged not to reintroduce the Industrial Relations Act nor attempt a repeal of the Trade Union and Labour Relations Act. Like Labour, the Conservatives wanted to extend industrial democracy, in a flexible and experimental manner.[747]

The election gave Labour a thin majority of three seats, allowing Wilson to continue as Prime Minister. As promised in the manifesto, in November 1974 the government introduced a Trade Union and Labour Relations (Amendment) Bill, the purpose of which was to purge the earlier Act from the amendments made by opposition parties. Certain closed shop provisions in the amendment bill would turn into a

[743] Craig (ed.), *General Election Manifestos*, p. 240.
[744] ibid., p. 246.
[745] ibid., pp. 213-14.
[746] ibid., p. 217.
[747] ibid., p. 222.

controversial issue, especially in connection with press freedom. The fear among the opponents of the bill was that closed shop arrangements in the news media would prevent independent editorial work. Instead, editors and journalists would be at risk of being censored by the unions, which controlled access to employment in the sector.

The CRD quickly identified press freedom as an exploitable issue.[748] In November 1974, the research department issued a background briefing to Members of Parliament, which argued that the amendment bill was the price the government had to pay for the social contract. The memorandum discussed militancy in the National Union of Journalists and the threat this posed to editorial freedom.[749] These efforts bore fruit: largely due to the press freedom issue, the bill was rejected in the House of Lords in 1975. The government reintroduced the bill, with the intention of overriding the House of Lords under the Parliament Acts of 1911 and 1949. A compromise was found by including a provision in the bill for the drafting of a charter on press freedom, which averted the government's threat to override the House of Lords. The bill was delayed until March 1976, when it finally became law.[750]

The Employment Protection Act of 1975 progressed in Parliament with relative ease. Introduced in April 1975, it became law in November of the same year. The Act gave trade unions and workers a range of positive rights, marking a departure from the unions' traditional focus on negative rights and non-interference in the collective bargaining process. But it contained only a few genuinely new elements, such as protections against unfair dismissal and the right to maternity leave. Despite being hailed by Jack Jones, the

[748] CPA, CRD/L/4/46/1, S. Sherbourne to D. Nicholson, 25 November 1974.
[749] CPA, CRD/4/4/75, Debate on Second Reading of the Trade Union and Labour Relations (Amendment) Bill (PEP (744)), 29 November 1974.
[750] CPA, CRD/4/4/76, Trade Union and Labour Relations (Amendment) Bill, 25 March 1976. (Department of Employment press release)

union leader, as a 'shop steward's charter', the legislation was hastily enacted and had only limited impact on workplace practices.[751]

The Labour government's legislative activity from 1974 to 1976 was not greatly influenced by the LPRD. The groundwork for the social contract and associated legislation had been laid in 1973 in the TUC – Labour Party Liaison Committee. The TUC had taken the lead in formulating the legislation, and once in power, the Labour government took swift action to enact the agreed laws. This senior-level collaboration between the Labour front bench and the union leaders left no role for the party's policy machinery or the research department.

The missing piece in Labour's legislative programme was a bill on industrial democracy. Agreed on in the Liaison Committee and promised in Labour's election manifestos, work on industrial democracy nevertheless remained stalled. In April 1974 the LPRD identified industrial democracy as 'priority pre-election work', but this did not lead to any new efforts in policy development.[752] The government's inability to make progress on the issue did not go unnoticed in the Conservative Party. In May 1974, the CRD was able to observe: '[T]he Labour Party's Manifesto commitment to legislate to introduce "Industrial Democracy" has been indefinately [*sic*] postponed. This fact probably reflects the existence of serious philosophical divergencies within the Labour movement on this question'.[753] Members of the Conservative front bench also knew that Labour and the unions could not agree on industrial democracy.[754]

[751] W. Brown, 'Industrial Relations', in M. Artis and D. Cobham (eds.), *Labour's Economic Policies, 1974-1979* (Manchester, 1991), pp. 219-21; Taylor, *Trade Union Question*, pp. 237-9.
[752] LPA, LP/RD/15/1, Programme of Work – 1974 Onwards (Res. 15), April 1974.
[753] CPA, CRD/4/4/76, The Trade Union and Labour Relations Bill, 3 May 1974, p. 1.
[754] CPA, LCC/1/2/20, Industrial Relations Policy: Conservative Tactics and Strategy (LCC/74/10), 1 May 1974, p. 3.

The experience of the Heath government and the passing of new industrial relations legislation in the Parliament led to introspection in the CRD. James Douglas, the Director of the department, wrote an exploratory note in July 1974, where he outlined a dilemma: on one hand the Conservative Party was not capable of curtailing trade union power, but on the other hand, it was not well-placed to placate the unions (or at least not better placed than Labour). Douglas's only solution, which he found unsatisfactory, was to ignore trade unions and inflation as an electoral issue and instead base the Conservative platform on an entirely different topic.[755] David Nicholson, the department's expert on trade union affairs, objected to the suggestion of ignoring the trade union question, which was '… seen objectively, the central economic issue … and even the central political issue…'.[756] Since it could not be ignored, the Conservative Party should keep the issue on the agenda, while avoiding policies that would appear confrontational.[757] These internal discussions were inconclusive, but they revealed that the trade union question continued to haunt the minds of Conservative policy experts. Industrial relations was a political minefield but also impossible to ignore.

The internal discussion in the CRD prefigured the importance of non-confrontation in Conservative industrial relations policy. James Prior, the Shadow Minister for Employment, would become the foremost advocate of a policy of conciliation. In a paper to the Shadow Cabinet in July 1974, Prior argued that the two political requirements in industrial relations policy were to, firstly, demonstrate that the Conservatives knew how to work with the unions, and secondly, to show that working with the unions was possible

[755] CPA, CRD/L/4/46/1, J. Douglas to M. Fraser, I. Gilmour, C. Patten, and M. Wolff: Political Strategy, 3 July 1974.
[756] CPA, CRD/L/4/46/1, D. Nicholson to J. Douglas: Political Strategy, 10 July 1974.
[757] ibid.

without sacrificing the rights of individuals and the community.[758] This was an early statement of what was to become an influential school of thought during the Conservatives' period in opposition.

Bullock report and industrial democracy, 1976-9

As part of the social contract with the trade unions, Labour had committed itself to legislation to expand industrial democracy. Once Labour gained office in March 1974 there was insufficient agreement to proceed with legislation. *The Community and the Company* was published in May 1974, but the report held no formal status as it was a party policy statement instead of government policy. Meanwhile, a private member's bill arising from a Fabian Society working group became the focus of political attention. Introduced in Parliament on 15 January 1975 by Giles Radice, a Labour Member of Parliament, the bill was approved in the Commons and sent to standing committee for consideration.[759] Peter Shore, Trade Secretary and former head of the LPRD, felt Radice's bill 'went much further than the government's intentions'.[760] The bill's journey was therefore halted by a government declaration to introduce its own legislation on industrial democracy.[761] To this end, the government launched the Committee of Inquiry on Industrial Democracy, better known as the Bullock Committee after its chairman Alan Bullock, former Vice-Chancellor of Oxford University. The Bullock report, published in January 1977, would be the high water mark of the British public debate on industrial democracy.

[758] CPA, LCC/1/3/4A, Industrial Relations Policy (LCC/74/40), 18 July 1974.
[759] Clift *et al*, 'Labour and the Company', pp. 74-5.
[760] Quoted in A. Williamson, 'The Bullock Report on Industrial Democracy and the Post-War Consensus', *Contemporary British History*, 30:1 (2016), p. 126.
[761] Clift *et al*, 'Labour and the Company', p. 75.

The Labour Party's attempts to define an industrial democracy policy had stalled several times during the opposition years. To some extent this was a consequence of bureaucratic inertia in the policy-making process, but the party was also held back by the inability of the trade unions to arrive at a common position. In February 1976 the issue returned to the agenda of the Industrial Policy Sub-committee. The LPRD was tasked with drafting the party's submission to the Bullock inquiry.[762] The research department presented its ideas to the Sub-committee in March. The party's position closely followed that of the TUC, as set out in the Congress' 1973 interim report. Worker-directors should get half of the places on company boards and they should be elected through the trade union machinery.[763] After years of inconclusive discussions, Labour's policy experts had failed to develop a genuinely original position on industrial democracy. Instead, the party was content with backing the TUC.

Meanwhile, the Conservative Party was refining its own approach to industrial democracy, following increasing acceptance of the concept during the Heath years. During the final months of the Heath government work had started on a consultative green paper on employee participation, but the government fell before the paper could be completed. Reflecting on the draft green paper, Robert Jackson, who had been a political adviser in the Department of Employment, thought that the Labour government's intent to legislate on industrial democracy was shifting the terms of the debate. Therefore the Conservative Party should be ready to assume a more radical position on industrial democracy.[764] The Conservatives were not, however, uniformly enthusiastic about industrial democracy. A pamphlet published by the CRD in July 1974 criticised Labour intentions regarding

[762] LPA, LP/RD/14/9, Industrial Policy Sub-committee (5), 24 February 1975 [1976] (the minutes are misdated as 1975).
[763] LPA, LP/RD/14/9, Industrial Policy Sub-committee (6), 13 March 1976.
[764] CPA, CRD/4/4/59, Employee Participation, 18 June 1974, pp. 2-4.

company law. Referring to the Labour Party publication *The Community and the Company*, the research department argued that Labour's proposals would exclude non-union members from workplace representation, introduce a system where the role of a worker-director is an extension of wage bargaining, and coerce companies to accept a single model of industrial democracy.[765] Rather than opposing industrial democracy in principle, the authors of the pamphlet worried about undue strengthening of trade union power and the rights of non-unionised employees.

The key person in shaping Conservative policy on industrial democracy was James Prior, the Shadow Employment Minister. Prior's approach towards industrial democracy was generally welcoming and he worked closely with the CRD in articulating his thoughts. In a paper submitted to the Shadow Cabinet in July 1974, Prior identified industrial democracy as a 'trendy' subject which would allow the Conservatives to occupy the political centre ground, thereby recasting the Conservatives as a party of co-operation rather than confrontation.[766] In February 1976, Prior told the Shadow Cabinet that one Conservative priority should be '[t]o develop true participation policies in industry'.[767] These should be based on Conservative principles, which included the participation of all employees, rejection of universal application of a single model, and the belief that a code of practice would be more desirable than new legislation.[768] In these slightly opaque terms, Prior was describing a policy that recognised the need for industrial democracy, but sought its implementation in a manner that would prevent discrimination against non-unionised employees and the enactment of rigid new rules for enterprises.

[765] CPA, PUB/87/5, Labour's Industrial Policies, July 1974, pp. 4-6.
[766] CPA, LCC/1/3/4A, Industrial Relations Policy (LCC/74/40), p. 5.
[767] CPA, LCC/1/3/10, Employment Policy: The Trades Unions and Industrial Relations (LCC/76/96), 11 February 1976, p. 5.
[768] ibid., p. 3.

The expansion of industrial democracy suffered a setback with the publication of the much-anticipated Bullock Committee report on 26 January 1977. The committee members had failed to arrive at a common position, so two reports were issued: a majority report, mainly written by academics and union representatives, and a critical minority report, written by representatives of employers' organisations.[769] This disagreement at the heart of the report diminished its political value and denied the clear-cut recommendations the government had been hoping for. The most important recommendation of the majority report dealt with workers' representation in the boardroom, specifically with the question of worker-shareholder balance on the board. The report rejected the idea of a two-tier board structure, instead calling for employee representation on existing company boards. An equal number of employee representatives and shareholder representatives should be combined with a smaller group of independent co-opted members (the so-called '2x plus y' formula, where 'x' stands for workers and shareholders and 'y' for the independent members).[770] The minority report, signed by three members, proposed distinctly modest reforms. Companies should adopt a two-tier board structure, with responsibilities divided between a management board and a supervisory board. Workers should have minority representation on the supervisory board only. Supervisory boards would have no powers of initiative in making company policy.[771]

The Bullock Committee's split into two camps allowed the Conservative Party to oppose the majority report without appearing intransigent or confrontational. The CRD believed that, if implemented, the Bullock report would lead to more disruptions in industry, reduce multinational companies' willingness to invest in Britain, and fail to

[769] *Parliamentary Papers* (1976/77), Cmnd 6706, Report of the Committee of Inquiry on Industrial Democracy.
[770] ibid., pp. 92-108.
[771] Clift *et al*, 'Labour and the Company', p. 78.

promote real employee involvement.[772] Therefore the research department recommended rejection of both the majority and minority reports, while accepting that there was a case for expanding industrial democracy, and offering a Conservative alternative.[773] John Nott, the party's spokesman on trade, argued for a similar position in the Shadow Cabinet, with the exception that the party should not immediately attempt to provide a Conservative alternative. In place of new legislation or a Conservative policy, Nott and the Shadow Cabinet emphasised experimentation and organic change at the company level.[774] The Shadow Cabinet's ambiguity was deliberate. Following James Prior's pursuit of co-operative relations with the unions, the vagueness of the Conservative position allowed the party to endorse the principle of industrial democracy without committing to a specific policy.

The report's conclusions were opposed by most employers' organisations and several major trade unions, further reducing its political value to the government.[775] Rejection of the Bullock report by important interest groups left the Labour government with the impossible task of building consensus for future legislation through lengthy consultations. The unenviable task fell to Edmund Dell, the Secretary of Trade. The culmination of this work was the publication of an underwhelming white paper in May 1978. Unable to find backing for most of the proposals in the Bullock Committee's majority report, the white paper outlined a vague vision, full of caveats, for the consultation of employees in strategic decisions and optional establishment of two-tier company boards.[776] The Conservative spokesman called it 'extremely disappointing'.[777]

[772] CPA, CRD/4/4/62, Conservative Reaction to Bullock, 24 January 1977.
[773] CPA, CRD/4/4/62, Industrial Democracy, 21 January 1977, p. 6-7.
[774] CPA, LCC/1/3/13, Bullock (LCC(77)152), 3 February 1977; CPA, LCC/1/3/13, Leader's Consultative Committee (LCC/77/150th Mtg.), 9 February 1977.
[775] Taylor, *Trade Union Question*, p. 241; Williamson, 'Bullock Report', pp. 132-4.
[776] *Parliamentary Papers* (1977/78), Cmnd 7231, Industrial Democracy.

Dell bravely claimed that '[t]he debate on industrial democracy is now more about means than ends', but his statement was not reflective of reality.[778] The debate, to the extent that there had been a real debate, had already ended.

Political interest in industrial democracy dissipated soon after the publication of the white paper. The Queen's Speech of November 1978 outlined the government's intention to propose legislation 'to ensure that employees and unions are able to participate in discussions of corporate strategy and to provide in due course for employee representation on company boards'.[779] Such plans were derailed by serious industrial unrest during the winter of 1978-9, which damaged the Callaghan government's credibility beyond repair. The government was brought down in March 1979 by a vote of no confidence over regional devolution. A loss in the general election sealed the Labour government's fate and allowed Margaret Thatcher to establish a Conservative government in May. For the second time in a decade, industrial democracy was buried under the rubble of a collapsing government. Ironically, the trade unions were responsible for bringing down the Heath and Callaghan governments before either of them could see through their plans on industrial democracy.

For much of the 1970s industrial democracy was an ascendant idea, at times enjoying support both on the left and the right, but nevertheless failing to inspire major reforms. Ken Coates, a leading figure behind the far-left Institute for Workers' Control, pointed the accusing finger at Harold Wilson. Writing in 1979, Coates saw Wilson as an ally of the British establishment, which led him to block and frustrate the party's calls for

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[777] CPA, CRD/4/4/62, Industrial Democracy White Paper (784/78) (press release), 13 June 1978.
[778] CPA, CRD/4/4/62, Industrial Democracy: Mr Dell Identifies the Common Ground, 13 June 1978. (Department of Trade press release)
[779] [Hansard], *Parliamentary Debates*, 5th series, 1978, cmlvii, col. 6.

industrial democracy.[780] But the failure of industrial democracy in Britain had deeper causes. As Williamson has argued, different interest groups could agree on industrial democracy as long as it was a theoretical concept. Finding agreement on the details turned out to be impossible, especially after the Bullock Committee offered its concrete proposals.[781]

Both parties' research departments had fairly minor roles to play in the final stages of the industrial democracy debate. The CRD supported James Prior's right progressive line, viewing the Bullock Committee as an opportunity to present a modernising and co-operative image of the Conservative Party. Electoral calculations, rather than intellectual reasons, seemed to be the primary motivation. In the end, Conservative attachment to industrial democracy was shallow and opportunistic, as demonstrated by the CRD's quick rejection of the Bullock report soon after its publication. In any case, by the late 1970s the research department was aware of a deepening rift in the party. Prior's voluntarist right progressive approach was challenged by the new right, less concerned with attracting working class votes and more interested in rolling back the powers and privileges of unions. As Williamson accurately observes, industrial democracy was ultimately about transferring power from owners of capital to organised labour.[782] This notion sat uneasily with the increasing confidence of the new right.

The LPRD wrote the party's submission to the Bullock committee, but on an intellectual level, the research department failed to present any independent thought. By the mid-1970s, nothing was left of the research department's earlier advocacy of workers'

[780] K. Coates, 'Whatever Happened to Industrial Democracy?', in K. Coates (ed.), *What Went Wrong: Explaining the Fall of the Labour Government* (Nottingham, 2008), pp. 124-36.
[781] Williamson, 'Bullock Report', pp. 137-9.
[782] ibid., p. 138.

control, in the form of a radical rolling programme of democratisation from the shop floor to the boardroom. Instead, the department had accepted the trade union position, with its emphasis on boardroom representation and safeguarding of union interests. In this sense, Barbara Castle's warning in 1972 seemed prescient: her advice against engaging in theoretical debates that the trade unions would find irrelevant was widely condemned by her colleagues, yet in regards to a radical vision of workers' control, her warning rang true. The Labour Party policy machinery was reliant on the views of the TUC, which explains why the party's own efforts to develop a policy on industrial democracy stalled repeatedly. In the absence of a consistent position among the unions, both the party and the Labour governments found it easier to delay industrial democracy indefinitely, first by launching the Bullock inquiry, followed by an insipid white paper, and finally by letting the issue fade from the parliamentary agenda.

Nevertheless, the LPRD, or at least Research Secretary Geoff Bish, may have held on to the idea of workers' control. In 1978, Bish requested Tony Benn's help in convincing the party General Secretary to approve the distribution of Institute for Workers' Control publicity materials through party channels. Bish felt that the institute was a 'well-established part of the Labour Movement', and therefore worthy of assisting.[783] In 1979, Bish contributed two chapters, both critical of the Labour government, to *What Went Wrong*, a book edited by the institute's co-founder Ken Coates.[784] These friendly interactions between Bish and the Institute for Workers' Control suggest continuity in Bish's views. Any vestigial radicalism at the research department was, however, frustrated by the party's deference to the trade unions.

[783] LPA, LP/RD/37/11, G. Bish to T. Benn: Circulation of IWC Conference Publicity Material to C.L.P.'s, 14 February 1978.
[784] See Bish, 'Working Relations', pp. 163-9; Bish, 'Drafting the Manifesto', pp. 187-206.

Two Conservative approaches to industrial relations, 1974-8

The Heath government left the Conservative Party a legacy of self-doubt. Reforming the legislative framework through the Industrial Relations Act of 1971 had turned into a demoralising rout in the face of trade union resistance. Confronting the unions through the courts had produced martyrs such as the 'Pentonville five', only helping to fuel the unions' anger. Negotiations had failed too: the inconclusive Chequers talks with the unions in 1972 failed to produce a settlement, contributing to the government's introduction of a statutory incomes policy, itself a major cause of the Heath government's fall. Once the Conservative Party found itself in opposition again in 1974, it had a desperate need for an industrial relations approach that would not reproduce the failures of the Heath years.

The Conservative Party's return to opposition after the February 1974 general election led to revitalisation of policy work within the party. In the field of industrial relations, James Prior, the shadow minister on employment, saw a need for overhauling the party's image. The political objective was to demonstrate that the party could work with the unions. In practical terms this meant that the party would not attempt to re-introduce the 1971 Industrial Relations Act or propose other legislation to curtail the rights of the trade unions. Instead, high priority would be placed on re-building relations with the unions.[785] This was the foundation of a conciliatory approach to the unions which would remain a consistent feature of Conservative policy through the opposition years from 1974 to 1979. During the latter half of the Heath ministry, the CRD had been a consistent advocate of similar conciliatory policies. The research department's instincts aligned

[785] CPA, LCC/1/3/4A, Industrial Relations Policy (LCC/74/40), 18 July 1974, p. 2.

neatly with Prior's desire to re-cast the Conservatives as a party of moderation and co-operation.

James Prior set out his views in greater detail to the Shadow Cabinet in February 1976. According to Prior, Conservative policy 'must be such as to allay the fear that a Conservative Government would be incapable of co-operating with the unions, without being so framed that the many electors who believe that the unions now hold too much power are disappointed'.[786] In other words, the challenge was to strike a balance between not antagonising the unions and ensuring that the unions were not able to abuse the new rights that the Labour government had given them. Prior was also opposed to outlining detailed policies or suggesting future legislation: 'Management, union, workpeople and the electorate would not appreciate anything which appeared to be a further legislative onslaught on employment matters'.[787]

The CRD echoed Prior's views on industrial relations. An internal memorandum on electoral politics, written by a research department officer in October 1975, argued that the Conservatives had to attract more working class voters to win elections. One way of achieving this was by diminishing Labour's appeal as the party that could work with the unions. To do this, the Conservatives should indicate '… our own readiness to evolve constructive industrial relations policy in consultation with the trade unions and involving the minimum of legislative interference or change'.[788] The research department was also conscious of the other side of the argument; to attract voters, the party would have to avoid the image of being anti-union. In an analysis of the political situation produced for the

[786] CPA, LCC/1/3/10, Employment Policy: The Trades Unions and Industrial Relations (LCC/76/96), 11 February 1976, p. 1.
[787] ibid., p. 4.
[788] CPA, CRD/D/7/11, N. Forman to C. Patten, 22 October 1975.

Shadow Cabinet in February 1976, the research department observed that '[w]e are and will remain most vulnerable on the question of confrontation with the unions'.[789]

James Prior's approach to industrial relations dominated the party's official line in the mid-1970s. The approach had three main elements: firstly, changing the perception of the Conservatives as a party of confrontation by demonstrating that the party was capable of working with the unions. Secondly, balancing cooperation with the unions with the need to limit further growth of union power. Lastly, abstaining from a 'legislative onslaught' and accepting the new legislative status quo created by the Labour government. The motivation behind this approach was primarily electoral; a moderate stance on industrial relations was needed both to win the next election and to govern effectively afterwards.

Margaret Thatcher became the new party leader in February 1975 after defeating Edward Heath in a leadership contest. The appointment of a new leader inevitably led to personnel changes. For the party's policy-making machinery, the most consequential change was the appointment of Keith Joseph, a former social services minister and standard-bearer of the new right, to a Shadow Cabinet position with responsibility for policy.[790] Joseph unleashed a torrent of policy work, mainly through the establishment of party policy groups; in 1975-6, some 90 groups were convened.[791]

The policy group exercise gave an opportunity for the Shadow Cabinet, back benchers, and advisers to air their views on a wide range of questions. Two of these groups, on authority of government and nationalised industries, revealed that James Prior's conciliatory approach towards trade unions did not enjoy universal support. Some in the

[789] CPA, LCC/1/3/10, The Political Prospect and Strategy (LCC/76/98), 10 February 1976, p. 8.
[790] Patten, 'Policy Making', pp. 18-19.
[791] CPA, LCC/1/3/13, The Next Stage of Policy Work (LCC/76/144), 21 October 1976, p. 1.

party believed that confrontation with trade unions was inevitable, perhaps even welcome, and the real question was how to ensure a Conservative government could prevail in an industrial dispute. The Authority of Government Group was divided between pessimists, who believed that a future Conservative government could not effectively confront the unions, and optimists, who thought it was possible.[792] The report, written by James Douglas from the CRD and circulated in June 1977, attempted to bridge the difference by offering two lists of recommendations: firstly, for avoiding industrial disputes in the first place, and secondly, for the event that such disputes broke out. On balance, the policy group's report was more cautious than confrontational. [793]

The Nationalised Industries Policy Group was more forthright in its views on the unions. In a confidential annex to its report, completed in July 1977, the group identified trade unions as 'enemies of the next Tory Government' and proposed various means of countering the threat.[794] The recommendations were far more confrontational than what the Authority of Government Group had produced. For example, one recommendation proposed that the government could deliberately provoke an industrial dispute in an industry that offered good prospects for defeating the unions.[795]

The reports of the Authority of Government Group and the Nationalised Industries Policy Group were leaked to the press in the spring of 1978. The leaks cast an image of a party arming itself for battle with the unions, causing embarrassment among the party

[792] CAC, Thatcher MSS (digital collection), 111379, Authority of Government Policy Group, 10 September 1975; P. Dorey, 'Conciliation or Confrontation with the Trade Unions? The Conservative Party's "Authority of Government Group", 1975-1978', *Historical Studies in Industrial Relations*, 27-28 (2009), pp. 144-8.
[793] CAC, Thatcher MSS (digital collection), 111394, Authority of Government Group Report (PG/40/75/18), 2 June 1977.
[794] CAC, Thatcher MSS (digital collection), 110795, Final Report of the Nationalised Industries Policy Group (PG/10/77/38), 8 July 1977, p. 24.
[795] ibid., pp. 24-6.

leadership.[796] At a time when the Conservative Party's official rhetoric emphasised conciliation and willingness to work with the unions, the line taken by James Prior, the revelation that some elements in the party were preparing for industrial conflict was politically damaging.

By 1976 the Conservatives had begun to receive criticism for their lack of a clear policy platform. The CRD drew attention to this in February 1976, implying that at least some policies should be published soon.[797] In October 1976 the party published its first major policy document since going into opposition. *The Right Approach* was a lengthy but deliberately vague document that sought to present a synopsis of the party's policy work. The document was by necessity a compromise between different agendas and philosophies within the party.[798] On industrial relations, the document tried to balance conciliation and toughness: 'We believe that a strong and responsible trade union movement has an important role in a free society; it should be widely consulted and its interests acknowledged and understood. But the trade unions are not the government of the country'.[799] The document spoke in positive terms about industrial democracy and free collective bargaining, unhindered by a statutory incomes policy.[800] On the other hand, it called for greater trade union democracy and the protection of individual rights in a closed shop.[801] *The Right Approach* did not offer new revelations on Conservative industrial relations policy, but it managed to balance different views within the party.

[796] 'Mrs Thatcher Warned in Secret Report of Defeat in Confrontation with Unions', *The Times*, 18 April 1978, p. 1; 'Tory Views on Unions Embarrass Leaders', *The Times*, 27 May 1978, p. 2.
[797] CPA, LCC/1/3/10, The Political Prospect and Strategy (LCC/76/98), 10 February 1976, p. 8.
[798] Patten, 'Thatcher Years', p. 88.
[799] CAC, Thatcher MSS (digital collection), 109439, The Right Approach: A Statement of Conservative Aims, 4 October 1976, p. 44.
[800] ibid., pp. 29, 38.
[801] ibid., pp. 44-6.

The difference between Prior's right progressivism and Joseph's new right views was brought into sharp focus in 1977 by an industrial dispute at a film processing facility in north London. The Grunwick dispute, named after the involved company, revolved around the company's dismissal of workers for attempting to join a union. Amidst televised images of violent mass picketing, and the appearance of Labour ministers on the picket lines, the dispute turned into a politically charged battle over union power.[802] Keith Joseph dramatically rejected Prior's conciliatory approach by speaking against the unions and their Labour backers. At a speech in Doncaster in June 1977, he argued: 'The Grunwick siege shows us how far self-styled democratic socialists, self-styled union moderates have allowed themselves to be hijacked by the men of violence and coercion'.[803] Joseph continued to attack on the Grunwick issue, engaging in public arguments with the Secretary for Employment, the leader of the Liberal Party, as well as criticising the conclusions of a court of inquiry led by Lord Scarman.[804] But most importantly, Joseph's actions put Thatcher in a difficult position. While privately sympathetic to Joseph, she could not side with him without appearing like the leader of a split party. After her meeting with the President of the United States in Washington on 13 September 1977, designed to bolster her foreign policy credentials, the reporters were mainly interested in her views on the Joseph-Prior split over Grunwick. Thatcher provided an evasive answer, which was interpreted as siding with James Prior.[805]

[802] Pelling, *British Trade Unionism*, p. 296.
[803] CAC, Thatcher MSS (digital collection), 111944, Extract from a Speech by the Rt. Hon. Sir Keith Joseph M.P. (Leeds NE), at a lunch at Doncaster Racecourse Restaurant on Friday 24th June 1977 (671/77), 24 June 1977, p. 1.
[804] CAC, Thatcher MSS (digital collection), 111984, K. Joseph to A. Booth, 23 June 1977; CAC, Thatcher MSS (digital collection), 111268, Statement Issued on Sunday, 4th September to the Press Association at about 19.30 hours, 4 September 1977; CAC, Thatcher MSS (digital collection), 111945, Extract from a Speech by the Rt. Hon. Sir Keith Joseph, BT, M.P. (Leeds North-East) the Opposition Spokesman on Industry and with Overall Responsibility for Policy and Research, Speaking to Conservative Association Members , at Hove Town Hall, on Thursday, 1st September, 1977 (864/77), 1 September 1977.
[805] 'Tory Leader Denies Split in Party Over Closed Shop', *The Times*, 14 September 1977, pp. 1-2.

The Conservatives published a second major policy document in October 1977, titled *The Right Approach to the Economy*. Again a compromise document, it made a symbolic gesture towards party unity by including Keith Joseph and James Prior among the co-signatories. While the document offered greater detail on Conservative economic strategy, it contained nothing new on industrial relations. The familiar line on Conservative willingness to work with the unions was once again repeated: 'We see the trade unions as a very important economic interest group whose co-operation and understanding we must work constantly to win and to keep, as we have done in the past. We see no need for confrontation and have no wish for it'.[806]

Another strategy document, prepared in secret by John Hoskyns at the Centre for Policy Studies, attempted to shift the Conservative Party towards a more combative policy. The *Stepping Stones* strategy was based on a new right understanding of the trade unions as the main obstacle to the implementation of a neo-liberal political and economic programme. Written as a communication strategy rather than a legislative programme, *Stepping Stones* proposed 'turnaround policies' which would reverse Britain's economic and moral decline. It included a long appendix on the 'union problem'.[807] Thatcher received the document in October 1977 and gave it her support. Not everyone was as impressed. James Prior was initially opposed to the report but in January 1978 acquiesced to further policy work based on its premises.[808] Chris Patten, who succeeded James Douglas as the Director of the CRD in 1974, later described *Stepping Stones* as '… somewhere between a management consultant's brief and a plan of battle. It showed little

[806] CAC, Thatcher MSS (digital collection), 112551, The Right Approach to the Economy: Outline of an Economic Strategy for the Next Conservative Government, 8 October 1977.
[807] CAC, Thatcher MSS (digital collection), 111771, Stepping Stones, 14 November 1977.
[808] R. Taylor, 'The "Stepping Stones" Programme: Conservative Party Thinking on Trade Unions, 1975-9', *Historical Studies in Industrial Relations*, 11 (2001), pp. 113-15.

political understanding or touch'.[809] Patten had an influential backer in the party organisation: Lord Thorneycroft, whom Thatcher had appointed as party Chairman, was concerned about the creation of parallel party policies and objected strongly to the *Stepping Stones* approach.[810]

One of the central objectives of *Stepping Stones* was to provoke a public debate on trade unions. To do this, five teams were formed to develop further ideas. James Prior led the team on 'socialism and the trade unions', which met several times during the spring of 1978.[811] The group was composed of James Prior, the parliamentarians Barney Hayhoe and Reginald Prentice, John Hoskyns and Norman Strauss of the Centre for Policy Studies, Robbie Gilbert of the CRD, and as outside experts, Professor Andrew Sykes from the University of Strathclyde and Stephen Abbott, formerly an industrial relations expert at the research department.[812] The group set out to develop arguments linking trade unions to leftists and communists, but ultimately a more cautious line prevailed.[813] Eventually a decision was reached that Prior should give a speech on industrial relations, with the intention of drawing trade union leaders into a public debate. The speech was drafted by the CRD and it largely kept to the conciliatory approach advocated by Prior. Professor Sykes, who was sympathetic to the *Stepping Stones* approach, attempted to insert harsher criticism of Labour into the speech, but his comments were rejected.[814] Prior delivered the speech on 20 July 1978. The substance of the speech did not differ from Prior's earlier

[809] Patten, 'Thatcher Years', p. 86.
[810] CPA, CRD/D/7/24, Lord Thorneycroft to M. Thatcher, 26 January 1978.
[811] Taylor, 'The "Stepping Stones"', pp. 114-15.
[812] CPA, CRD/4/4/81, 'Stepping Stones': Theme B – 'Socialism and the Trade Unions', 22 March 1978.
[813] CPA, CRD/4/4/81, B Theme – 'Ammunition List', 4 April 1978; CPA, CRD/4/4/81, B – 'Socialism and the Trades Unions': Progress Report, 11 April 1978.
[814] CPA, CRD/4/4/82, Draft Speech for Mr. Prior, 20 June 1978; CPA, CRD/4/4/82, Draft Speech for Mr. Prior, 3 July 1978; CPA, CRD/4/4/82, Proposed Changes for Pages 6-10, undated (estimated June-July 1978).

pronouncements: he argued that Labour had misrepresented the Conservatives as a party of confrontation, but the Conservatives were willing to work with the unions.[815]

John Hoskyns, the architect of *Stepping Stones*, was not pleased to discover that his communication strategy was being ignored. In July 1978, following Prior's speech, he noted that the speech had not had its intended effect of drawing the unions into a debate. He also complained that the CRD had not produced materials that would be needed for further speeches.[816] Indeed, James Prior and the CRD were not keen on implementing Hoskyns's ideas. As the 20 July speech had shown, Prior used the speech to repeat his existing views, while taking some cosmetic elements from *Stepping Stones*. Hoskyns faced a situation where he had the support of Thatcher and several other key members of the Shadow Cabinet, but he could not convince James Prior, who held the reins of party policy.

Between 1974 and 1978 the Conservative Party developed two distinct approaches on industrial relations. The official party line was defined by James Prior, with the assistance of the CRD. It prioritised good relations with the trade unions, both as a means of overhauling the party's image and as a means of creating favourable conditions for the next Conservative government. An alternative approach was developed by Keith Joseph and the Centre for Policy Studies, with the silent support of Thatcher. It saw trade unions as an obstacle to the neo-liberal economic agenda that the Conservatives wanted to implement in office. During her time as the leader of opposition, Thatcher was able to use the party's official conciliatory line as evidence that the Conservatives were not anti-union.

[815] CPA, CRD/4/4/82, Summary of a speech by the Rt. Hon. James Prior, M.P. (Lowestoft), the Opposition Spokesman on Employment, speaking to Lambeth Conservatives at Clapham Baths, Clapham Manor Street, London, on Thursday , 20th July (959/78), 20 July 1978.
[816] CPA, CRD/4/4/82, J. Hoskyns to All Members of the Steering Group: Stepping Stones: Status of Union Debate, 24 July 1978.

She also had to avoid antagonising the right progressives, including James Prior, who still held influential positions in the Shadow Cabinet. Severe industrial unrest during the winter of 1978-9 proved to be the turning point that settled the debate in favour of Thatcher, the new right, and a tough policy on the unions.

The academic literature is divided on the question of Conservative industrial relations policy in the 1974-9 period. Some historians argue that the new right, with its Tory reformist agenda of attacking union power, gained the upper hand in the party's internal debate. Dorey argues that the Conservative Party had a 'Trojan horse' strategy of veiled anti-union intentions.[817] McGowan traces the influence of the National Association for Freedom, a group of right-wing activists, on Thatcher and Joseph, arguing that the Grunwick dispute pulled the party decisively to the right on industrial relations.[818] In contrast, Williamson argues that *Stepping Stones* was a failed initiative, which by the end of 1978 'had run firmly into the sand'.[819] In Williamson's view, the Conservatives were for the most part committed to voluntarism in the 1974-9 period, even if there were individuals willing to challenge Prior. This commitment was supported by the intellectual milieu, which was still dominated by voluntarism and the Kahn-Freudian notion of collective *laissez-faire*.[820] The literature therefore supports two interpretations: either the Conservative Party converted to reformist new right ideas or the party remained wedded to right progressive ideas of maintaining the voluntarist status quo.

[817] P. Dorey, 'Individual Liberty Versus Industrial Order: Conservatives and the Trade Union Closed Shop 1946-90', *Contemporary British History*, 23:2 (2009), pp. 228-31.
[818] J. McGowan, '"Dispute", "Battle", "Siege", "Farce"? – Grunwick 30 Years On', *Contemporary British History*, 22:3 (2008), pp. 393-401.
[819] Williamson, *Conservative Economic Policymaking*, p. 187.
[820] ibid., pp. 186-90.

This thesis supports neither position, instead arguing that the Conservative Party was genuinely divided on industrial relations, with Prior and the CRD on one side, and Joseph and the Centre for Policy Studies on the other. The CRD's support of Prior, and the department's success in frustrating *Stepping Stones*, demonstrates the continued influence of right progressive voluntarism in the final years of the 1970s. Rather than one faction dominating the other, the party was effectively split and unable to agree on how to handle the trade union question. The side-by-side existence of two Conservative schools of thought on industrial relations therefore highlights the contingent nature of Conservative ideas at the end of the 1970s. Rather than being guided by a coherent and consistent Thatcherite ideology, the party was unable or unwilling to choose between voluntarism and interventionism. The Conservative Party's anti-union stance was not confirmed until a wave of strikes struck Britain in the winter of 1978-9, emboldening the new right and turning public sentiment against the unions.

The unresolved problem of incomes, 1974-7

The defeat of the Heath government at the hands of trade unions made incomes policy an enduring problem for the Conservative Party. While Labour governments in 1974-9 implemented multiple phases of wage restraint, the Conservative Party was forced to react to Labour's actions while attempting, and largely failing, to form a coherent opinion on incomes policy.

Successful incomes policy relied on the cooperation of unions, and was therefore inseparable from industrial relations. Conventional economic thought regarded incomes policy – either voluntary or backed by statute – as one of the main methods of containing

inflation, but at the same time, industrial strife during the Heath years left many Conservatives deeply sceptical of the capacity of any government to control wages. CRD staff member Michael Niblock was among the pessimists. Writing in late 1974, Niblock was highly critical of the social contract between Labour and trade unions (in effect, an informal agreement on pay restraint). In his view, shop floor pressure for wage increases meant that the unions would not be able to observe their end of the social contract. He claimed that even Jack Jones, one of the architects of the deal, was having trouble controlling his shop stewards. Niblock forecasted inflationary labour cost increases and a threat of recession.[821]

Niblock's pessimism was not unfounded. Rapidly rising inflation in early 1975 focused Conservative minds on the thorny problem of inflation and wages. The Conservative Shadow Cabinet discussed counter-inflation measures in the spring and summer of 1975. In May, James Prior argued that control of money supply, as advocated by monetarists, would not be enough to rein in inflation, and some kind of pay restraint would be necessary. The Shadow Cabinet took a cautious line, emphasising various efforts to reinforce pay restraint.[822] In a further meeting in July, the Shadow Cabinet tried to formulate a response to the Labour government's stated intention to implement an incomes policy. The Conservative Shadow Cabinet was divided between those who saw the control of money supply as the only effective way of controlling inflation, and others who were willing to support a return to statutory wage restraint. The back benches were estimated to contain supporters of both positions in equal numbers. Margaret Thatcher prevaricated, choosing to wait and see how the situation would develop.[823]

[821] CPA, CRD/4/4/93, Social Contract and Inflation, undated (estimated October 1974), pp. 3-11, 14-15.
[822] CPA, LCC/1/3/7, Leader's Consultative Committee, 14 May 1975, pp. 2-3.
[823] CPA, LCC/1/3/7, Leader's Consultative Committee, 1 July 1975.

The Shadow Cabinet discussions demonstrated the appeal of neo-liberalism for some Conservatives. If controlling the money supply was the real issue, as claimed by the monetarists, then the government could ignore wage increases and avoid being dragged into compromising and unenforceable agreements with the unions. Yet, a sizeable segment of the party saw incomes policy as an indispensable weapon in the counter-inflationary arsenal. The senior ranks of the Conservative Party remained undecided between monetarism and incomes policy, reflecting a more fundamental divide between right progressives and the new right, and the latter's promotion of monetarism as the solution to all ills. Thatcher, despite her new right and monetarist credentials, was vague on the matter, seeing the whole issue as a specialist question and hence not her domain as party leader.[824]

An alternative approach to incomes began to take shape in the Economic Reconstruction Group, a general economic policy group founded in the summer of 1975 and chaired by Geoffrey Howe, the Shadow Chancellor. This approach revived the right progressive Conservative tradition of advocating partnership in industry, and by doing so, side-stepped the debate between monetarism and incomes policy. In essence, it marked a brief return of the ideas that led Harold Macmillan to establish the NEDC, a tripartite consultative body of unions, employers, and government, in 1962.[825] In February 1976, Howe presented a paper to the Shadow Cabinet where, among other proposals, he recommended a 'German model' for incomes. Two Shadow Cabinet meetings in February featured discussions on incomes policy, with Howe continuing to talk up his German

[824] Williamson, *Conservative Economic Policymaking*, p. 124
[825] P. Dorey, '"Don't Intervene, Don't Get Involved"', pp. 421-2, 426.

approach.[826] Howe's proposed model eschewed formal control of prices and incomes in favour of 'concerted action'; in essence, a form of corporatism where unions, employers, and the state gather in an institutionalised consultative framework to generate a shared understanding of the country's economic situation. The great hope was that such partnership would foster more cooperative and constructive industrial relations, thereby eliminating the need for statutory action on wages.

Geoffrey Howe's proposal relied on the background work of Adam Ridley, his close collaborator at the CRD. Ridley was sympathetic to monetarist ideas, but firmly insistent on an eclectic approach to economic policy, where no tools were to be left unused, even if they contradicted the theoretical strictures of monetarism. In May 1976, Ridley complained about the party's lack of a coherent policy on incomes, which made the party appear profoundly divided in public. He proposed that a general approach could be developed from earlier Shadow Cabinet deliberations, which called for action on monetary policy, public spending, and incomes policy. Neither incomes policy nor monetary policy would be effective on their own; both had a place in the Conservative policy package. Howe's ideas on concerted action should be incorporated into the new approach, to educate interest groups on the rationale of anti-inflationary policies.[827]

Ridley's interest in concerted action – the German model – began from a focus on the problematic nature of official secrecy in economic policy-making. Ridley's background in the civil service had left him with an aversion to secrecy, which he now unleashed. In October 1975, Ridley proposed that the Economic Reconstruction Group

[826] CPA, LCC/1/310, The Economic Prospect and the Party's Political Position, 11 February 1976, pp. 3-4; CPA, LCC/1/310, Leader's Consultative Committee, 13 February 1975, pp. 4-5; CPA, LCC/1/310, Leader's Consultative Committee, 16 February 1975.
[827] CPA, LCC/1/3/10, The Pay Deal, 18 May 1976, pp. 5-6, 8.

should consider the party's basic attitude on economic management, including the problem of secrecy. In Ridley's opinion, 'the economic system only functions well when there is a very free flow of information between the Government and the rest of the economy'; therefore the party should look into secrecy in the budget process, economic forecasts, departmental reports, and access of outside researchers.[828] These views were elaborated in a paper in June 1976, where Ridley made explicit the link between government openness and concerted action. Calling for a reversal of the spirit of the Official Secrets Act, he argued that openness is important in winning acceptance for economic policies. The West German concerted action model worked against inflation because it created a process of education.[829] Howe's cover note for Ridley's paper also linked openness and concerted action, remarking on the 'importance of finding effective ways of educating the country about economic reality'. The Economic Reconstruction Group endorsed Ridley's recommendations.[830]

A further West German innovation arose from the Economic Reconstruction Group's deliberations in May 1976. The CRD was tasked with studying the German Council of Experts, or the 'five wise men', a government-appointed independent panel of experts tasked with providing advice on the macroeconomy.[831] Adam Ridley's note on the topic contained a proposal for the council's main tasks: educating the public and Parliament on topical economic matters, providing a second opinion on economic advice from the official government machinery, and communicating with the expert community.[832] The Economic Reconstruction Group modified Ridley's proposals by

[828] CPA, CRD/4/4/26, Programme of Work, 21 October 1975, p. 1. See also pp. 1-2.
[829] CPA, CRD/4/4/27, The Dangers of Secrecy, 14 June 1976, pp. 10-11.
[830] CPA, CRD/4/4/27, The Dangers of Secrecy, 15 June 1976. (Geoffrey Howe's cover note for the Adam Ridley paper); CPA, CRD/4/4/27, Economic Reconstruction Group, 17 June 1976, p. 2.
[831] CPA, CRD/4/4/27, Economic Reconstruction Group, 20 May 1976, p. 2.
[832] CPA, CRD/4/4/27, The Council of Wise Men, 14 June 1976.

stipulating that the council should perform an educational function as well as 'power-broking' between pressure groups such as the Confederation of British Industry, the TUC, and others.[833]

Based on Howe's and Ridley's work in the Economic Reconstruction Group, the *The Right Approach* contained a proposal for concerted action. After praising the West German system of concerted action, the document argued that 'we need to develop a comparable approach that would be compatible with existing British institutions'.[834] The policy statement went on to define the Conservative Party's long-term aim as the avoidance of 'further resort to a formal incomes policy'. Concerted action was presented as an alternative to incomes policy, a new way of managing wage bargaining that negated the need for statutory pay restraint. In a nod to monetarism, the statement also promoted targets for monetary expansion and a generally restrictive monetary policy.[835]

Despite Howe's and Ridley's efforts to promote concerted action, the policy fell apart in 1977. The CRD commissioned a detailed report on the German model from Konrad Zweig, an expert who had earlier written a pamphlet on German economic practices for the neo-liberal think-tank Centre for Policy Studies.[836] The Economic Reconstruction Group discussed the report in April, concluding that even though concerted action was not a panacea, '[w]e needed something similar'.[837] Conservative policy, however, was about to undergo a drastic change. Adam Ridley produced a note on

[833] CPA, CRD/4/4/27, Economic Reconstruction Group, 24 June 1976, p. 1.
[834] CAC, Thatcher MSS (digital collection), 109439, The Right Approach: A Statement of Conservative Aims, 4 October 1976, p. 38.
[835] ibid.
[836] CPA, CRD/4/4/27, Die Konzertierte Aktion: The Concerted Action in Germany: Principles, Evolution and Place in the Social Market Economy, 1977; see also K. Zweig, *Germany Through Inflation and Recession: An Object Lesson in Economic Management, 1973-1976* (London, 1976), https://www.cps.org.uk/files/reports/original/111028102651-GermanythroughInflationRecession1976.pdf (11 December 2019).
[837] CPA, CRD/4/4/27, Economic Reconstruction Group, 28 April 1977, p. 2.

concerted action, which was passed to Margaret Thatcher in May. She sent it back with a short but withering comment, declaring strong disagreement with the approach.[838] Howe attempted to ease Thatcher's fears with a letter that included Zweig's report, only to be told by Thatcher that she was now even more opposed to the whole thing.[839] Once the leader had made her views known, the rest of the party fell in line. The next day, a meeting of the Economic Reconstruction Group resumed its deliberations on concerted action, but now the group felt that the concept of reaching a 'generally accepted intellectual framework' on the economy was 'over-optimistic'.[840] James Douglas, former Director of the research department during the Heath years, offered his mild, almost consoling, critique to Ridley and another research department colleague. In Douglas's view, concerted action relied too much on convincing the Trades Unions Congress, when there was a need to convince the whole trade union movement.[841] The Economic Reconstruction Group discussed the topic once more in June, based on a redrafted version of the Ridley note that originally prompted Thatcher's rebuke.[842] *The Right Approach to the Economy* contained a discussion of the incomes problem, with a call for 'some kind of forum' for economic consultation, possibly based on the NEDC.[843] But in reality, concerted action was dead in the water, barely afloat, but already doomed.

The Howe-Ridley solution to the incomes problem was an unorthodox amalgam of incomes policy and monetarism – neither of which was believed to be sufficient on its own – combined with institutional innovation in the form of concerted action, a council of wise

[838] CAC, Thatcher MSS (digital collection), 109761, The Economic Education of the Public: Proposals for "Concerted Action" and Fighting Inflation, 16 May 1977, p. 1.
[839] CAC, Thatcher MSS (digital collection), 109784, G. Howe to M. Thatcher, 26 May 1977.
[840] CPA, CRD/4/4/28, Economic Reconstruction Group, 26 May 1977, p. 2.
[841] CPA, CRD/4/4/28, J. Douglas to A. Ridley and A. Bulloch: Concerted Action, 27 May 1977.
[842] CPA, CRD/4/4/27, Economic Education, Proposals for "Concerted Action" and Counter-inflationary Policy', 14 June 1977. CPA, CRD/4/4/28, Economic Reconstruction Group, 16 June 1977.
[843] CAC, Thatcher MSS (digital collection), 112551, The Right Approach to the Economy: Outline of an Economic Strategy for the Next Conservative Government, 8 October 1977, p. 12. See also pp. 10-13.

men, and government openness. The approach was neither right progressive nor new right, but drew upon the ideological preferences of both persuasions. The new right was wedded to monetarism, partially because a strict interpretation of Milton Friedman's teachings suggested that governments could decouple inflation from wages, thus avoiding troublesome entanglements with trade unions. This did not, however, preclude stern Tory reformist action to curtail the power of trade unions. Friedman's nonchalance on trade unions existed in a state of tension with the ideas of another new right icon, Friedrich Hayek, who had long advocated anti-union measures to protect capitalism from collectivism.[844] Right progressive thought relied on a liberal-pluralist understanding of industrial relations and a Conservative tradition of promoting partnership in industry. In practice, concerted action and the council of wise men were an attempt to introduce a measure of corporatism onto the British industrial relations scene. Given the declinist pessimism and economic panics of the 1970s, the proposals were based on a surprisingly hopeful reading of British society: if employers, trade unions, and the state could develop a shared understanding of the economic challenges, industrial strife could be averted. This collided with Thatcher's anti-union instincts, which drew heavily from Hayekian hostility towards unions, corporatism, and collectivism.

On a more basic level, the death of the Howe-Ridley policy underlined a consistent failure by the Conservative Party to make up its mind on incomes. During the 1974-9 opposition period, the Conservatives engaged in a prolonged but entirely inconclusive debate on incomes. The party's senior members were reluctant to choose between free bargaining and statutory incomes policy. Conservative rhetoric instead spoke of

[844] B. Jackson, 'Ideology of Class', pp. 269-73.

responsible bargaining, but this was mere evasion. None of the difficult questions had been answered. The question of what to do about incomes remained unresolved.

The CRD, represented first and foremost by Adam Ridley, attempted to steer the party towards a hybrid position, essentially corporatist in character, but with elements of monetarism. The effort can be seen as a failed attempt at consensus-building in a divided party. It was beset from the beginning with logical problems: despite its foreign origins, concerted action was not very different from Labour's social contract or even the NEDC, both of which the Conservatives viewed as ineffective. Yet, concerted action had to be presented as a distinct departure from the status quo of British industrial relations.[845] Crucially, Thatcher was unconvinced by Ridley's proposals, viewing them simply as concessions to trade unions and corporatism.

Williamson argues that by 1979, against expectations, the Conservatives had travelled further towards corporatism than they had in the 1960s. According to this view, the party placed its hopes in an industrial forum that over time would generate consensus on economic policy.[846] While the proposal for an industrial forum appeared in various party publications, the fate of the Howe-Ridley policy demonstrated that the party leader was not willing to support an extension of corporatism. The ideological gap between right progressivism and the new right was too wide to be bridged by German-inspired corporatism. In reality, by 1979 the situation remained almost unchanged from that of 1976, when Adam Ridley first criticised the party for its inability to form a coherent position on incomes.

[845] Williamson, *Conservative Economic Policymaking*, pp. 110-14.
[846] ibid., p. 115.

Industrial strife and the end of the Callaghan government, 1978-9

Prime Minister Callaghan surprised the nation by refusing to call an election for the autumn of 1978. His insistence on continued restraint in wage bargaining, for the fourth year in a row, was deeply unpopular among the unions. The unions' anger boiled over during the winter of 1978-9, which witnessed large-scale strikes by public service unions and workers in other essential services.[847] Callaghan attempted to salvage the situation by negotiating a 'Concordat' with the unions, published on 23 February 1979. The 'Concordat' was, in essence, an agreement between the government and the unions to restrain wage inflation and limit the harmful effects of strike action.[848] But the political damage was done. The Callaghan government, already weakened by the withdrawal of Liberal Party support to the government in the summer of 1978, faced a vote of no confidence in the Parliament on 28 March 1979. The opposition won the motion by one vote and the Parliament was dissolved.[849] Riding on the unpopularity of the government and the unions, the Conservative Party swept to a decisive victory in the May 1979 general election.

During the final year of the Callaghan government the LPRD was preoccupied with writing the party's election manifesto. Work had begun as early as 1976, when the Annual Conference endorsed the comprehensive policy document *Labour's Programme for Britain*. In November 1977 Geoff Bish identified the campaign materials as the department's highest priority, while expressing his concern about the sidelining of the party programme in the development of the manifesto.[850] By December 1978, the policy

[847] Pelling, *British Trade Unionism*, p. 297; Taylor, *Trade Union Question*, pp. 250-9.
[848] Taylor, *Trade Union Question*, p. 259.
[849] Pelling, *British Trade Unionism*, pp. 297-8.
[850] LPA, LP/RD/15/1, Programme of Work: 1977-78 (RE: 1350), November 1977.

machinery was fully engaged in drafting the manifesto. A NEC – Cabinet Working Group held regular meetings until the fateful no confidence vote of March 1979. Once the government had lost the no confidence vote, the Prime Minister's office informed the party General Secretary that it already had a draft manifesto, separate from the one prepared in the working group.[851] Geoff Bish saw the draft on 30 March. He described his reaction in third person: 'It was, in his view, appalling. Not only did it ignore entire chapters of Party policy: it overturned and ignored many of the agreements which had been laboriously hammered out within the NEC-Cabinet Group'.[852] A frantic effort began at Downing Street, with the involvement of the NEC and the party staff, to finalise the document for publication by 6 April. The party officials raised objections on the details of policy; Bish later remarked that '[t]he Research Secretary [i.e. Bish] was in fact gently asked by the Prime Minister to stop raising so many objections'.[853] The final manifesto, in the estimation of Bish, was 'remarkably weak in terms of Party policy'.[854] In fact, Callaghan and his advisers had almost completely sidelined official party policy in the preparation of the manifesto.

CRD staff were already aware in October 1978 that the Callaghan government was running towards conflict with the unions.[855] Conscious of the political implications of the crisis, the department performed a role in supporting the party leadership. At the height of the industrial crisis, in January-February 1979, the research department conducted enhanced monitoring of news and events and provided attack materials on Callaghan and

[851] Bish, 'Drafting the Manifesto', pp. 194-7.
[852] ibid., p. 197.
[853] ibid., p. 205.
[854] ibid., p. 201.
[855] CPA, CRD/L/4/46/1, C. Bellairs to C. Patten, A. Ridley, A. Bulloch, and D. Nicholson: The Future Scene, 20 October 1978.

the 'Concordat'.[856] But in the sphere of industrial relations policy, the research department took on a more factional role as the defender of James Prior's approach on trade unions. In late October 1978, department member Adam Ridley opined that completely resolving the problem of striking unions would be 'absurd' and a 'direct frontal attack' against the unions would not work.[857] In internal correspondence within the department, Christopher Mockler complained to Patten about remarks made by Thatcher in an interview, where she suggested that strikers' benefits could be withheld under certain conditions. In Mockler's opinion, the issue had been settled within the party and Thatcher was departing from the agreed policy.[858] In late January the research department produced a lengthy review of the party's commitments for a meeting with Thatcher. The paper used numerous quotes from Thatcher and Prior in an effort to establish the party's position. In practice, the document amounted to a defence of Prior's conciliatory line; the general policy was described as '… constructive reform, in consultation with the parties involved and seeking their co-operation'.[859] Thus, in the midst of the industrial crisis, the CRD was a reliable supporter of James Prior's conciliatory approach on industrial relations.

Within the Conservative Party, the wave of strikes in the winter of 1978-9 tipped the scales in favour of the policies favoured by Keith Joseph, John Hoskyns, and the Centre for Policy Studies. The party's opinion research showed that national mood in the spring of 1979 supported standing up to the unions, with majorities supporting measures to limit the rights of strikers and pickets.[860] The Conservative manifesto was amended to

[856] CPA, CRD/4/4/82, Mr Callaghan's Track Record on Trade Unionism, 11 January 1979; CPA, CRD/4/4/82, D. Nicholson to All Members of the Shadow Cabinet: Concordat and the Social Contract, 14 February 1979; CPA, CRD/4/4/86, The Crisis Report; First Half of Week Beginning 18th February 1979, 20 February 1979.
[857] CPA, CRD/4/4/70, Inflation – A Telegraphic Exposition of Our Policy, 24 October 1978, p. 1.
[858] CPA, CRD/4/4/182, C. Mockler to C. Patten: Strikers Benefits, 9 January 1979.
[859] CPA, CRD/4/4/182, R. Shepherd to C. Patten: Stepping Stones, 26 January 1979.
[860] CPA, CRD/4/4/78, Attitudes of the Electorate to Trade Unions, April 1979.

strengthen the call for trade union reform.[861] The main commitments in the manifesto concerned picketing, the closed shop, and use of secret ballots in union decision-making.[862] This heralded a shift in Conservative policy: rather than emphasising the party's ability to work with the unions, the emerging Thatcherism focused on the need to bring the unions under control. Over time, the Conservatives' emphasis shifted to the regulation of internal union decision-making (for example, by introducing secret ballots), in an effort to limit the power of militant union leaders.[863]

Conclusion

The industrial relations scene is an indispensable part of the crisis narrative of the 1970s. The miners' strikes, the three-day week, and the winter of 1978-9 left an indelible impression of industrial chaos in British historical consciousness, exaggerated and exploited by later politicians. The tradition of voluntarism, or collective *laissez-faire*, was severely challenged by the events and gradually replaced by new ideas, ranging from outright union-bashing to corporatism.

The CRD's ideological stance on industrial relations remained consistent through the 1970s. The research department's views can be readily identified as right progressive Conservatism. The party's psycho-social understanding of industrial relations, which emphasised the futility of intervening in industrial relations, gave way to a more interventionist position in the 1960s. In line with the collective *laissez-faire* thinking of the Donovan Commission, Conservative right progressives adhered to a liberal-pluralist view of industrial relations. According to this school of thought, the objective of government

[861] Patten, 'Thatcher Years', p. 90.
[862] Craig (ed.), *General Election Manifestos*, pp. 260-71.
[863] G. Lockwood, 'Trade Union Governance', pp. 359-68.

policy was the institutionalisation of collective bargaining and strengthening of the authority of trade unions and managers over workers. The new right's insistence on curtailing union power, perceived as coercive, economically stifling, and inflationary, was not on the agenda. The CRD worked within the intellectually dominant voluntarist framework.

The CRD promoted a liberal-pluralist approach in several areas. Firstly, the research department was a proponent of negotiation and conciliation. Whether during the latter part of the Heath government, during opposition policy-making, or the winter of 1978-9, the research department favoured conciliation over confrontation. This approach was informed by pessimism: department officials, such as James Douglas, privately fretted over the unions' capacity to frustrate a Conservative government's plans, but at the same time, saw trade union power as was impossible to ignore or change. Secondly, the department promoted the German-inspired idea of corporatist partnership as a solution to Britain's troubled industrial relations. Trilateral corporatism was seen as a grand educational project, where the provision of accurate information on 'economic realities' would over time inculcate moderation and responsible wage bargaining among trade unions. The idea found its clearest expression in the notion of concerted action, promoted by the research department's Adam Ridley in the late 1970s, and eventually rejected by Thatcher. Lastly, the CRD played a role in mustering support for industrial democracy. While some of this might have been motivated by genuine interest in 'modernising the one nation concept', the department was also active in presenting industrial democracy as an electorally attractive idea. This approach inevitably conflicted with the neo-liberal critique of trade union power from the mid-1970s onwards. After the publication of the Bullock report in 1977, the research department abandoned the theme.

The CRD's impact on Conservative ideology lay in the prolongation of right progressive influence after the Heath government's humiliating fall. By arguing a consistently right progressive position, based on ideas of voluntarism, conciliation, and industrial partnership, the research department offered intellectual support for right progressives in the party leadership. The department's close working relationship with James Prior afforded the department influence on the party's policies and public statements in opposition. In this way, the research department acted as a bulwark against the rising tide of Conservative neo-liberalism. The effect was to slow rather than prevent the new right's ascendancy. During the late 1970s period of intellectual ferment, the department's efforts sustained the parallel existence of two competing approaches to industrial relations. The research department's main original contribution was the idea of concerted action, or the German model, as a corporatist middle position between incomes policy and monetarism. This idea, however, also proved the extent of the research department's political miscalculation. The department underestimated the depth of Margaret Thatcher's hostility to corporatism, and ultimately, her willingness to oversee an assault against trade union power in British society.

The LPRD's ideological approach to industrial relations was based on economic planning and state interventionism. By the beginning of the 1970s, the prestige of Anthony Crosland's socialist revisionism had suffered severe blows, and the policy of Keynesian reflation and egalitarian redistribution appeared ineffective and inadequate. The research department became closely associated with the alternative economic strategy, a product of the party's policy machinery and advisers such as Stuart Holland, which rested on a firm belief in the ability of an interventionist state to plan, rationalise, and invigorate industrial

production. This vision of socialist planning was statist and centralising, and therefore incompatible with the trade unions' cherished ideals of voluntarism and decentralisation. As Gamble points out, trade unions arose from a market system where bargaining between workers and employers determined the price of labour. In a centrally planned system of statutory incomes policies, the bargaining function would become irrelevant; the unions would have to be incorporated into national planning institutions.[864] Despite these statist tendencies, the research department also favoured workers' control, the most radical form of decentralised industrial democracy.

The LPRD attempted, largely unsuccessfully, to promote its ideas on industrial relations. Firstly, in the TUC – Labour Party Liaison Committee the research department offered gentle criticism of the idea of completely voluntary industrial relations reform and attempted to present ideas for legislative reforms. Eager to protect their autonomy, these ideas were rejected or simply ignored by the union leaders. The party organisation, represented by the NEC and Transport House professionals, sat on the sidelines in a process controlled by the unions and the revisionist parliamentary leadership. The research department was doubly constrained: by the power dynamics of the Liaison Committee and by Labour movement traditions that expected the party to defer to the unions on industrial matters. Secondly, the absence of a commonly accepted definition of industrial democracy in the early 1970s created an opening for policy experts to propose their own ideas. The research department seized the opportunity in 1972 by proposing a radical vision of a rolling legislative programme to establish workers' control from the shop floor to the boardroom. Over the course of the decade the idea of industrial democracy became increasingly associated with worker-directors, and little else. This narrow interpretation

[864] Gamble, *Britain in Decline*, p. 180.

left no room for the research department's radical ideas. The demise of industrial democracy in the late 1970s freed the research department from the need to work out the inconsistencies between its centralising and decentralising ideas.

The LPRD's impact on Labour's ideological development is difficult to establish, due to the department's marginalised position in industrial relations policy. The department had a brief moment of influence in 1972, as a conduit for the radical idea of workers' control. The effort was short-lived as the party settled on a narrower interpretation of industrial democracy, also favoured by the trade unions. The research department's other attempts to further the party's industrial relations agenda were thwarted by the Liaison Committee's tight grip on policy-making. Thus the research department was not an effective influence on party policy, but part of a generalised factional struggle that engulfed the party in the 1970s. The party organisation, including the NEC and the research department, was in the hands of leftist elements, while the Wilson and Callaghan Cabinets subscribed to revisionist ideas. The industrial relations debates of the 1970s illustrate the revisionists' ability to marginalise the left's ideas, such as centralised economic planning or radical transfer of industrial power to the shop floor. The LPRD was a minor but ideologically unwavering actor in the struggle for Labour's soul.

Chapter 5

Party Research Departments and the EEC, 1970-9

Britain's accession to the EEC – predecessor to the European Union – in 1973 had a profound impact on British party politics. For the Labour Party, membership in the Community led to a deep schism in the 1970s and eventually contributed to the defection and formation of the Social Democratic Party in 1981. The Conservatives, on the other hand, were keen proponents of Community membership in the 1970s, to an extent that appears surprising in light of the party's later shift towards Euroscepticism. This chapter examines the roles of the party research departments in debates concerning British membership in the Community. The chapter also discusses Labour's International Department, which worked closely with the LPRD on European policy.

British membership applications and the French veto in the 1960s

British attempts to join the EEC in the 1960s were thwarted by French opposition, more specifically by the personal interventions of General Charles de Gaulle, President of the republic from 1959 to 1969. Britain's first application was made during Harold Macmillan's premiership, only to be rejected by de Gaulle in January 1963. The French saw British membership in the Community as a threat to their plans for a united Western Europe which would exist as an independent power bloc between the United States and the

Soviet Union. Britain, as a close ally of the United States, could upset the political arrangement that President de Gaulle sought to create.[865]

Harold Wilson's Labour government began to consider a second application in late 1966. Following extensive discussions in the Cabinet, Wilson announced to the Parliament in May 1967 that Britain would reopen negotiations for membership.[866] The House of Commons voted overwhelmingly in support of the Prime Minister's announcement. Yet, in November 1967 President de Gaulle gave a foreign policy speech dismissing the prospect of British membership. The French veto was formalised in a meeting of the Community's Council of Ministers in December 1967. For the second time in the course of the decade, French objections had led to the rejection of Britain's membership application.[867] Wilson decided to leave the British application open, rather than terminating it.

From a party political perspective, the 1960s led to the endorsement of Community membership by the leadership of Britain's main parties. While the party grassroots, especially in Labour, did not always agree with their leaders, the party leaders were convinced of the benefits of joining the EEC. As the 1970s began, pursuing membership in the Community enjoyed elite-level support in both parties.

Negotiations for membership, 1970-1

The French veto had prevented Harold Wilson from taking Britain into the EEC in 1967, but a new opening presented itself two years later. President De Gaulle resigned in

[865] Wall, *Official History*, pp. 7-40
[866] ibid., pp. 137-210
[867] ibid., pp. 202-65

April 1969 and was soon replaced by Georges Pompidou, who was more amenable to the idea of British membership. In a summit meeting held in December 1969, the Community leaders agreed in principle to open membership negotiations with Britain as well as its close trading partners Denmark, Ireland, and Norway.[868] The government estimated that negotiations could begin in the latter half of 1970.[869]

In February 1970 the Labour government issued a white paper on the economic costs and benefits of joining the Community. The economic argument was a finely balanced one: on the cost side, Britain would become a net contributor to the Community budget, most of which was taken up by the Common Agricultural Policy. This would impact upon Britain's balance of payments, as national economic resources would be directed towards paying for the Community budget. The economic benefits, on the other hand, arose from the long-term impact of membership on the competitiveness of British industry, known as the 'dynamic effect'. Ultimately the white paper offered no straightforward answers, but instead argued: 'This is clearly not a question to which any calculations could give a precise mathematical answer. The answer depends on many incalculable factors, but particularly on the outcome of negotiations and on the dynamic effect…'.[870] Thus, in early 1970 the government was setting the stage for negotiations for membership, while emphasising the need to reach terms that minimised the economic costs for Britain.

The CRD produced a commentary on the white paper for Edward Heath, the party leader. The overall assessment was highly critical: 'This is well up to the standard of

[868] ibid., pp. 343-6.
[869] *Parliamentary Papers* (1969/70), Cmnd 4289, Britain and the European Communities: An Economic Assessment, p. 4.
[870] ibid., p. 45.

recent White Papers – it is pretty bad'.[871] The policy experts were particularly critical of what they saw as imprecise calculations on the costs of entry. Reflecting on the white paper's conclusions, which placed the balance of payments cost of membership between £100 million and £1 100 million, with major caveats, the research department opined: 'The reaction of any normal reader coming across… [the aforementioned estimate] is likely to be to throw the Paper in the air with an oath and exclaim "In that case why produce the Paper in the first place?"'.[872] The research department also felt that the government exaggerated the amount of the British contribution to the Common Agricultural Policy.[873]

For the CRD, joining the EEC was not an exercise in accounting. The costs of entry were seen as insignificant when compared to the dynamic long-term benefits of membership. One research officer argued '[t]he plain fact is that if the benefits of joining the Market are so small that the difference between the cost of entering of £100 million and of £1100 million is so important that it might not be worth going in, it is hardly worth the effort anyway. One might as well just not bother to bargain'.[874] The research department had little patience for the Labour government's attempts to find fault with the cost of membership.

As the country went to the polls in the general election of 18 June 1970, the main parties were in broad agreement over the EEC. Labour Party had already committed itself to negotiations while in office and the Conservative manifesto did the same. The question

[871] CPA, CRD/3/10/2/12, B. Reading to E. Heath: The Cost of Joining the Common Market – a Comment on the Recent White Paper, Cmnd. 4289, 13 February 1970, p. 1.
[872] CPA, CRD/3/10/2/12, M. Niblock to E. Heath: The White Paper on "Britain and the European Communities (Cmnd. 4289) [*sic*]', 13 February 1970, p. 1.
[873] CPA, CRD/3/10/2/12, T. Boswell to E. Heath: The E.E.C. White Paper (Cmnd. 4289) and British Agriculture, 23 February 1970.
[874] CPA, CRD/3/10/2/12, B. Reading to E. Heath: The Cost of Joining the Common Market – a Comment on the Recent White Paper, Cmnd. 4289, 13 February 1970, p. 4.

of British membership in the Community did not become an election issue.[875] The Conservative Party's surprise victory in the election passed the European baton to Heath.

The negotiations formally began on 30 June 1970. The main issues for Britain were the size of the British budget contribution, continued access for agricultural imports from New Zealand, access to Commonwealth sugar, and the Common Agricultural Policy (which accounted for most of the Community budget).[876] By March 1971, the negotiations had slowed down thanks to French resistance to the idea of changing Community practices to accommodate British membership. In the words of Christopher Soames, the British ambassador in Paris, 'So far, he [Pompidou] had done no more than open the door, like a reluctant concierge, to four prospective new tenants and follow them around muttering that, if they signed the lease, the furniture must not be moved'.[877]

While the negotiations were ongoing in the spring of 1971, the CRD produced forward-looking analysis on European policy. Assuming successful negotiations, the research department saw the years of 1974-9 as a period of adjustment to Community membership. The basic question facing Britain was whether to maintain the present character of the Community, essentially a customs union, or to develop it into a closer union. The research department advocated the latter, expressing the hope that development of a more integrated Community could be guided in such a way as to serve British interests.[878] The authors of the paper explained their position as follows:

[875] Saunders, *Yes to Europe*, p. 50; Wall, *Official History*, pp. 359-60.
[876] Wall, *Official History*, p. 361.
[877] Quoted in Wall, *Official History*, p. 397.
[878] CPA, CRD/3/10/2/13, The Development of Britain's European Policy in the 1970's [*sic*], 16 April 1971, pp. 7-9.

> 'Unashamedly we have nailed our colours to the "European mast". This is not so much out of idealistic convictions, though these are not totally absent, but more in the belief that a "forward" European policy would do more to safeguard Britain's interests in the 1970's [*sic*] than negative "feet-dragging" behaviour'.[879]

Given the preference for a 'forward European policy', the research department recommended that the Conservative government should throw its weight behind far-reaching reforms in the Community, leading to greater European integration in foreign policy, defence, commercial policy, economic and monetary union, regional development, industry and technology as well as reform of the Common Agriculture Policy and a more effective European Parliament.[880] To complement this, the research department advised the government to inform and shape British public opinion, which could otherwise form an obstacle for deeper European integration. In a moment of prescience, the research department warned about the effects of public disenchantment:

> '… a very unfortunate downward spiral with a hesitant EEC policy on the part of the Government failing to produce for Britain the sort of political and economic benefits that we can expect from entry, this leading in turn to a further disenchantment in the public about the policy as a whole, and further hesitancy by the Government'.[881]

The membership negotiations took a decisive turn during Heath's visit to Paris on 20-21 May 1971, where he met with Pompidou and hammered out the broad outlines of an agreement. Following further talks on the details, the government presented the results of the negotiations to the Parliament in June to a generally positive reception, albeit with some criticism from the Labour benches.[882] A nearly week-long debate was held on the government's European Economic Communities Bill in late July.

[879] ibid., p. 8.
[880] ibid., pp. 26-7.
[881] ibid., p. 31.
[882] Wall, *Official History*, pp. 400-12.

To prepare the Conservative Members of Parliament for the July 1971 debate, the research department issued a comprehensive briefing package on the EEC. Covering nearly all aspects of Community policy, the briefing package dealt with both economic and political aspects of membership. The economic argument relied heavily on the assumption that membership in the common market would benefit British industry. Through enhanced export opportunities, higher investment rate, specialisation, and greater competition, British firms would improve their performance and increase the nation's prosperity. The larger European market would provide room for growth for British companies, especially in high technology sectors.[883] On the question of costs and benefits, the research department estimated that the increased growth rate of the economy, benefiting from the improved performance of companies, would overshadow the costs.[884] Thus, on balance, common market membership would benefit the British economy.

The research department put as much weight on the political rationale for membership as on the economic one. A number of arguments were marshalled in favour of membership: the ability to influence the development of the Community from the inside, greater influence on the world stage, shaping of a European presence in world affairs, avoiding the fate of being left at the margins of Europe, and the acceptance by continental countries that the European project needed Britain's contribution.[885] On the question of sovereignty, the research department argued that formal sovereignty is a theoretical concept. By ceding some decision-making power to the Community, Britain would gain a seat at the table where important decisions are made.[886] Furthermore, Community supranationalism would be tempered by a tradition of consensus decision-making,

[883] CPA, CRD/3/10/2/1/2, The Case for Joining the Common Market (FAC (71) 3), 14 July 1971, pp. 1-3.
[884] CPA, CRD/3/10/2/1/2, General Economic Effects (FAC (71) 3), 14 July 1971.
[885] CPA, CRD/3/10/2/1/2, The Case for Joining the Common Market (FAC (71) 3), 14 July 1971, pp. 3-7.
[886] ibid., pp. 4-5.

enshrined in the Luxembourg agreement (in effect, a member state veto over decisions affecting important national interests).[887] The department also made a *realpolitik* case for joining the Community. Explaining that no European country could match the power of the United States or the Soviet Union, the department suggested that a united Europe would have greater influence in world affairs. A united Western Europe would '… provide a surer safeguard … against the threats to our security which could arise from the continued determination of the Soviet Union to exploit any weaknesses in the Western Alliance…'.[888] The department was pulling out all the stops to convince Conservative parliamentarians of the benefits of Community membership. In sum, the research department offered the EEC as a new identity for post-imperial Britain. Rather than being left outside a developing and influential organisation, in a world dominated by competition between the United States and the Soviet Union, Britain could maintain its status and security in the world through the Community.

When the Parliament voted on the European Economic Communities Bill on 28 October 1971, Prime Minister Heath agreed at the last minute to forgo a three-line whip. Unlike Labour, the Conservative Party allowed a free vote. The final vote was 356 to 244 in favour of the government's bill. Only 39 Conservative members voted against the government, easily offset by Labour pro-Community rebels, voting in defiance of the party whip.[889] Despite the easy victory, Heath and his advisers had worried about unpredictable party dissent when the bill was first introduced in the summer.[890] The CRD's comprehensive briefing in favour of membership can be seen against this background, as pre-emptive internal party propaganda, to turn the heads of possible back bench dissenters

[887] CPA, CRD/3/10/2/1/2, Political Aspects of European Unification (FAC (71) 3), 14 July 1971, pp. 2-4.
[888] CPA, CRD/3/10/2/1/2, The Case for Joining the Common Market (FAC (71) 3), 14 July 1971, p. 5.
[889] N.J. Crowson, *The Conservative Party and European Integration since 1945: At the Heart of Europe?* (London, 2007), p. 39.
[890] ibid., pp. 38-9.

and solidify support for the terms of entry. But in practice, Heath's worries were unfounded. After a decade of Conservative pro-market campaigning, the Community had become an article of faith for most Conservatives. A crucial element in Heath's right progressive programme of national modernisation, membership was seen as an opportunity to revive Britain's economic fortunes through expanded market access, economies of scale, and competition.[891]

In the period of entry negotiations in 1970-1, the CRD was a steadfast advocate of British membership in the EEC. The department gave little credence to the Labour government's concerns over the costs of entry, viewed deepening integration in the Community as the best guarantor of Britain's national interests, and mustered a comprehensive set of facts and analysis in support of the terms of entry negotiated by the Heath government. While not unusual in the context of Heath's pro-Community premiership, the research department's enthusiasm for European integration stands in sharp contrast to the rise of Euroscepticism during Margaret Thatcher's premiership in the 1980s.

It is also noteworthy that the research department deployed a range of political arguments in favour of Community membership. The popular memory of Britain joining a customs union, not an expansive integrationist project, is a myth, or worse, politically motivated fiction. The CRD's briefing to Members of Parliament showed that Community membership was marketed as nothing less than a new diplomatic alignment for Britain, a guarantee of Britain's continued diplomatic influence, relevance, and security. As Saunders argues, the pro-Community side tolerated, or even welcomed, restrictions on

[891] Williamson, *Conservative Economic Policymaking*, pp. 194-5.

national sovereignty in exchange for international power. And in any case, the EEC convention of consensus decision-making meant that Britain held a veto over decisions that contradicted British interests.[892] As the 1975 referendum campaign would show, most voters were uninterested in abstract questions of sovereignty, seeing the EEC question instead through prosaic issues like the price of food or job security. Nevertheless, in pro-Community circles, the political dimension was an important argument in favour of membership.[893]

Contested Labour position on membership, 1970-2

During the final days of Harold Wilson's ministry an uneasy mix of opinions existed within the Labour Party on the EEC. On one hand, Wilson had taken decisive steps towards British membership in 1967, and had demonstrated a pro-Community attitude while in office. On the other hand, Eurosceptics had a solid foothold in the party, with front bench politicians such as Peter Shore openly speaking against membership.[894] As soon as Labour lost the June 1970 general election, anti-Community views began to surface: Richard Crossman, former Labour minister, hoped the party Conference would force a clear anti-Community position on a future Labour government. Eric Heffer, a leftist firebrand, publicly changed his opinion from pro- to anti-EEC. In March 1971, a poll of Labour voters showed only 18 percent in support of Community membership, against 30 percent for the Commonwealth and 43 percent having no opinion.[895]

[892] Saunders, *Yes to Europe*, pp. 242-4.
[893] ibid., pp. 233, 249-50.
[894] Wall, *Official History*, p. 357.
[895] R. Broad, *Labour's European Dilemmas: From Bevin to Blair* (Basingstoke, 2001), pp. 74-5.

Within the professional organisation of the Labour Party, European policy involved two departments. For conventional foreign policy matters, the party had a small International Department, which supported the NEC's International Committee. This arrangement was mirrored by the LPRD's role as the secretariat of the Home Policy Committee. Because British membership of the common market touched on domestic and foreign affairs, both departments became involved. Various meetings and committees on the European question were attended by officials from both departments, usually serving as joint secretaries.[896]

In February 1970, soon after the publication of the white paper on economic costs and benefits of joining the EEC, Ian Piper, a staff member of the International Department, was invited to give a speech at the party's Eton and Slough constituency meeting. Though the speech reflected the personal opinions of one official, it showed that some party professionals held extremely favourable views of the Community. Piper opened with an acknowledgement of his sympathies: 'I am a convinced European – I believe in the European ideal, and that as the divisions in Europe are less than those things which unite us, history is on my side… I make no apologies for my enthusiasm'.[897] After discussing various arguments for membership, with frequent references to world politics and history, the speaker concluded with an appeal to the ideological sentiment of his audience:

> 'Finally, what attitude should we as socialists have to the E.E.C.? It may not be the most perfect instrument for internationalism, but it is the only one which is getting anywhere near a multinational state. We as socialists should regard that both as a historic change to the better in international affairs, and a challenge to take up the

[896] This pattern of joint work between the International Department and the LPRD complicates the determination of authorship for sources. Reliable assumptions regarding authorship can be made, however, on the basis of document reference numbers (e.g. Res, RE, RD for the research department, or ID for the International Department).
[897] LPA, LP/ID/3/1, P.E. Fedarb to I. Piper, 19 February 1970; LPA, LP/ID/3/11, untitled (speech by I. Piper to the Eton & Slough Constituency Labour Party), undated (estimated 25 February 1970), p. 1.

> opportunity presented… in my view, it would be tragic for the Europe of the next generation if we fail now as socialists to take up the challenge'.[898]

Piper positioned his commitment to European integration in the long tradition of socialist internationalism. The rhetoric played to the sense of a generational challenge and argued that for a true internationalist, the EEC was a concrete step in the right direction. This enthusiasm was not, however, universally shared at Labour Party headquarters.

Membership in the EEC did not feature prominently in the June 1970 general election, nor did the party's policy-making bodies work on the issue following the election defeat. In any event, the party's policy machinery was not geared towards handling an issue that sat at the intersection of domestic and foreign policy. In February 1971, with the Conservative government's membership negotiations in full swing, the party addressed this omission by establishing a committee that brought together the NEC's international and home policy arms. Called the Joint (National Executive) Committee on the Common Market, it was the first in a series of at least eight ad hoc Labour Party committees that sprang into existence and faded – often in a matter of months – in the course of the decade.[899]

The Joint (National Executive) Committee on the Common Market drew its members from the party's International and Home Policy Committees, and included members of the NEC and Members of Parliament. Reflecting the senior-level membership, Tom McNally and Terry Pitt, the International Secretary and the Research Secretary, respectively, attended the meetings along with their staff who formed the joint secretariat.

[898] LPA, LP/ID/3/11, untitled (speech by I. Piper to the Eton & Slough Constituency Labour Party), undated (estimated 25 February 1970), p. 10.
[899] The committee is referred to as the 'Joint (*National Executive*) Committee on the Common Market', to reflect its character as a hybrid of the International and Home Policy committees of the NEC. This serves to distinguish it from a similarly named committee established in 1973, discussed below.

On the suggestion of the joint secretaries, the committee's purpose was to reflect and inform on membership rather than attempt to reach a 'yes or no' verdict.[900] In the course of the spring of 1971, the Joint (National Executive) Committee on the Common Market received a steady stream of research papers from the party's policy experts.

The International Department circulated a wide-ranging paper on the political implications of the EEC. Though neutral in tone and without recommendations or conclusions, the paper sought to address various concerns expressed by opponents of membership. In a discussion of the Labour Party's historical attitude towards European integration, the paper emphasised the party's ideological commitment to internationalism and painted a picture of gradual post-war movement towards a pro-common market stance.[901] On the issue of national sovereignty, the paper argued that membership would not constrain sovereignty. Member states would remain in control of the development of European institutions and could halt progress if needed. Claims of constraints on economic planning and foreign policy were dismissed.[902] Political accountability would be exercised through national governments, which would remain in control through the Council of Ministers, the main decision-making body in the EEC.[903] The paper went on to consider a range of other issues with an emphasis on left-wing causes: prospects for socialist and trade union cooperation in Europe, the effects of European integration on East-West *détente*, attitudes towards the common market in the Communist bloc, nuclear weapons, and the Commonwealth and developing countries.[904] In each area, the paper played down

[900] LPA, box 56, Draft Programme of Work, undated (estimated February 1971).
[901] LPA, box 56, Political Implications of Britains [*sic*] Entry into the EEC, undated (estimated 1971), pp. 5-8.
[902] ibid., pp. 9-10.
[903] ibid., p. 11.
[904] ibid., pp. 12-20.

concerns and criticisms, presenting British membership in the EEC as a largely positive prospect.

The LPRD put forward a mildly sceptical analysis in a series of papers discussing the effects of membership on different sectors of domestic and economic policy. According to the research department, the industrial and trade benefits of British membership were questionable and the level of integration in the common market was less than it seemed due to non-tariff barriers. The balance of costs and benefits appeared negative: '… it is wrong to talk of the Community as an integrated economy, what it is [*sic*] has provided is an area for trade growth. Whether these benefits will offset Britain's losses is problematical'.[905] In international trade, joining the EEC would lead to a trade-off: more trade with Europe, but less with the outside world, including such traditional British trading partners as the European Free Trade Association and the Commonwealth.[906] On the international movement of capital and on social services, the impact of membership was seen as negligible and manageable.[907]

The most serious criticism of membership appeared in the area of regional policy. By 1971, the Labour Party had taken considerable interest in *dirigiste* economic planning policies, inspired by the economist Stuart Holland, the encouraging but frequently misunderstood examples of France and Italy, and a desire to rectify the economic planning mistakes of the late 1960s. The party wanted to use state intervention to secure investments

[905] LPA, box 56, An Assessment of Low Tariffs and Economies of Scale which Europe Offers British Industry (RD. 89), April 1971, p. 3.
[906] LPA, box 56, Common Market Membership: The Effect on Trade with the Outside World (RD. 91), April 1971. The European Free Trade Association was a trading bloc formed in 1960 by Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and Britain. British membership ended in 1973 when the country joined the EEC.
[907] LPA, box 56, Britain and the E.E.C: The Movement of Capital (RD: 98), April 1971; LPA, box 56, On the Effect of the EEC on the Social Services (RD: 90), April 1971.

and jobs for economically deprived and deindustrialising areas. Apart from the logic of regional fairness, the interest in regional policy was driven by electoral concerns: Britain's industrial heartlands were traditionally strong Labour support areas. These plans clashed with the perceived free market bias of the EEC. In the research department's assessment, '[i]ntegration is likely to aggravate the problems of the less prosperous regions of the U.K.; to increase congestion pressures in the South; to increase corporate vis a vis State power; and to weaken our ability to rectify these problems by developed regional planning'.[908] In short, the research department was concerned that membership would constrain a future Labour government's ability to pursue economic and regional planning, which was emerging as a key policy platform of the party's left wing. The political dimension was also troubling: voters would be dissatisfied if Community aid went disproportionately to poor regions of other European countries, while problems still remained in parts of Britain.[909]

As the British membership negotiations advanced, the differences within Labour became more pronounced. By the summer of 1971, Harold Wilson was under pressure from his party to take a stance on membership. As a recent pro-Community Prime Minister, but also the leader of an opposition party with considerable Eurosceptic sentiment, the task was not easy. A special conference on the EEC was organised in July to decide the party's position. In a tactical victory at the end of June, Wilson persuaded the NEC to make the conference a consultative affair, rather than an event for setting party policy.[910] Tony Benn, a vocal Eurosceptic and member of the Shadow Cabinet, expressed his dissatisfaction publicly and called for the membership question to be decided through a general election

[908] LPA, box 56, Regional Policy and the Common Market (RD 93), April 1971, p. 3.
[909] ibid.
[910] 'Wilson Still Sits on the Fence Over Market Entry', *The Guardian*, 1 July 1971, p. 24.

or a referendum.[911] Several influential trade union leaders also spoke against membership, largely because of concerns over economic questions.[912]

The special conference was held in London on 17 July 1971. The main outcome was that Wilson avoided the adoption of an anti-Community party position. He achieved this by taking a critical stance on the terms of entry – the 'Tory terms' – rather than membership itself. By shifting the focus of the debate, Wilson was able to hold the party together, continue to criticise the Conservatives, while avoiding a party position that would oppose future membership.[913] Nevertheless, criticism of 'Tory terms' was more critical of the Community – at least in sentiment – than what had been heard from Wilson so far. Wilson's apparent conversion to the Eurosceptic cause was openly rebuked by Roy Jenkins, deputy leader of the party and a committed supporter of British entry into the EEC.[914] But Wilson's tactics worked. In October 1971, the party's Annual Conference approved a motion put forward by the NEC, which opposed the Conservative government's terms of entry and called for an immediate general election.[915] Thus the Labour Party's official position was not opposed to membership in principle, but to the terms of entry negotiated by the Heath government.

Labour's opposition to the terms of entry was also manifested in criticism of the government's white paper on the issue. In August 1971, Labour issued an 'opposition white paper' on the terms of membership. Civil servants at the Cabinet Office were requested to provide an analysis. They concluded that the paper '… is by any standards a

[911] 'Benn Says People Must Choose on Common Market', *The Guardian*, 3 July 1971, p. 18.
[912] 'TUC's Big Guns Oppose Entry', *The Guardian,* 19 July 1971, p. 4.
[913] 'Mr Wilson Leaves No Broken Fences Behind', *The Guardian,* 19 July 1971, pp. 1, 22.
[914] 'Labour Knives Out After Jenkins Attacks Wilson', *The Guardian*, 20 July 1971, pp. 1, 18.
[915] 'Healey Urges Election Over Market Entry', *The Guardian*, 5 October 1971, pp. 8-9.

very unimpressive piece of work'.[916] This was partially attributed to the joint authorship by Terry Pitt of the LPRD, who was seen as being against Community membership, and Gwyn Morgan, a pro-Community party official (who at the time was seen as being on the path to becoming the party's General Secretary, but later fell victim to factional disputes within the NEC).[917] Given the scepticism found in earlier research department papers to the Joint (National Executive) Committee on the Common Market, it would not have been surprising if Pitt brought a similar attitude to the writing of the opposition white paper.

The first parliamentary vote on membership took place on 28 October 1971. Edward Heath gave the Conservatives a free vote. Labour did not allow a free vote, but 89 pro-Community Labour members rebelled and voted with the government, giving the government a comfortable majority of 112 votes.[918] The margin in the second reading was narrower, but the government won it again. The third reading was held on 13 July 1972. Britain officially became a member of the EEC on 1 January 1973.[919]

In 1970-2, Wilson managed to hold the party together by refocusing the debate from Community membership to 'Tory terms'. Forster argues that Community membership had become a surrogate issue. Rather than the direction of the country, the debate was about the ideological direction of the Labour Party, and for Wilson, a question of seeing off leadership challengers, who were divided over the question.[920]

[916] Wall, *Official History*, p. 418.
[917] Wall, *Official History*, p. 418; 'Gwyn Morgan Obituary', *The Guardian* (13 May 2010), http://www.theguardian.com/politics/2010/may/13/gwyn-morgan-obituary (27 May 2016).
[918] Wall, *Official History*, pp. 418-19.
[919] ibid., p. 456.
[920] Forster, *Euroscepticism*, pp. 40-2.

Wilson's tactical victory did not, however, hide the emergence of a strongly Eurosceptic leftist alignment within the party. Under the informal leadership of Tony Benn, the party's left turned against the Community. Intellectual justifications revolved around the Community's perceived capitalist inclinations, which, the left believed, would derail Labour's statist economic policies. Further to the left from Benn, a different kind of critique emerged. Tom Nairn, a leading theorist in the intellectual new left movement, believed Wilson had betrayed the British working class. Nairn saw the Conservative Party's support of Community membership as a political ploy to unify and revive the Conservatives while serving the class interests of the establishment and the City. Wilson's anti-common market turn, covered up by the 'Tory terms' stratagem, was an expression of national-traditionalism. By elevating the nation, Wilson deprioritised class and socialism, and diverted attention from the real social struggle taking place between the Conservative government and the trade unions.[921]

Though representing a minority view among leftists, Nairn's pro-Community stance demonstrated the complexities of the European question. Rather than a straightforward left-right division, the party was in the grip of a multi-faceted internal struggle that divided Labour in unpredictable ways. Williamson identifies four distinct camps within Labour: Benn's leftist faction that saw the Community as a capitalist club, a nationalist group on the party's right with attachments to the Commonwealth, pro-Community devotees following the lead of Roy Jenkins, and finally, a small group including Wilson, Anthony Crosland, and Denis Healey, who were not enthusiastic supporters, but pragmatically willing to pursue membership.[922] Even in the relatively close-knit circles of Transport House, the party experts were taking sides. While the

[921] Nairn, 'Left Against Europe?'.
[922] Williamson, *Conservative Economic Policymaking*, pp. 193-4.

International Department displayed a generally favourable view of Community membership, aligning with the Jenkins or Wilson groups, the LPRD gravitated towards Benn's leftist Euroscepticism.

Adjusting to life in the EEC, 1972-3

For the Conservative Party, Britain's accession to the EEC was more than just membership in a customs union. The political arguments for membership, discussed above, placed great emphasis on the idea of securing Britain's influence in the world by aligning with a group of like-minded nations. Implicitly, the Community was even offered as a safeguard against the Soviet Union, though the department emphasised the primacy of the Atlantic alliance in defence affairs.

Among the party's policy experts, another dimension was also recognised early on: the impact of membership on British political life. As enthusiastic supporters of membership, CRD officers began to think about how the Conservative Party and the department would adjust to life in the Community. The research department was quick to recognise the parliamentary and party political implications of membership. Efforts to harmonise rules and regulations across the common market would inevitably lead to situations where British law would have to give way to Community directives. One such area was the introduction of heavy lorries on British roads. In 1972, it became apparent that Community regulations would increase the maximum allowed tonnage of lorries, which led to public concerns over road infrastructure, noise, and the environment. In November 1972 Labour recognised the political opportunity and introduced motions in the

Parliament to resist the new European regulations.[923] The CRD saw this as a sign of things to come once Britain joined the EEC in January 1973. The department argued that the party and the government would have to proactively identify issues where British national interests were at stake. Since the civil service could be blind to political considerations, the party and the research department should have a voice in the formulation of European policy.[924]

In different analyses, the research department pointed out that Community membership would limit the freedom of economic policy-making, which in turn would have electoral implications. Specifically, the research department was referring to the time-honoured practice of engineering favourable economic conditions in the run-up to elections, in an effort to burnish the government's image. Given the prospect of various types of monetary and economic harmonisation, such activities would be harder to carry out once Britain joined the Community.[925] In this area, as well as in the heavy lorries debate, the research department showed an early awareness of the different ways in which membership would affect the dynamics of British parliamentary politics.

Conservative Party professionals were active in thinking about how membership in the EEC would affect the research department's work. In internal guidance for research officers issued in 1972, the main theme was that the Community would constrain Britain's national decision-making in some areas, but simultaneously open new opportunities for

[923] 'MPs Press for Delay of EEC Vote on Lorries', *The Times*, 16 November 1972, p. 16; 'Europe Getting the Message as Heavy Lorries Are Turned Back', *The Times*, 30 November 1972, p. 14.
[924] CPA, CRD/4/22/2, M. Niblock to J. Douglas: European Policy and Party Politics, 6 December 1972.
[925] CPA, CRD/3/10/2/13, The Development of Britain's European Policy in the 1970's [*sic*], 16 April 1971, pp. 28-9; CPA, CRD/3/10/2/15, "Thinking European" or How to Win Friends and Influence People in the Common Market, 4 February 1972, pp. 6-7.

pursuing national interests on the European stage.[926] This necessitated the development of a British position on Community policy.[927] The task for research department officers was three-fold: becoming aware of the Community and its policies, learning to assess how the Community constrains British decision-making, and learning to think about British interests in the context of Community policies.[928] In addition, the research department should be prepared to assume an extensive coordination role between the party at Westminster and the Conservative group in the European Parliament.[929] In March 1973, with two months of experience of the Community behind it, the research department made similar arguments: the department saw a role for itself in coordination as well as in commenting on salient policy issues at the European Parliament.[930]

The vision of a research department actively involved in analysing and coordinating European policy-making was perhaps too far removed from the prosaic realities of working life. Instead, by 1975 the department seemed to have settled on a more passive stance which mainly required research officers to remain aware of European developments and liaise with the relevant parties when needed.[931] The European Conservative Group in the European Parliament had its own small secretariat, which assumed responsibility for day-to-day support to Conservative members of the European Parliament.[932] This allowed the CRD to concentrate on its core tasks at Westminster.

[926] CPA, CRD/3/10/2/15, "Thinking European" or How to Win Friends and Influence People in the Common Market, 4 February 1972, p. 1.
[927] ibid., p. 3.
[928] ibid., pp. 21-4.
[929] CPA, CRD/4/22/2, M. Niblock to J. Douglas: The Role of the Research Department in the Context of the European Parliament, 18 May 1972, pp. 2-4.
[930] CPA, CRD/4/22/4, M. Niblock to M. Fraser: The Research Department and the European Parliament, 1 March 1973.
[931] CPA, CRD/4/22/4, R. Turner to C. Patten, 25 November 1975, pp. 2-5.
[932] ibid.

Lastly, the research department made a concerted effort to educate Conservative Members of Parliament on the EEC. In 1972, the year before Britain joined the community, the department issued a series of briefing papers on Community issues and institutions. Topics included the Community's treaty-making powers, plans for electing British members of the European Parliament, the Economic and Social Commission, and the European Court of Justice.[933] In August 1972, the research department also approached the party's Deputy Chairman, James Prior, to propose briefings by civil servants to Members of Parliament, including those who were to take up seats in the European Parliament.[934] The research department's strong support for British membership of the EEC was matched by a desire to educate the rest of the party on Community issues.

The Labour Party found it more difficult to reconcile with Britain's membership in the EEC. As a result of Harold Wilson's manoeuvres in 1971, the party was officially opposed to the 'Tory terms', but not to membership in principle. In addition, in some Labour quarters membership had never been popular, creating an undercurrent of anti-Community sentiment. This position was manifested in *Labour's Programme for Britain*, a comprehensive document on party policy issued at the 1972 Annual Conference. A short chapter on the Community opened with a recounting of the process of membership negotiations, accusing the Conservative government of entering the Community on unsatisfactory terms and through an undemocratic process.[935] The programme declared: 'It is against this background of failure and surrender that we have to affirm that the results of

[933] CPA, CRD/4/22/2, Community Treaty-Making Powers, 7 March 1972; CPA, CRD/4/22/2, The Stewart Plan for the Election of British Members of the European Parliament, May 1972; CPA, CRD/4/22/2, The Economic and Social Committee, 5 June 1972; CPA, CRD/4/22/2, The Court of Justice of the European Communities, 6 June 1972.
[934] CPA, CRD/4/22/2, M. Niblock to J. Prior: Preparations for the European Parliament, 4 August 1972.
[935] Labour Party, *Labour's Programme for Britain* (London, 1972), p. 69.

the negotiations are unacceptable to the Labour Party and to the British people'.[936] The programme committed a future Labour government to renegotiating the terms of membership.[937] On top of ambitious renegotiation objectives, the Labour Party was committed to holding a general election or a consultative referendum on the European question, to give the people a choice on whether to remain in the Community on the renegotiated terms.[938]

Labour's critical views on membership in the EEC left it in an uncomfortable position in terms of foreign relations. In the late 1960s Wilson's government had keenly pursued membership, only to adopt a decidedly more Eurosceptic line in opposition. In 1973, with Britain in the Community, Labour felt a need to explain the party's shifting policies to other European socialist parties. The initiative for this came from the Joint (National Executive – Parliamentary) Committee on the Common Market, which was established in March 1973 and met only a few times before becoming redundant.[939] Most of the regular attendees were vocal opponents of the common market: Tony Benn, Michael Foot, Ian Mikardo, and Peter Shore.[940] During its brief existence the committee organised meetings with the Swedish Social Democratic Party and the French Socialist Party, held in August and September of 1973, respectively. Peter Shore acted as the spokesperson for Labour in both meetings. His remarks arose from a critique of the way the Conservatives had handled Community membership. In contrast to their political opponents, Labour

[936] ibid.
[937] ibid., p. 70.
[938] ibid.
[939] The text in brackets has been added to the committee's name to distinguish it from the identically named Joint (National Executive) Committee on the Common Market, which was active in 1971.
[940] LPA, box 56, Joint Committee on the Common Market (4), 12 June 1973.

wanted the 'active consent of the people' as well as renegotiation of the 'very onerous and unjust' terms of membership.[941]

From a diplomatic standpoint Labour's meetings with European socialist parties were insignificant, but they reveal the persistence of Euroscepticism in Labour ranks. Once again, the system of party policy committees was dominated by left-wingers and used as a platform for voicing Eurosceptic opinions. The meetings with French and Swedish socialists served as a way of explaining away the Labour government's pursuit of membership in the late 1960s and preparing the ground for renegotiation of terms under a future Labour government.

The party's opinion of the Community was on full view in an updated version of *Labour's Programme for Britain*, published for the Annual Conference in 1973. The programme was a major achievement for Labour left-wingers and their advisers, who during the opposition years had worked assiduously through the party's policy-making machinery to put forward an uncompromisingly socialist programme. On the common market, the 1973 party programme did not differ substantially from the 1972 version, but it amplified the party's Euroscepticism and criticism of the Conservative government's actions. Alongside familiar pledges to renegotiate the terms of membership and 'give the people a choice', the 1973 programme argued that Heath's Conservative government was leading the British people down a path where the eventual choice would be '… either to be governed by a bureaucracy in Brussels or to surrender still more of our national sovereignty to a fully federal Europe with a Federal Parliament.[942] Rather than adjusting to

[941] LPA, LP/ID/3/12, Report on Talks with Swedish Social Democratic Party. 15th August 1973 (RD: 871), 15 August 1973, p. 3; LPA, LP/ID/3/12, NEC/PLP Joint Working Party on EEC Report of Meeting with French Socialist Party, 21 September 1973, p. 2.
[942] Labour Party, *Labour's Programme for Britain* (London, 1973), p. 99.

British membership in the EEC, sections of the Labour Party were determined to continue the fight.

Whereas the CRD was an active exponent of Community membership in the early 1970s, the role of the LPRD during the same period is obscured. Labour's policy professionals were involved in the writing of the party's leftist programmes in 1972 and 1973. The research department and the International Department also acted as joint secretaries for the Joint (National Executive – Parliamentary) Committee on the Common Market and attended meetings with the Swedish and French socialist parties. The Labour Party professionals did not, however, appear at the forefront of the party's internal debates. This quiescence ended in 1974, when the European question once again rose to prominence on the political agenda.

Renegotiation begins, 1974

Following a winter of severe industrial unrest, Harold Wilson's Labour Party swept to a surprise victory in the 28 February 1974 general election. In line with Labour's programme and manifesto the government was committed to renegotiating Britain's terms of membership in the EEC. The task fell to James Callaghan, the Foreign Secretary, and Roy Hattersley, junior minister in the Foreign Office. Callaghan used the 1 April meeting of the Community's Council of Ministers to announce Britain's intention to renegotiate.[943]

Saunders argues that Wilson and Callaghan approached the renegotiation without great passions, seeking to find a result that would allow the Labour Party to move past the

[943] Wall, *Official History*, p. 520.

issue. Of the seven areas for renegotiation, as promised in the Labour manifesto, three were non-issues. This left four topics – agriculture, regional policy, the Commonwealth, and the Community budget. The West German Chancellor Helmut Schmidt, a social democrat, worked the diplomatic channels to downplay supranational tendencies in the Community, seen as problematic by the British. The renegotiation started in a more co-operative atmosphere than the government had expected.[944]

Eurosceptics within the Labour Party used the party's policy machinery to further their agenda. In mid-June 1974, Tony Benn, the Industry Secretary, told Prime Minister Wilson that he intended to introduce a motion in the NEC that called for a special party conference on the outcome of the renegotiation. Faced with the prospect of a repeat of the special conference of July 1971, where Wilson had narrowly avoided an anti-Community vote, Wilson tried to dissuade Benn from carrying out his plan. Wilson was also critical of Benn's role as the chairman of a party committee that had been set up to monitor the renegotiations.[945]

Wilson's concerns about the use of the party as a vehicle for criticising the government's European policy were not unfounded. The European Community Monitoring Sub-committee, established in June 1974, was a poorly attended group that met only three times in the summer of 1974, but it managed to set a worrying precedent for the direction of party-government relations over the European question. The committee met for the first time on 27 June and Benn was appointed as the chairman.[946] In the same meeting, the committee considered a paper from the LPRD on the progress of renegotiations. In preparing the paper, the research department made little effort to

[944] Saunders, *Yes to Europe*, pp. 79-86.
[945] Wall, *Official History*, pp. 532-4.
[946] LPA, box 60, European Community Monitoring Sub-committee (1), 27 June 1974.

reconcile party policy and the government's actions. Instead, the paper was designed as an explicit comparison between statements made by Foreign Secretary Callaghan and the February 1974 election manifesto.[947] Unsurprisingly, Roy Hattersley, who attended the group's first meeting, criticised the paper for its implied criticism of the Foreign Minister.[948] The research department was asked to submit a 'more factual paper' for the second meeting.[949]

Instead of toning down criticism of James Callaghan's efforts, the revised paper turned out to be a detailed critique of the government's stated policies. The research department's comparison of the February manifesto and Callaghan's public statements painted a picture of a government that did not take the renegotiation seriously. The paper listed a number of areas where the government was failing to take the hard stance implied in the party manifesto. On the Community budget, the government was too focused on the British contribution and not paying enough attention to the expenditure side, namely the expensive Common Agricultural Policy.[950] Callaghan's assurances that the Economic and Monetary Union was a distant prospect were not enough; the monetary union should be firmly rejected.[951] Regarding the Common Agricultural Policy, the government was falling short of the manifesto commitment of seeking major changes, and instead shifting the focus to the British budget contribution.[952] Lastly, in the area of industrial policy, the paper was critical of the government's omission of the issue from the renegotiation. The research department put great importance on national capability to pursue an activist industrial

[947] LPA, box 60, The Progress of Renegotiations (Res 88), June 1974.
[948] LPA, box 60, European Community Monitoring Sub-committee (1), 27 June 1974.
[949] ibid., p. 2.
[950] LPA, box 60, Office Comments on the Renegotiation (Res 109), July 1974, pp. 1-4.
[951] ibid., pp. 4-6.
[952] ibid., pp. 7-12.

policy without interference from the Community.[953] In sum, the research department's commentary on the ongoing renegotiation was scathing. The government was falling short on nearly every manifesto commitment.

The party's policy experts were not, however, uniformly critical in their assessment. The research department's paper had omitted trade and foreign aid. The International Department was responsible for monitoring the trade and foreign aid aspects of the renegotiation, and the analysis was submitted as a supplement to the original paper. Unlike their colleagues in the research department, the International Department gave the government a passing grade: '[T]he manifesto objectives with regard to the renegotiations on trade and aid policies have been given full and vigorous expression'.[954] Given the ongoing nature of the renegotiation, the authors added a caveat: '[T]he possibility of a satisfactory result in the renegotiations remains unclear'.[955] This contrasted sharply with the research department's negative assessment.

The work of the European Community Monitoring Sub-committee came to an abrupt end before it truly began. The press reported that Peter Shore made scathing remarks about the government's handling of the renegotiations in the committee's second meeting on 10 July 1974. This elicited a rebuke from Callaghan.[956] The party professionals were also drawn into the dispute. Geoff Bish and Jenny Little, the heads of the research department and International Department, assured Callaghan in a letter that Shore's

[953] ibid., pp. 13-15.
[954] LPA, box 60, Office Comments on the Renegotiation (Supplement) (ID/1973-74/74), undated (estimated July 1974), p. 3.
[955] ibid.
[956] Wall, *Official History*, p. 533.

comments had been misrepresented in the newspapers.[957] But Bish and Little stood behind the research papers submitted to the committee: '… the comments we have made about the negotiations have been in no sense directed at you personally... But we do have a duty, when asked to do so by an [*sic*] NEC group, to report in good faith on the facts as we see them. And this we did'.[958] The party officials opined that someone with an interest in undermining Labour had leaked and misrepresented the committee's deliberations to the press.[959]

Wilson responded to the scandal by banning Cabinet ministers from attending the committee's meetings.[960] The third and final meeting of the European Community Monitoring Sub-committee was held on 1 August 1974. The meeting had received apologies from Peter Shore and Tony Benn, who were both Cabinet ministers and therefore unable to attend. Perhaps tellingly, Geoff Bish had also submitted an apology for not attending, despite being the joint secretary to the committee. The meeting resolved to write to the Prime Minister to question the attendance ban, but the committee never met again.[961]

The scandal over the monitoring group was one of the first instances where the LPRD clearly cast its lot with the party's Eurosceptic tendency, represented by politicians like Tony Benn and Peter Shore. The choice was natural, given that the research department was already working closely with Benn, namely in the all-important field of industrial policy. And the industrial policy and opposition to the common market went

[957] LPA, box 60, G. Bish and J. Little to J. Callaghan: EEC Monitoring Group: Press Reports on "Attack by Peter Shore" at July 10th meeting, 11 July 1974, p. 1.
[958] ibid., p. 2.
[959] ibid.
[960] Wall, *Official History*, p. 533.
[961] LPA, box 60, European Community Monitoring Sub-committee (3), 1 August 1974.

together, intertwined into a single argument about state interventionism. As Secretary for Industry, Benn tried to use regional development policy and the steel industry as issues to derail the renegotiation and demonstrate the Community's incompatibility with Labour's industrial policy.[962] During the 1975 referendum campaign, Benn, Foot, and other Eurosceptics used industrial and regional policy as a concrete example of Britain's loss of sovereignty in the common market. But the message failed to resonate with the voters, many of whom saw Benn's radical industrial policy as undesirable extremism.[963] Nevertheless, for the LPRD industrial policy formed the core of the party's alternative economic strategy. In its insistence on comparing manifesto commitments and the government's public statements on the renegotiation, the department displayed a degree of inflexibility. As a servant of the party, the research department did not hesitate to oppose a Labour government if it strayed too far from the party line.

Using the alternative economic strategy to argue for the incompatibility of British socialism and Community *laissez-faire* became a favourite weapon of Benn and the research department. The argument was, however, resisted vigorously by Stuart Holland, the economic strategy's intellectual progenitor. Meeting with Benn after the 1973 Annual Conference, Holland warned Benn of making a 'fatal strategic error'. Holland's ideas on the National Enterprise Board and planning agreements, the main tools of Labour's industrial policy, were inspired by the examples of Belgium, France, and Italy, all original signatories of the Treaty of Rome.[964] Logically, there should be no reason why state interventionism, as envisioned by Holland and the party's policy committees, would not work in Britain, if they worked in those three Community member states. Benn's

[962] A. Collins, 'The Cabinet Office, Tony Benn and the Renegotiation of Britain's Terms of Entry into the European Community, 1974-1975', *Contemporary British History*, 24:4 (2010), pp. 477-85.
[963] Saunders, *Yes to Europe*, pp. 237-9, 250-3.
[964] A. Mullen, *The British Left's 'Great Debate' on Europe* (London, 2007), p. 101. The 1957 Treaty of Rome was the founding document of the EEC.

continued use of the incompatibility argument showed that Holland's admonition had no impact on his thinking, but the debate highlighted the extent to which the European question divided the Labour left. Shared ideas on *dirigiste* economic policy did not automatically translate into shared views regarding the Community.

Compared to the research department's Bennite alignment, the International Department held a more positive view of the renegotiation. This was likely aided by the fact that the former head of the department, Tom McNally, had begun working in the Prime Minister's office when Labour entered government in February 1974 (McNally would later leave Labour to join the pro-European Social Democratic Party). The difference in attitude was evident in the International Department's only paper to the European Community Monitoring Sub-committee, on trade and foreign aid, which departed sharply from the tone taken by the research department. Thus even within the small circle of Labour Party policy experts, the question of Community membership managed to divide opinions. The research department, thanks to its greater size and expertise in areas related to home policy, was usually capable of determining the opinion put forward by the professional party staff.

The Labour Party, both in terms of party policy and government statements, had promised the people of Britain a choice on whether to continue as a member of the EEC. The exact form of this choice was not stated, but various statements spoke of a referendum or a general election. In the October 1974 general election, which Labour won, the issue was still not clear.[965] The Queen's Speech to Parliament on 29 October 1974 failed to offer specifics, though it was widely speculated that the government would opt for a

[965] Craig (ed.), *General Election Manifestos*, p. 253.

referendum.[966] Prime Minister Wilson finally announced his intentions in late January: a referendum on whether Britain would remain in the Community would be held on 5 June 1975.[967] A white paper and a bill followed, to realise a plebiscite that had no constitutional precedent in modern parliamentary history.

Labour Party's rejection of the renegotiation, 1975

Over the winter of 1974-5 the British renegotiation effort boiled down to relatively few substantive issues, such as the size of the British budget contribution and access of New Zealand dairy products to European markets. Other contentious issues, such as underdeveloped ideas on European Union and European Monetary Union, were postponed in a summit meeting of European leaders in December 1974.[968] Another summit meeting on 10-11 March 1975, held in Dublin, provided Britain with the chance to finalise the negotiations. The government managed to secure a special transitional phase for New Zealand farm products. On the budget contribution, Wilson accepted a German proposal that gave virtually no advantage to Britain.[969]

The Cabinet discussed these results on 17-18 March 1975 and voted on whether to recommend continued membership in the EEC. The vote was 16-7 in favour of the Prime Minister's position of staying in the Community. Tony Benn, Michael Foot, Eric Varley, Peter Shore, John Silkin, Barbara Castle, and Willie Ross voted against staying, thus forming the core of Labour's internal opposition to the Community.[970] The Prime Minister's victory was political rather than diplomatic. The much-vaunted renegotiation

[966] [Hansard], *Parliamentary Debates*, 5th series, 1974, dccclxxx, col. 48.
[967] Wall, *Official History*, p. 568.
[968] ibid., pp. 564-6.
[969] ibid., pp. 569-77.
[970] ibid., pp. 578-9.

had achieved few concessions on British national interests, but it allowed Wilson to retain the support of his Cabinet. The process was also important for holding the wider Labour Party together. The renegotiation addressed specific voter concerns: there were agreements on regional funds and nationalisation, to alleviate leftists who saw the Community as a capitalist club, and arrangements for trade with the developing world, New Zealand, and Caribbean sugar producers, to soothe Commonwealth devotees. Press coverage of the renegotiation was positive.[971]

With a referendum looming in the not-too-distant future, and the renegotiation entering the final round, the Labour Party had a pressing need to define its position on membership. The party's policy machinery was resilient enough to recover from Wilson's censure of the monitoring group in the summer of 1974. A new ad hoc committee, the EEC Liaison Sub-committee, was formed in February 1975. Officially the purpose of the committee was to '… keep the NEC informed about the progress of renegotiation…' as well as '… help the NEC to form a judgement on the new terms'.[972] Behind the bureaucratic wording, the committee repeated the controversial monitoring group formula, where the Labour Party ran an independent evaluation of the actions of a Labour government. The LPRD and the International Department, again working as a joint secretariat for the committee, were well aware of this dynamic. While the new committee's terms of reference were focused on the outcome of the renegotiation, the party professionals pointed out that ultimately the committee would need to go beyond the renegotiated terms and form an opinion on whether Britain should remain in the Community.[973]

[971] Saunders, *Yes to Europe*, pp. 90-4.
[972] LPA, box 60, Programme of Work (RE. 50), January 1975, p. 1.
[973] ibid., p. 2.

Once established, the EEC Liaison Sub-committee wasted no time. The committee met four times in February and March 1975 and the meetings were well attended. The Eurosceptics were again in a majority, led by Tony Benn and Peter Shore, but James Callaghan and Roy Hattersley were also active participants.[974] The Foreign Office ministers seemed determined to ensure that this time the party machinery would not be used to undermine them. Their task was made more difficult by the fact that most of the discussion papers presented to the committee were prepared by the Eurosceptic and left-leaning research department.

The committee's deliberations were coloured by open antagonism between the pro- and anti-Community camps. Callaghan and Hattersley attempted to present a positive image of the renegotiations, arguing that Britain had achieved its objectives. Benn, Shore, Mikardo, and others, occasionally supported by Geoff Bish from the research department, criticised the government's interpretation of events and questioned whether anything lasting had been achieved. A common middle ground proved elusive as the meetings turned into debates between the two camps over facts and interpretations.[975]

The research department's approach to evaluating the renegotiation was essentially the same as in the earlier monitoring group: government statements on the renegotiation were compared with relevant passages in the February and October 1974 manifestos, the 1973 *Labour's Programme for Britain*, and other policy statements. The research department compared the renegotiation results and party policy, and pointed out where the government's achievements were found lacking. Thus the research department assumed a

[974] LPA, box 60, E.E.C. Liaison Subcommittee (1) (ID/1974-75/33), 3 February 1975.
[975] LPA, box 60, E.E.C. Liaison Sub-committee (2) (ID/1974-75/40), 27 February 1975; LPA, box 60, EEC Liaison Committee (3), 5 March 1975; LPA, box 60, EEC Liaison Sub-committee (4) (ID/1974-75/55), 19 March 1975.

role as the arbiter of government success and failure: the department set the standard against which the government would be measured, evaluated whether the standard was met, and passed judgement. Given the department's left-wing and Eurosceptic sympathies, it was no surprise that the judgements were almost uniformly critical of the government.

In the committee's meeting on 27 February 1975, Bish questioned Callaghan on the European Monetary Union and the free movement of capital, both of which were opposed by the party. He called into question whether lasting agreement had been reached on either issue and implied that formal written statements would be needed to satisfy the manifesto commitments. Callaghan, aware that such agreements had not been reached, attempted to play down Bish's concerns by arguing that the government's objectives on the European Monetary Union had been reached and that the Community would not prevent the control of capital movements.[976] As on previous occasions, Bish interpreted his role as a guardian of party policy. He aligned with the Eurosceptic camp within the committee by questioning whether the results of the renegotiation lived up to the standards set out in the party manifesto.

For the next committee meeting, the research department had prepared a paper on the Community budget. The paper criticised the government for focusing exclusively on the size of the British budget contribution, instead of the 'expenditure side', which in practice would require reform of the expensive Common Agricultural Policy. Given that the final agreement was to be hammered out in the Dublin summit, taking place one week later, the paper concluded on a note of reserved pessimism: 'The main burden of our analysis above suggests that on the information available at present, there would seem to

[976] LPA, box 60, E.E.C. Liaison Sub-committee (2) (ID/1974-75/40), 27 February 1975, p. 2.

be a number of further hurdles to be overcome before the Budget renegotiation could be said to have been successful'.[977] The research department argued that the size of the budget contribution would be a drag on British public finances, thus calling into question the economic benefits of remaining in the EEC.[978]

The budget paper was discussed in the committee on 5 March 1975, and much of the meeting was taken up by a debate between Roy Hattersley and the research department, with Denis Healey, the Chancellor of the Exchequer, following from the sidelines. The research department's paper was criticised by Hattersley who saw the renegotiation of the 'expenditure side' as unrealistic. The research department in turn defended the assessment and argued that its calculations were based on conservative assumptions.[979] Geoff Bish summed up his view by pointing out '… the difference between incurring a deficit because of imports and handing over cash whilst receiving no goods in return'.[980] Between the lines, Bish was arguing that the EEC was a waste of British taxpayers' money. Given the divergence of opinions, the discussion was inconclusive.

The research department and the International Department issued a lengthy paper for the fourth and final meeting of the EEC Liaison Sub-committee. The paper provided a comprehensive appraisal of the new terms of membership, as agreed at the Dublin summit on 10-11 March. The premises of the paper set a high bar for the government. Firstly, the renegotiation objectives would be compared not only with the party's two 1974 manifestos, but also with *Labour's Programme for Britain* of 1973 – one of the party's most leftist programmes in decades – as well as the social contract negotiated with the TUC in

[977] LPA, box 60, The Community Budget (RE: 77), February 1975, p. 12.
[978] ibid.
[979] LPA, box 60, EEC Liaison Committee (3), 5 March 1975, p. 2.
[980] ibid.

1973.[981] Thus the scope of authoritative party policy was considerably expanded, resulting in a definition of the party line that was skewed towards a left-wing interpretation of what Labour stood for. Secondly, the renegotiation results would have to demonstrate 'specific and explicit agreement' instead of 'vague assurances'.[982] Likewise, temporary agreements or other arrangements arising from the ongoing business of the Community would not be acceptable.[983] Lastly, the renegotiation was expected to reach specific agreements on areas where exceptions had been made to accommodate British interests, rather than allowing these issues to remain '…subject to the future goodwill of the eight [other member states]'.[984]

The paper contained a detailed assessment of five policy areas. On the Common Agricultural Policy, the authors found that the government had achieved only short-term ad hoc agreements instead of a fundamental renegotiation of the policy. The Labour Party expected '… long term policy formulations with commitments "in principle" to future policy changes'.[985] Regarding the Community budget, the paper repeated earlier criticisms of the government's focus on the size of the British budget contribution at the expense of the 'expenditure side'. And even on the issue of the British contribution, the Dublin agreement was found to be worse than what had been on the table previously.[986] The paper went on to point out significant uncertainties around economic conditions and the budget contribution mechanism, raising the prospect that the British contribution would turn out to be much higher than projected.[987] The authors also found that continued Community membership would threaten the ability to pursue national industrial, regional, and fiscal

[981] LPA, box 60, The Renegotiations: An Appraisal of the Terms (RE: 96), March 1975, p. 1.
[982] ibid.
[983] ibid.
[984] ibid., p. 2.
[985] ibid., p. 6.
[986] ibid., p. 15.
[987] ibid., pp. 17-19.

policies. This policy sector was directly linked to the 'democratic socialist objectives of the Labour party' and more specifically, the Industry Bill that formed a central piece in the left's alternative economic strategy. [988] The analysis marshalled a range of examples and scenarios where national decision-making would be constrained by Community policies and Commission interventions, in areas as diverse as iron and steel, regional subsidies, North Sea oil, and capital movements.[989] In the area of economic harmonisation, the paper considered issues such as the European Monetary Union, capital movements, and the value added tax. While recognising that on many of the issues Community action had been postponed, this was not enough; formal and lasting agreements would be needed.[990] Lastly, trade and foreign aid was the sole area where the paper found satisfying results. The recently signed Lomé agreement, which provided a framework for trade and foreign aid with African, Caribbean, and Pacific countries, was seen as a major step towards satisfying the Labour Party's requirements. The paper did, however, point out that the geographical scope of the Lomé agreement excluded former British colonies in Asia.[991] Taken as a whole, the paper represented a comprehensive dismissal of the renegotiation effort, and by implication, rejection of continued membership in the Community.

The committee met for the final time on 19 March 1975 to consider the party experts' appraisal. To some extent, the meeting was a formality since the committee confined itself to considering only the factual accuracy of the paper. Regardless of the committee's deliberations, the paper was to be sent to the NEC, which was meeting on 26 March to discuss the party's position on Community membership.[992] Nevertheless, a lengthy discussion took place. Roy Hattersley took exception to the premise of the paper:

[988] ibid., p. 1.
[989] ibid., pp. 21-6.
[990] ibid., pp. 27-30.
[991] ibid., pp. 31-5.
[992] LPA, box 60, EEC Liaison Subcommittee (4) (ID/1974-75/55), 19 March 1975, p. 1.

in his view, the authors had made value judgements on the 'intentions behind the Manifesto commitments'.[993] Tony Benn and Ian Mikardo, both Eurosceptic leftists, disagreed with Hattersley. The committee then embarked on a full review of the paper. This followed a predictable pattern, with Callaghan and Hattersley raising objections to various parts of the analysis, opposed by Benn, Shore, and the trade union leader Bryan Stanley (who, despite his sympathies with the right wing of the Labour Party, was against Community membership).[994] The research department intervened on matters of detail, mainly to defend its facts and analysis.[995] The meeting ended on an acrimonious note: Callaghan expressed his dissent on the way the paper had been drafted and stated that he did not consider it objective.[996]

Over the two-month existence of the EEC Liaison Sub-committee, the Labour Party's research department and International Department provided a comprehensive assessment of the main areas of the renegotiation and found the government's achievements severely disappointing. On a factual basis, the policy experts were not incorrect. The renegotiation had been loaded with great expectations but the end result was underwhelming. Apart from minor concessions on the British budget contribution and favourable treatment for New Zealand dairy products, the government could point to few victories. But the Labour Party professionals were hardly generous in their appraisal. Their hostility towards continued membership in the EEC was manifested in three ways: firstly, as dogmatic attachment to the letter of the party manifestos, programme, and the social contract, which led to unrealistic expectations and an easy dismissal of the complexities of inter-governmental negotiations. Secondly, insistence on 'specific and explicit' agreements

[993] ibid.
[994] 'Bryan Stanley', *The Guardian* (26 July 2009), http://www.theguardian.com/politics/2009/jul/26/obituary-bryan-stanley (21 June 2016).
[995] LPA, box 60, EEC Liaison Subcommittee (4) (ID/1974-75/55), 19 March 1975, pp. 1-5.
[996] ibid., p. 5.

on each item on the renegotiation agenda, coupled with the dismissal of ad hoc agreements and postponement of controversial policies. And lastly, the unstated assumption that the party's policy professionals were best placed to evaluate whether the renegotiation results corresponded with party policy, including interpretations of the meaning of party policy ('intentions behind the Manifesto commitments', in Hattersley's words).[997] In sum, party professionals used their policy expertise to exert influence on the shaping of policy. They drafted the opinion of the committee, against the objections of pro-Community ministers like Callaghan and Hattersley, which would eventually form the basis of decision-making in the NEC. In doing so, they provided intellectual support to the Eurosceptic left. The party professionals were active in moving the Labour Party towards rejection of Community membership.

Referendum, 1974-5

While the Labour Party was embroiled in internal disputes over the renegotiation, the Conservatives were girding themselves for a referendum campaign. Prime Minister Wilson officially announced the referendum in January 1975, but his decision was anticipated months in advance. The Conservative leader Edward Heath gave a speech – written by the fiercely pro-Community CRD – at his constituency in mid-December 1974.[998] He dismissed the renegotiation as a charade created for the sake of Labour Party unity and argued that the EEC was '… the only reliable and effective international framework in which Britain can embed herself'.[999] Heath also committed the Conservative

[997] ibid., p. 1.
[998] CPA, CRD/4/22/9, Outline for Leader's Key-Note Speech on Europe, 9 December 1974.
[999] CPA, CRD/4/22/9, The Rt Hon Edward Heath, MBE, MP, (Bexley-Sidcup), Leader of the Opposition. Speaking in His Constituency, at the Bexley Borough Luncheon Club at the Black Prince Hotel, Bexley on Friday 13 December 1974 (620/74), 13 December 1974, p. 5.

Party to waging a campaign for remaining in the Community.[1000] The speech ended on a partisan note: the true motivation of many Eurosceptics was to '… shift this country decisively towards a Socialist siege economy…'.[1001] By connecting socialist economic policies and the European question, Heath and his speechwriters showed a readiness to use the Community as a weapon in party politics, much like Harold Wilson had done three years earlier with the 'Tory terms'.

In early November 1974, soon after the general election where Labour solidified its hold on power, the CRD offered recommendations on a national Conservative Party campaign for remaining in the Community. The department argued that the campaign should be given the highest priority and it should encompass both the Parliament and the wider party organisation.[1002] Three campaign themes were proposed. Firstly, on the national level, the campaign should highlight the advantages of remaining in the Community and the disadvantages of leaving. Secondly, on the parochial level, attention should be drawn to voters' personal interests, such as earnings and jobs. Lastly, the research department counselled the use of *ad hominem* arguments. Withdrawing from the Community should be linked to divisive political figures, such as Enoch Powell, a former Conservative minister known for his xenophobic views, and the influential leftist trade union leader Jack Jones.[1003] Rather than passively following events, the research department was active early on in nudging the party towards a proactive stance on the referendum.

[1000] ibid., p. 6.
[1001] ibid., p. 7.
[1002] CPA, CRD/4/22/9, Activities and Themes for the Conservative Pro-Europe Campaign, 1 November 1974, pp. 1-3.
[1003] ibid., p. 3.

The party leadership was receptive to the research department's proposals. In mid-November 1974, a small Europe Co-Ordinating Group was formed, with a research department officer acting as the group's secretary.[1004] With Heath's blessing, the group was made responsible for co-ordinating the party organisation's campaigning activities.[1005] Opinions differed on whether party members would be inspired to campaign for Community membership; some saw the party organisation as an effective campaign machine, others were more doubtful.[1006] By the spring of 1975, it became apparent that the constituency organisations' response was sluggish. In March, Lord Thorneycroft, appointed as the Chairman of the party following Margaret Thatcher's election as party leader in February, had to write to the constituency branches to urge more vigorous campaigning.[1007] Despite the party professionals' best intentions, enthusiasm for Community membership was stronger in the party headquarters than among ordinary members. Nevertheless, the Conservative Party grassroots organisation was a part of the 'Yes' campaign. A month before the referendum date, the party estimated that some 70 Conservative-held constituencies had well-organised campaigns. By mid-May, the party had distributed some 20 million pro-membership leaflets.[1008]

On the policy side, the CRD argued for resisting the Labour government's plan for a referendum. The department favoured stiff resistance in the House of Commons, even if it risked casting the Conservatives as anti-democratic.[1009] The department was aware that a parliamentary struggle would mostly serve propaganda purposes; the Parliament was likely

[1004] CPA, CRD/4/22/9, Lord Fraser to N. Forman, C. Patten, A. Todd, R. Webster, and M. Wolff: Europe, 14 November 1974.
[1005] CPA, CRD/4/22/10, Meeting on Europe, 19 December 1974, p. 4; CPA, CRD/4/22/13, Europe Co-Ordinating Group, 18 November 1974.
[1006] CPA, CRD/4/22/10, Meeting on Europe, 19 December 1974, pp. 3-4.
[1007] CPA, CRD/4/22/12, Lord Thorneycroft to All Constituency Chairmen, 20 March 1975.
[1008] Crowson, *Conservative Party and European Integration*, pp. 41-2.
[1009] CPA, CRD/4/22/9, The Problems of Public Decision on Britain's EEC Membership, 18 November 1974, pp. 3-4.

to approve the referendum and in practice the referendum would be binding on the Parliament.[1010] In March 1975, the research department produced a critical briefing on the government's referendum white paper. The referendum showed Wilson's willingness to put party unity above all other considerations and presented '… ominous and uncertain implications for the future of Parliament and of our time-honoured system of Parliamentary Government'.[1011] Specifically, the referendum was an invitation to break international treaty commitments, it was in practice binding on the Parliament, damaging to parliamentary sovereignty, and an unreliable method for deciding complex national matters. According to the research department, the referendum was the 'thin end of the wedge' – in the future, referendums could be called on issues such as capital punishment, withdrawal of troops from Northern Ireland, or Welsh and Scottish independence.[1012]

Margaret Thatcher, speaking in Parliament as the newly elected leader of the Conservatives, echoed the research department's complete opposition to the referendum: 'Used by the Labour Government in the form proposed, the referendum is a tactical device to get over a split in their own party, and any constitutional consequences are, therefore, of only secondary importance in the Government's eyes'.[1013] In general, the change of Conservative leadership did not affect the party's stance. Thatcher continued Heath's pro-Community policy, supporting the EEC not only as an economic project, but as a new diplomatic alignment for Britain. During the referendum campaign, Thatcher argued that remaining in the EEC would increase Britain's power and provide a new framework for British leadership in world affairs; in effect, the empire in a different guise.[1014] Despite her

[1010] ibid., p. 5.
[1011] CPA, CRD/4/22/3, Brief for Debate on the White Paper: "Referendum on United Kingdom Membership of the European Community" (Cmnd. 5925) on 11th March 1975 (FAC(75)2), 7 March 1975, p. 5.
[1012] ibid., pp. 2-3.
[1013] [Hansard], *Parliamentary Debates*, 5th series, 1975, dccclxxxviii, col. 306.
[1014] Saunders, *Yes to Europe*, pp. 232, 262-5.

new right convictions in other fields, Thatcher's rhetoric on European integration in the mid-1970s was compatible with the CRD's pro-Community views.

As the June referendum drew closer, the LPRD was kept busy. Geoff Bish set to work on expanding the earlier appraisal of the renegotiated terms, submitted to the EEC Liaison Sub-committee in March, with the International Department's Jenny Little as a reluctant co-author.[1015] Pro-Community Labour members nicknamed the document the 'black paper' and James Callaghan submitted almost one hundred amendments to the draft text.[1016] The final report was issued to a special party conference on 26 April 1975 under the title *The Common Market Re-negotiations: An Appraisal*. The report's analysis had not changed much from the Sub-committee paper that Callaghan had rejected in March. The report contained detailed discussions of agricultural policy, the budget, industrial and regional policy, economic harmonisation, and trade and foreign aid. A new chapter answered the question: 'Britain in or out?'. The chapter listed a range of alleged negative consequences from withdrawal and dismissed them one by one. Most of the arguments dealt with economic and industrial issues, for example, trade, jobs, investments, and markets. But the report also dismissed allegations that Britain would suffer diplomatically. Against the claim that Britain would lose goodwill, the report pointed to Norway, which had rejected membership in a referendum and afterwards negotiated a trade treaty with the Community. Regarding the claim that Britain would lose strategic protection, the report argued that the Community afforded no protection during the Arab oil embargo of 1973. Moreover, continued Community membership meant the transfer of decision-making power to undemocratic European institutions.[1017] On 'both economic and democratic

[1015] Broad, *Labour's European Dilemmas*, p. 107.
[1016] 'Over 100 Callaghan Amendments to "Black Paper" on Europe', *The Times*, 22 April 1975, p. 4.
[1017] LPA, pamphlet collection, box 67, The Common Market Re-negotiations: An Appraisal, 1975, pp. 47-53.

grounds', the report recommended a 'no' vote in the referendum.[1018] In sum, the Transport House policy staff argued that withdrawal from the Community would have no negative effects, economic or political; on the contrary, Britain would be better off on its own.

The special conference voted with a two to one majority for leaving the EEC. Using the Labour Party's unusual system of block voting, the exact result was 3.72 million votes against 1.99 million.[1019] The result was a victory for the Eurosceptics: the Labour Party was committed to British withdrawal from the Community, against the wishes of a Labour Prime Minister and two thirds of the Cabinet. Yet, the coming referendum made the conference a symbolic affair. A large banner on the conference platform declared: 'Conference will advise. The People will decide'.[1020]

The split within the Labour Party also affected the workings of the party's national headquarters. Emboldened by the result of the special conference, the Eurosceptic faction intended to use the party organisation for the referendum campaign. The plan, however, aroused considerable opposition among party professionals, many of whom supported remaining in the Community. The party's General Secretary, Ron Hayward, saw the potential for lasting damage and insisted that professional staff should be allowed to dissent with the party's anti-Community position. Transport House staff, with a vote of about 50-25, supported Hayward's position.[1021] Recognising that the Eurosceptics had overreached, the National Executive quickly shelved the plan.[1022]

[1018] ibid., p. 53.
[1019] Broad, *Labour's European Dilemmas*, pp. 108-9.
[1020] Saunders, *Yes to Europe*, p. 94; Wall, *Official History*, p. 586.
[1021] 'Labour May Face EEC Revolt by Staff at Transport House', *The Times*, 30 April 1975, p. 4.
[1022] 'Left Abandons Move to Use Labour Machine', *The Times*, 1 May 1975, p. 1.

The referendum on 5 June 1975 produced a clear victory for the pro-Community side. Of the votes cast, 67.2 percent supported remaining in the Community, while 32.8 percent supported withdrawal.[1023] Only weeks after the result, Labour Party parliamentarians took their seats in the European Parliament, which they had boycotted so far on account of party policy.[1024] The question of Britain's place in the EEC appeared settled once and for all.

Forster suggests three reasons for the failure of the Eurosceptics: firstly, the anti-Community campaign had to challenge the government and most of the political establishment, which had access to superior organisational and financial resources. Secondly, the anti-Community campaign was internally divided and failed to create a genuinely cross-partisan organisation. Lastly, the Eurosceptics were complacent; they expended most of their energies in a fight to secure a referendum, but failed to plan for winning the referendum.[1025] Other reasons included an overwhelming news media bias in favour of continued membership as well as the public perception that the Eurosceptic campaign was led by divisive extremists, such as Tony Benn and Enoch Powell.[1026] Importantly, the losing side found a compelling excuse in campaign financing: the pro-Community campaign outspent the rival campaign by a twelve to one ratio. This left a legacy of bitterness among Eurosceptics, who continued to question the legitimacy of the vote.[1027]

The actions of the Conservative and Labour research departments differed greatly on the referendum. The CRD was an early advocate of proactive campaigning for

[1023] Wall, *Official History*, p. 588.
[1024] ibid.
[1025] Forster, *Euroscepticism*, pp. 60-1.
[1026] Broad, *Labour's European Dilemmas*, pp. 117-19.
[1027] ibid., 115-16.

continued Community membership. At the same time, the department argued strongly against the principle of holding a referendum, and appeared to find common cause with Thatcher, the new party leader, on the issue. In its arguments against the referendum, the CRD relied on well-worn Conservative resistance to constitutional innovation, presenting the plebiscite as the 'thin end of the wedge' for future referendums. Conservative policy experts were also quick to use the referendum as a party political issue, pointing out Wilson's troubles in maintaining a semblance of party unity and connecting Euroscepticism with the left wing of the Labour Party.

The LPRD, on the other hand, was preoccupied by the burden of assessing and judging the government's renegotiation effort. There was no doubt about the research department's sympathies, which lay firmly with the Eurosceptics. Nevertheless, the research department failed to make a substantive contribution to the referendum campaign. This was at least partially a reflection of political limits; the department supported a minority position within the party headquarters, which was also a minority position in the Labour Cabinet. On the other hand, the department's position was helped by the fact that Euroscepticism was largely a leftist cause, supported by politicians such as Tony Benn, who worked closely with the party's policy experts in a number of other areas. Against this factional background, the department's outspokenness on European policy was based on wider ideological considerations on the incompatibility between two grand projects: British socialism and European integration.

Continued Labour Euroscepticism, 1976-7

Though the June 1975 referendum appeared to have settled the European question in favour of continued British membership, the issue never fully disappeared from the minds of Labour's Eurosceptics. The embers of the intra-party fight continued to burn in the years after the referendum to eventually ignite in 1980 into an official party position favouring withdrawal. The LPRD, which had been consistent in its support of anti-Community positions, was one of the actors keeping the idea of withdrawal alive in the intervening years.

The Labour Party set up a new committee, the EEC Sub-committee, in January 1976. The committee spent the spring of 1976 updating the chapter in the party programme on the EEC.[1028] Published for the October party conference, the 1976 *Labour's Programme for Britain* acknowledged that the debate on Community membership was now over. It added: 'However, the referendum did not and could not close the debate on the Community's structure and policies'.[1029] Notwithstanding the change in tone, the programme's policy positions were largely the same as during the heated debates of 1975. The programme rejected any moves towards political federalism, including majority decision-making in the Council of Ministers, increased powers for the European Parliament, and defence cooperation.[1030] The programme also contained all the major criticisms that the party had levelled against Wilson's 1974-5 renegotiation in the areas of agriculture, budget contribution, industrial and regional policy, capital movements, and trade and foreign aid. The programme's positive contributions were calls for an enhanced Community regional policy, which would offer support for struggling regions in Britain,

[1028] LPA, LP/RD/20/6, Report of Meeting of EEC Sub-committee (ID/1975-76/63), 22 January 1976.
[1029] Labour Party, *Labour's Programme for Britain* (London, 1976), p. 109.
[1030] ibid., pp. 109-10.

and a Community policy on trade and foreign aid.[1031] Overall, relatively little had changed in the party's position on the EEC. The Labour Party's official approach on the Community was as Eurosceptic as it had been before the referendum.

In the background, changes in the party's ideological priorities gave support for anti-EEC sentiments. Anthony Crosland's revisionism, based on the promise of greater equality funded by economic growth, had suffered from the decline of Keynesianism. The 1976 sterling crisis, which forced the Wilson government to seek a humiliating loan from the International Monetary Fund, gave the party's leftist ideas renewed momentum.[1032] The LPRD's integration of New Cambridge School economics with the alternative economic strategy injected the party with a dose of trade protectionism, in contradiction of Stuart Holland's original vision of *dirigisme* in an open economy. Import controls became a new cause for the left to rally around, and implicitly or explicitly, an argument against continued Community membership. As argued by Broad, '… rejecting the Community was not an add-on element for the Left; it was wholly integral to their position'.[1033]

The EEC Sub-committee continued to meet after the 1976 Annual Conference, with the aim of producing a NEC statement for the next Conference in the autumn of 1977. A dispute broke out behind the scenes in November 1976. The research department presented a paper to the committee where it argued that Community membership was a serious impediment to carrying out Labour's industrial policies. According to the research department, 'there is no doubt that national government control is being replaced by European government control. For socialists, who see very little chance of a socialist

[1031] ibid., pp. 110-12.
[1032] Broad, *Labour's European Dilemmas*, pp. 128-9.
[1033] ibid., p. 129.

Europe, the trend is very disturbing'.[1034] The question of national autonomy in industrial policy was not a new issue, but the research department was more forceful than before in pointing out what it saw as a fundamental conflict between European integration and industrial revitalisation through economic planning policies. At stake was the party's leftist flagship programme, the alternative economic strategy.

In the committee's November meeting, David Lipsey, special adviser to Foreign Secretary Anthony Crosland, pointed out that there was a 'difference of emphasis' between the government and the party on industrial policy, and '[h]ence, the Government could not comment on the incompatibility of certain policies with the Treaty of Rome when it did not intend to carry out these policies'.[1035] This was a frank acknowledgement of the political realities. The alternative economic strategy, and the industrial policy as a central component of it, had been a source of bitter divisions in the party. Harold Wilson as Prime Minister had deliberately watered down the Industry Bill introduced by Tony Benn during his time as the Secretary for Industry. James Callaghan, who had succeeded Wilson as Prime Minister in April 1976, was as opposed to the left's industrial policy as Wilson had been. By raising the industrial policy in the context of European integration, the research department was opening a new front in an internal party battle over economic policy. In Bish's opinion, 'Labour's industrial policies could not be carried out without bending EEC rules'.[1036]

In an unusual turn of events, the research department's paper led to a split between party professionals. As before, the research department and the International Department worked as a joint secretariat for the EEC Sub-committee. In the past the International

[1034] LPA, LP/RD/20/6, The E.E.C. and U.K. Industrial Policy (RE: 828), November 1976, p. 10.
[1035] LPA, LP/RD/20/6, Report of Meeting of EEC Sub-committee (ID/1976-77/22), 10 November 1976, p. 2.
[1036] ibid.

Department had showed signs of having more pro-Community views than the research department, but the differences had never led to open disagreements. But now the International Department issued a separate paper that attempted to refute the research department's claims. The International Department made three counter-arguments: Firstly, as a result of the renegotiation, the government had retained national powers in industrial, regional, and fiscal policy. Secondly, as a trading nation, Britain was already bound by a number of rules under the General Agreement on Tariffs and Trade, the Organisation for Economic Co-Operation and Development, and the International Monetary Fund. Lastly, the EEC was responsive to the needs of individual member states.[1037] In a reference to socialist ideology and European integration, the International Department opined that '[i]n practical terms, there are far bigger problems in building socialism than any which might result from EEC membership'.[1038]

Stuart Holland, one of the main intellectual influences behind Labour's industrial policy, also waded into the debate. He defended the research department's original assessment and blamed the International Department for inaccuracies and misleading statements. The real question was not whether a country had unrestricted freedom of action, but that Community membership and the European Commission's unresponsiveness to national circumstances added new constraints.[1039] In Holland's view, the European Commission's *laissez-faire* approach to the economy was a real obstacle to building socialism. In addition, he dismissed the Callaghan government's economic policies as merely 'left-wing capitalism'.[1040] While his arguments were framed as a commentary on the International Department's views, the real focus was on defending the alternative

[1037] LPA, box 82, The EEC and UK Industrial Policy, undated, p. 1.
[1038] ibid., p. 4.
[1039] LPA, box 82, The EEC and UK Industrial Policy (RE 961), p. 1.
[1040] ibid., p. 7.

economic strategy, which to a large extent was Holland's own creation. Holland had to balance two strands of his own political thought: on one hand, he saw prospects for a convergence of Keynesian-inspired socialist policies on the European level, but on the other hand, he believed there was a need to defend socialist policies from the perceived economic liberalism of Community institutions, or even a fascist backlash.[1041] Like the Labour Party at large, over the years Holland wavered between opposing and supporting Community membership.[1042] Though not a committed Eurosceptic or trade protectionist, Holland – along with left-wingers in the Parliament and party headquarters – placed great importance on promoting and defending the vision of an interventionist industrial policy.

The controversy over industrial policy eventually died down. Though it remained a back-room affair, it was a reflection of how fraught European questions could be among the party's policy experts. The spectacle of committee secretaries and party intellectuals issuing contradictory papers was exceptional even by the standards of the Labour Party, where sharp differences of opinion were not unheard of.

The EEC Sub-committee continued its work in the spring of 1977. The committee considered research department papers on economic and fiscal policy as well as regional policy. On economic matters, the research department argued that '… the main areas of concern are much the same today as before the referendum'.[1043] Britain must therefore be prepared to block economic harmonisation initiatives by the Community in areas where they might threaten the ability to pursue national policies.[1044] The research department also expressed scepticism on the impact of the Community's regional programmes. On a

[1041] S. Holland, *The Socialist Challenge* (London, 1975). pp. 349-61; Holland, 'Alternative European and Economic Strategies', pp. 96-122.
[1042] Beech and Hickson, *Labour's Thinkers*, pp. 184-5.
[1043] LPA, box 82, The EEC: Economic and Fiscal Questions (RE: 909), January 1977, p. 15.
[1044] ibid., pp. 15-16.

theoretical level, the research department drew on Stuart Holland's ideas on the meso-economy of multinational corporations, doubting whether Community policies would provide sufficient incentives for large firms to move production to impoverished regions.[1045] On a practical level, the research department saw a trend towards '… the Commission attempting to wrest more control from national governments over where and on what the money is spent…'.[1046] The committee broadly agreed with these assessments.[1047]

By April 1977, the EEC Sub-committee had lost direction.[1048] Though in principle the committee was working on a NEC statement for the 1977 Annual Conference, in practice the committee's meetings were frequently inconclusive or marred by deep disagreements (as in the case of industrial policy). The research department was asked to review the status of the committee's work, which led to the politely worded observation that '… while the committee has had some very interesting and useful discussions it is not much nearer [*sic*] formulating a policy on the EEC'.[1049] Eventually the committee managed to produce a statement in time for the October 1977 annual conference. This presented a problem for the Labour government, because the NEC's statement was highly critical of the Community. Prime Minister Callaghan managed to avert another crisis by promising the party executive discussions on reforming the Community. Callaghan's six-point list of reforms reflected the criticism in the 1976 *Labour's Programme*.[1050] The government had managed to defuse a potentially dangerous challenge to its European

[1045] LPA, box 82, EEC Regional Policy and the U.K. (RE 1040), March 1977, p. 2.
[1046] ibid., p. 5.
[1047] LPA, LP/RD/20/6, Report of Meeting of EEC Sub-committee Held on January 19th 1977, 19 January 1977; LPA, LP/RD/20/6, Report of Meeting of NEC EEC Sub-committee (ID/1976-77/97), 16 March 1977.
[1048] LPA, LP/RD/20/6, NEC EEC Sub Committee, 6 April 1977.
[1049] LPA, box 82, A Review of Progress (RE 1111), April 1977, p. 2.
[1050] 'Callaghan Disarms His EEC Critics', *The Guardian*, 1 October 1977, pp. 1, 22; 'Labour Rank and File Fall into Line on EEC', *The Guardian*, 6 October 1977, p. 24.

policy, but only by promising to pursue unrealistic reforms. Callaghan had failed as Foreign Secretary to achieve the party's ambitious objectives for the 1974-5 renegotiation, and Britain's negotiating position was no better in 1977 than it had been before. The promises made to the party Conference were a successful – if cynical – manoeuvre to maintain party unity ahead of what was widely assumed to be a general election year.

Amidst the detailed work on programmes and statements, the Labour Party's policy machinery rarely considered broader questions of European integration. Euroscepticism was presented as a question of policies rather than ideology. If ideological issues were discussed at all, they were usually crude references to the incompatibility between building socialism in Britain and the *laissez-faire* outlook of Community institutions. An example of this appeared in a paper issued in 1976 by the International Department on the topic of political union in Europe. According to the authors, the dominant feature of Labour's historical approach towards European integration was pragmatism. The party's vacillation between pro- and anti-Community positions was thus presented as a logical reflection of the changing balance of advantages and disadvantages arising from Community membership. Furthermore, the Labour Party had consistently rejected federalism.[1051] The International Department presented history in a manner that explained away profound ideological differences within the party by laying everything at the door of shifting policy preferences. The tendency was to describe the party's attitude to European policy in dispassionate and non-ideological terms.

Aside from pragmatism, the other dominant theme among Labour policy experts was the centrality of the nation state. In a jointly written paper, Stuart Holland and the

[1051] LPA, box 82, Political Union in the EEC and Direct Elections to the European Assembly, undated (estimated 1976), pp. 5-7.

International Department rejected European social democrats' fashionable interest in federalism. The Community and especially the European Parliament offered hopes for only mild social reformism, not true socialist transformation. Community institutions were dominated by national governments, which in turn were controlled by elites and multinational capital. Thus moves towards European federalism would only weaken the position of labour movements.[1052] The answer lay in the 'democratisation' of power relations in politics, state bureaucracy, industry, and regional governance.[1053] This did not, however, constitute a total rejection of a European perspective, but more an acknowledgment of the great obstacles that lay in the way of socialism. In a separate paper, Holland advocated greater co-ordination between European socialist movements, especially in Britain, France, and Italy.[1054] Nevertheless, his conclusion was that 'Europe is still based on the nation state, and the harnessing of real State power in a programme transcending State capitalism is still the only chance for socialism within Europe'.[1055] Ultimately Labour's policy experts believed that socialism could only be brought about by a national struggle, not through the influence of supranational European institutions.

Conclusion

Britain's membership in the EEC was one of the most strongly contested political issues in the first half of the 1970s. Joining the common market had far-reaching consequences for Britain, and was widely understood as such by the people involved. Historical literature does not usually associate Community membership with the crisis-focused narrative of the 1970s, yet, during its years of salience the European question

[1052] LPA, box 82, Power in the Community: A Criticism of Federalism (RE: 1118), undated (estimated 1977), pp. 1-3.
[1053] ibid., p. 4.
[1054] LPA, LP/RD/20/6, Socialism, Europe and the Community (RE: 1114), April 1977, pp. 1-3.
[1055] ibid., p. 4. Emphasis original.

tested the abilities of party leaders to their limits, especially in Labour. One reason for this was that European integration had an almost unique capacity to cut across ideological factionalism within the main parties. The Community was, to a great extent, an ideological question.

The CRD's ideology in the early 1970s was founded on right progressivism. During the Heath years, right progressive Conservatives viewed common market membership as a pillar in the national modernisation of Britain. The research department's enthusiasm for European integration drew from both economic and political arguments. In the economic sphere, the promise of greater prosperity through trade and competition was a strong argument in favour of the Community. The need for large British contributions to the Community budget was insignificant in comparison. The research department saw equally weighty political reasons for allying with continental Europe. In the age of superpower competition, post-imperial Britain could continue to 'punch above its weight' by joining a group of like-minded states. Williamson distinguishes two Conservative ideological responses to the Community: firstly, the Powellite vision of free trade and restricted immigration, and secondly, an embrace of Community membership, with a commitment to ever closer involvement in European integration.[1056] During the 1970s, the CRD identified strongly with the latter position.

The CRD's overwhelmingly positive view of British membership placed it in the most ardently pro-European wing of the party. The department was able to identify possible long-term concerns, such as insufficient legitimacy arising from a sceptical public opinion, but these problems were not pursued to their logical conclusions. Instead,

[1056] Williamson, *Conservative Economic Policymaking*, p. 220.

Conservative policy experts focused with single-minded determination on the advantages of Community membership. This approach can be seen in the department's briefing of parliamentarians in the critical 1970-2 period as well as the department's involvement in the referendum campaign. Intellectually, the research department's enthusiasm can be traced to traditional foreign policy realism rather than federalism. Firstly, the research department's promotion of a 'forward European policy', meaning ever deeper integration, was based on the somewhat overconfident belief that Britain possessed the diplomatic influence to shape the Community in accordance with its own interests. In the process, the country would enhance its economic and diplomatic power, thus ensuring a prominent place on the world stage. Secondly, the research department tended to view the Community as a work in progress, one that Britain could shape in its own image. Similarly, British companies would adapt to the European market, and become more competitive as a result. Community membership would produce change, but it would be incremental, manageable, and in Britain's national interests. Lastly, the research department's pro-Community views were compatible with the Conservative Party's gradual embrace of neo-liberalism from the mid-1970s onwards. On the left, opponents of the Community viewed it as an institutionalised upholder of *laissez-faire* capitalism. By the same logic, Conservative neo-liberals considered European integration a safeguard against domestic socialist advances. The election of Margaret Thatcher as Conservative leader on 11 February 1975 had no effect on the party's or the research department's orientation. After the June 1975 referendum Community membership disappeared from the political agenda, and Thatcher had no reason to give voice to her veiled Euroscepticism.[1057]

[1057] Crowson, *Conservative Party and European Integration*, pp. 40-1; Williamson, *Conservative Economic Policymaking*, p. 220.

The research department's intellectual impact on the European question is difficult to assess. Prime Minister Macmillan's first application to join the EEC in 1961 established common market membership as a Conservative cause. When Heath became the party leader in 1965, the European objective was joined with the idea of national modernisation. Thus, by the early 1970s the research department was an advocate of Heath's pro-European right progressivism. Though the party's rank and file members were often indifferent, the political elites had been converted to a pro-Community viewpoint long before Heath started as Prime Minister. In this context, the CRD's unquestioning support of Community membership reinforced the party's general ideological direction, rather than making an original impact of its own. The research department's role in the 1970-5 period can be thought of as a Praetorian Guard for the party's right progressive orientation. Though never openly in conflict with traditionalist or new right Eurosceptics, the department's steady stream of pro-Community analysis reinforced an intellectual milieu where support for Community membership was considered the norm.

Labour Party rhetoric tended to present the EEC as a pragmatic issue, a matter of calculating the advantages and disadvantages of joining or remaining outside. The problem with this depiction was that the calculation kept changing, alternately supporting a membership application in 1967 or attacking the 'Tory terms' in 1971. In reality, the European question was intensely ideological and divisive. The LPRD was swept up in a current of leftist radicalism in the early 1970s. At the centre of the left's political thought was the British state: the only entity powerful enough to exert control over financial markets, giant firms, and the multinational corporations of Stuart Holland's meso-economy. The research department's hostility towards European integration was a product of its defensive nationalism. Socialism had to be created through a national struggle, and

the supranational Community was at best an irrelevance, at worst a serious obstacle. Brivati argues that the Bevanite left's demand for an independent, moral leadership position for Britain developed into leftist isolationism in the 1960s. The left rejected foreign interventions, the Atlantic alliance, and European integration, and instead aspired to a socialist siege economy.[1058] As a participant in the leftist radicalisation of the early 1970s, the research department drew its ideas from defensive leftist nationalism.

The research department promoted its defensive leftist nationalism in several areas. Firstly, the department viewed the EEC as an unwanted constraint on the British state, and even more narrowly, as a constraint on the domestic aspirations of the Labour Party. The party's alternative economic strategy, developed during the opposition period in 1970-4, held the highest priority. Labour governments, dominated by revisionist ministers, were willing to transfer national sovereignty to Community institutions, including in such areas as regional policy and trade, seen as critical for the left's interventionist industrial policy. Community membership was an obstacle to the success of the alternative economic strategy, and therefore had to be resisted. Siding with leftist nationalism, the research department was closest to the isolationist thinking of Tony Benn, rather than the more cosmopolitan thought of Stuart Holland. Secondly, the research department connected the championing of the party's economic programme with trade protectionism. By adopting and propagating the protectionist ideas of the New Cambridge School, the department fed the flames of anti-Community sentiment, even after the 1975 referendum. Lastly, though not a major theme, the LPRD's report to the April 1975 special conference promoted the idea that the Community was diplomatically irrelevant, and moreover, harmful to British democracy. The research department's pessimism regarding European political co-

[1058] Brivati, 'Internationalism', pp. 232, 236.

operation was the antithesis of the CRD's optimism. The Labour policy unit argued that Britain gained no concrete diplomatic advantage from Community membership, and therefore withdrawal would not harm the country's interests. The CRD, in contrast, claimed Britain should join the Community to enhance its prestige, influence, and security.

Labour's International Department stood out with its pro-Community views. While smaller and less vocal than its sister department, the International Department was consistent in putting forward views on trade and foreign aid that contradicted the research department. The research and international departments had a tense relationship throughout the decade, despite personnel changes in both offices. Tensions persisted, regardless of whether the departments were led by Tom McNally and Terry Pitt, or by Jenny Little and Geoff Bish. The difference arose from organisational culture. The International Department served the party's International Committee, and was therefore constantly exposed to international debates and the work of the British foreign policy apparatus, whereas the research department's focus was almost entirely domestic. The episode in late 1976, where the research and international departments as well as Stuart Holland argued about the effects of the Community on industrial policy, was a reflection of the split in the party at large. The International Department did not view European integration as the definitive form of socialist internationalism, but neither did it share the research department's dismal view of the Community as an obstacle to socialism. The International Department had a more generous view of European integration: even with its imperfections, it was a step in the right direction. In most instances, however, the International Department was overshadowed by the larger research department.

The LPRD had an impact on party thought in two areas: firstly, the research department was instrumental in making the case for withdrawal from the common market. Especially during the 1974-5 renegotiation and referendum period, the department produced analysis that questioned the government's pro-European policy. This effort culminated in the one-sidedly Eurosceptic special conference report, *The Common Market Re-negotiations: An Appraisal*, billed as the 'black paper' by the department's critics. In this way, the research department acted as a spearhead of Euroscepticism at Labour Party headquarters, lending intellectual credibility for the party's leftist nationalist faction. Secondly, the research department's most lasting contribution was its role in keeping alive the flame of Labour Euroscepticism in the years following the 1975 referendum. The department's intellectual case rested on the idea that the alternative economic strategy was incompatible with continued Community membership. In addition, the department's effort to integrate New Cambridge School trade protectionism with the party's economic strategy revived arguments over free trade and socialist protectionism. Through such arguments, the research department contributed to a continued sense of an unresolved battle over European policy. This culminated in the Annual Conference of 1980, where the Labour Party once again committed to withdrawal from the EEC.

Chapter 6

Conclusion

This thesis has sought to explain the influence of the CRD and the LPRD on the ideological development of their respective parties in 1970-9. The preceding chapters have analysed the intellectual context and substance of the research departments' work, and inferred certain ideological priorities and impacts from the departments' contributions to party policy. The following concluding remarks are divided into two parts: firstly, comparison of the research departments' organisational roles, and secondly, discussion of the ideological influence of the research departments.

Comparison of the research departments

Despite their superficial similarities, the party research departments had substantially different working styles and organisational roles in the 1970s. The main exception to this was the similar intellectual styles of the CRD and the LPRD. Their written products were nearly always technical in character and focused on short-term policy questions. Both produced copious quantities of writing on almost every imaginable aspect of policy, but usually the emphasis was on conveying factual information and some recommendations. This is not to say that the parties' policy staffs were completely uninterested in conceptual thinking; some individuals, such as James Douglas, consciously cultivated an academic style, while the writings of Geoff Bish frequently displayed his ideological side. But the everyday focus of both departments was on the policy questions of the moment, instead of conceptual analysis. This style was in part a reflection of the

changing rhythm of politics: if the 1960s were a time of long-term planning and deliberation, the politics of the 1970s revolved around crises and short-term efforts to stay afloat.[1059]

The research departments had different conceptions of their political purpose. The CRD saw politics primarily through problem-solving. Politics presented the party's front bench, whether in government or in opposition, with an endless stream of questions, dilemmas, and problems, and the research department offered its services as a problem-solver. The department operated on the assumption that displays of governing competence, for example through considered and well-informed policy statements, would increase the party's electoral advantage, and thereby secure the party's future in government. The LPRD, in comparison, had a programmatic view of politics. Solving problems for front bench politicians was less important than overseeing the formulation and implementation of the party's policies. In the 1970s, this programmatic orientation led the research department to the direction of transformative politics. Rather than focusing on the next parliamentary debate or the next general election, the research department's objective was to bring about a socialist transformation of the British political economy.

The research departments' different political styles were reflected in the manner in which they approached ideology. The CRD possessed a capacity for ideological adaptation. Thatcher's election as party leader in 1975 represented an ideological shift from earlier right progressivism towards a Thatcherite new right orientation. Yet, as seen in the department's work on economic policy, the Conservative policy experts were able to adapt to this change and shift the party's economic thought closer to Thatcher's neo-liberal

[1059] G. O'Hara, 'Temporal Governance. Time, Exhortation and Planning in British Government, c. 1959-c.1979', *Journal of Modern European History*, 13:3 (2015), pp. 338-54.

preferences. This was not the case in every issue and every policy sector; for example, on the question of industrial relations, the research department assumed a more factional role as supporter of James Prior's conciliation policy. Nevertheless, on the major questions, the research department adapted to the ideological preferences of the new leadership. The LPRD, on the other hand, had an openly factional approach. Seeing itself as the guardian of party policy, the research department could display a dogmatic attachment to policies emanating from the Annual Conference and the NEC. The Labour policy unit lacked the adaptability of its Conservative counterpart, and was therefore more inclined to a fixed conceptualisation of ideology. For Labour's policy staff, party ideology was a battleground rather than a negotiation.

The ideological theme brings us to the different organisational roles of the research departments. The CRD had a loyalist orientation. The department saw itself as a 'shadow civil service' for the party's leadership. The department's main channel of influencing policy arose from its ability to advise the parliamentary leadership. This was especially relevant when the party was in opposition and the front bench had no access to the civil service. In addition, the research department served the back benches, which provided less direct influence, but allowed the department to stay abreast of the parliamentary mood, which also enhanced its ability to advice the party leadership. In contrast, the LPRD had an oppositional orientation, arising from the bifurcated organisation of the Labour Party. By convention and by institutional design, party policy and parliamentary policy were determined through separate processes. The research department's main channel of influence was its ability to advise the Home Policy Committee, and by extension, the NEC. If the parliamentary leadership departed from party policy, as it frequently did in the 1970s, the research department was duty-bound to oppose the front bench's actions.

Comparison of the research departments reveals many differences. Both approached policy-making with a technical and short-term focus, but that is where the similarities end. The CRD was loyalist, ideologically adaptive, and oriented towards political problem-solving. The LPRD was oppositional, ideologically inflexible, and oriented towards programmatic and transformative politics. The differences were a reflection of the different cultures and histories of the two parties. Following Duverger's typology of cadre parties and mass parties, the Conservative Party was organised around the leader and the parliamentary party, resulting in a top-down style of policy development. The Labour Party adhered, at least in principle, to the bottom-up practices of internal democracy, and the party's policy development reflected the existence of multiple power bases and interests. Both research departments were simultaneously empowered and constrained by their institutional settings.

The ideological influence of the research departments

In what ways did the party research departments influence the ideologies of the Conservative and Labour parties in the 1970s? This thesis answers the question with three arguments, each providing a different but complementary perspective: firstly, research departments as 'second-hand dealers of ideas' within their parties, secondly, research departments as participants in a contested 'marketplace of ideas', and lastly, research departments as actors in a process of ideological radicalisation, where Britain's main parties moved in diametrically opposed ideological directions.

The research departments are best understood as intermediaries between the realms of ideas and policy-making. To appreciate this role, it is necessary to consider certain changes in the substance and style of politics in the post-war decades. Garnett, writing of the post-war Conservative Party, notes the displacement of the old 'gentleman-Tory' Members of Parliament by younger technocratic politicians.[1060] As politics became increasingly professionalised, the part-time, amateur Member of Parliament was replaced by the career politician. At the same time, the expansion of the British state as a result of war and Clement Attlee's welfare reforms increased the complexity of the state apparatus, creating demand for specialised expertise. Preoccupied by parliamentary and constituency duties, the typical Member of Parliament lacked the time and resources (and perhaps, intellectual curiosity) to concern themselves with the finer details of sectoral policies. Yet, to display the all-important quality of governing competence, politicians, especially those with aspirations to ministerial duties, required access to the latest information and analysis. This need was especially pronounced in economics. In the absence of major foreign policy crises, and the emergence of the narrative of 'declinism', British politics in the 1960s and 1970s became economistic. Most domestic political debates revolved around economic policy. Economics as a discipline also became professionalised, developing its own disciplinary language and methods, to the point where economists began to resemble secular oracles: incomprehensible to the uninitiated, yet possessing arcane knowledge about the future of the nation. The post-war growth of the social sciences in Britain had a similar effect: sociological and statistical analysis of British class relations, poverty, community, and national health offered new perspectives on social policy.[1061]

[1060] M. Garnett, 'Centre', in K. Hickson (ed.), *The Political Thought of the Conservative Party since 1945* (Basingstoke, 2005), pp. 57-9.
[1061] Butler, 'Michael Young', pp. 203-24; Jackson, *Equality and British Left*, pp. 163-76.

One response to these changes was the rise of the political adviser. By employing advisers, assistants, and researchers, politicians gained access to much-needed technical and professional expertise. Advisers were especially important for opposition parties, to compensate for the lack of civil service support. But from the 1960s onwards, government ministers also began to employ their own special advisers, who combined the functions of civil service private secretaries with greater sensitivity to political and ideological concerns. Employing policy experts in the party organisations was not a novel invention: the CRD was founded in 1929 and the LPRD could trace its origins to 1912. Both of them, however, grew considerably in the post-war period, in response to increased demand for their services.

Research departments were a prominent feature of policy-making in the three decades after the Second World War, but their relevance was not set in stone. Ministerial special advisers could usually outmanoeuvre research departments, as seen in the mid-1970s by Harold Wilson's use of the Prime Minister's Policy Unit to water down Tony Benn's radical Industry Bill. The rise of think-tanks was another challenge, especially for the CRD. To use a business analogy, parties could develop policy in-house, in the research departments, or they could outsource the task to sympathetic think-tanks. The well-documented proliferation of neo-liberal think tanks in Britain in the 1970s and 1980s can be seen as a shift towards the outsourcing model.[1062] This shift should not, however, be taken uncritically as a transfer of influence from party organisations to think-tanks. As Williamson argues, neo-liberal think-tanks were more effective in proposing ideas than

[1062] See, for example, Cockett, *Thinking the Unthinkable*; Jackson, 'Think-tank Archipelago', pp. 43-61.

having their ideas implemented by the Thatcher government.[1063] Often think-tanks acted as intellectual outriders, instigating policies but having little impact on their final form.[1064]

The realm of intellectual inquiry and the realm of politics rarely have an obvious connection. Yet, the study of political history relies on the assumption that ideologies somehow influence the actions of practical men, or else politics would be nothing but the pursuit of short-term interests and personal advantage. To bridge the gulf between ideas and politics, recent historical scholarship has turned to the study of 'in-between' actors, or individuals and groups who shape and draw from intellectual debates and convey their ideas to politics. The party research departments in the post-war period were such actors. To use Friedrich Hayek's words, the research departments were 'second-hand dealers in ideas'.[1065] The word 'second-hand' is a particularly apt description for the research departments. The party policy experts rarely had the inclination to generate original ideas or participate in academic debates; they acted less as producers of ideas and more as conduits and advocates for 'second-hand' ideas. Yet, their privileged positions in the parties' policy-making machineries gave them constant access to politics. Whereas politically active intellectuals might have made more original contributions, their influence was sporadic when compared to the everyday influence of the research departments. In sum, the party research departments' impact on ideology arose from their ability to act as intermediaries between the intellectual and political realms, based as much on their institutional roles as their intellectual contributions.

[1063] Williamson, *Conservative Economic Policymaking*, pp. 44-9.
[1064] A. Davies, J. Freeman, and H. Pemberton, '"Everyman a Capitalist" or "Free to Choose"? Exploring the Tensions within Thatcherite Individualism', *The Historical Journal*, 61:2 (2018), pp. 499-501.
[1065] Quoted in J.-W. Müller, *Contesting Democracy: Political Ideas in Twentieth Century Europe* (New Haven and London, 2011), p. 3.

The research departments' ideological impact can also be observed by shifting the focus from policy expertise to the competitive nature of ideological evolution. Black and Pemberton, using Hall's earlier work, reflect on the 1970s as a 'marketplace of ideas'. According to this understanding, economic crises exposed the shortcomings of Keynesian social democracy, creating a fluid situation where competing visions of Britain's future vied for dominance.[1066] The CRD participated as a 'second-hand dealer' in the ideological marketplace. The research department was instrumental in shaping the party's approach to economic governance, creating intellectual justifications for an eclectic but recognisably neo-liberal agenda of monetarism and efforts to roll back the state. The research department's vigorous promotion of European integration can be seen simultaneously as a continuation of right progressivism and as a serious element of early Thatcherism. In the 1970s, the political left was the main source of opposition to EEC membership and the political right supported membership. The CRD's pro-Community advocacy fitted seamlessly with early Thatcherism, which gave no signs of the Conservative Party's future as the standard-bearer of British Euroscepticism. The marketplace was not, however, receptive to the research department's ideas on industrial relations. Thatcherism based its approach to trade unions on new right ideas, while the CRD remained wedded to its right progressive thought. While it made sense for the department to support James Prior's conciliatory line in the 1974-9 period, the industrial turmoil of the winter of 1978-9 fatally undermined the notion of reaching an accommodation with the unions. This assessment of the research department's ideological influence underscores the incomplete nature of early Thatcherism. As Williamson argues, there was no 'ideological capture' of the party by a coherent neo-liberal ideology, but neither was the party 'muddling through' without

[1066] Black and Pemberton, 'Introduction', pp. 14-15. See also Hall, 'Policy Paradigms', pp. 275-96.

intellectual direction.[1067] The notion of the CRD as a nest of Heathite double-dealers, opposed to Thatcher and her politics, does not stand up to scrutiny. Instead, the research department developed and advanced proto-Thatcherite policies in the 1970s. The fact that it failed to do so comprehensively, or lacked the zeal of true neo-liberal converts, does not diminish the CRD's role in enabling and shaping early Thatcherism. The Thatcherite project in the 1970s was still taking shape and was not without its internal contradictions. Nevertheless, the Conservative Party, with the active participation of the research department, was able to draw on ideological traditions as well as new economic thought to create a rough template for the advancement of market liberalism.

Thatcherism may have become the new political paradigm for the 1980s, but Black and Pemberton argue that the 'marketplace of ideas' should be widened to include the political left.[1068] Even in the late 1970s, Labour's revisionist right was capable of governing the country and fending off assaults from the leftist internal opposition. Rather than stumbling from crisis to crisis, the Wilson and Callaghan governments pursued a consistent economic policy in extraordinarily difficult conditions.[1069] But ideologically, the revisionist right was beset with self-doubt and angst. To begin with, Wickham-Jones suggests that the sacred text of revisionism, Crosland's *Future of Socialism*, was mainly an empirical account of the post-war settlement rather than a work of theoretical propositions.[1070] As the post-war settlement crumbled, the intellectual edifice of revisionism crumbled as well. Fragmentation of the party's right, driven by the inability of Crosland, Jenkins, and Healey to find common ground, was manifested in irreconcilable

[1067] Williamson, *Conservative Economic Policymaking*, pp. 49-52, 232-4.
[1068] Black and Pemberton, 'Introduction', p. 15.
[1069] C. Allsopp, 'Macroeconomic Policy: Design and Performance', in M. Artis and D. Cobham (eds.), *Labour's Economic Policies 1974-1979* (Manchester, 1991), p. 36; Artis *et al*, 'Social Democracy', pp. 56-8.
[1070] M. Wickham-Jones, 'The Future of Socialism and New Labour: An Appraisal', *Political Quarterly*, 78:2 (2007), pp. 232-5.

intellectual differences over the future of social democracy. The right was further weakened by disputes over European policy and the emergence of a generation of left-leaning trade union leaders. The Labour right's fragmentation left it without an ideological base or a clear message.[1071] Meanwhile, the LPRD and the party's left wing offered the alternative economic strategy as a replacement for threadbare Keynesian social democracy. The research department was an active participant in the marketplace, using all available opportunities to promote public ownership, economic planning, rejection of European integration, and trade protectionism. In the margins, experimental variations of leftist thought flourished. For example, Peter Jay, the economics editor at *The Times* and an inspiration behind Callaghan's economic policies, attempted to combine neo-liberal economics with socialism.[1072] Jay's market socialist principles failed to take flight, but they demonstrated the extent to which core leftist beliefs were being reconsidered in the 1970s. Historical scholarship tends to focus on the Conservative general election victory of 1979 as a turning point, but in Labour's marketplace of ideas, 1980 was the defining moment. Michael Foot's election as party leader signalled the adoption of the alternative economic strategy as the party's true programme. Rather than staying and fighting, many revisionists defected to the Social Democratic Party, established in 1981 as a refuge for pro-European right-wing Labour dissidents. The Labour left, encouraged and assisted by the LPRD, had won the decade-long struggle to turn the party into a vehicle of leftist state interventionism and defensive nationalism.

The discussion above has shown different ways in which the research departments influenced the ideologies of their parties. Whether acting as experts within the parties, or as competitive political activists in a wider marketplace of ideas, the research departments

[1071] Meredith, *Labours Old and New*, pp. 176-81.
[1072] Jackson, 'Currents of Neo-liberalism', pp. 843-9.

were able to advance and resist different political ideas, based on their ideological orientations. By looking beyond the parties themselves, the impact of the research departments can be placed into a wider context of the 1970s as a historical watershed. As described in the introductory chapter, the standard periodisation of contemporary British history regards the 1970s as the end of the post-war social democratic settlement and a transition to an age of neo-liberalism. The historical profession's intense interest in Thatcherism has focused attention on the Conservative Party as the prime mover. Yet, as Edgerton argues, in the 1970s the thought leaders of the Conservative and Labour parties, Margaret Thatcher and Tony Benn, respectively, moved their parties to diametrically opposed directions.[1073] Benn's statist and nationalist ideas dragged the Labour Party to the left, while Thatcher's new right monetarism pushed the Conservative Party to the right. The end result was an unprecedented divergence in the ideologies of Britain's main parties. Whereas Conservative right progressives and Labour revisionists might have shared some aims in the 1950s and 1960s, such agreement was difficult to find between Thatcher and Benn. Indeed, as Saunders argues, Thatcher's rhetoric in the 1970s equated Britain's various problems with socialism, making socialism her main enemy.[1074]

The CRD and the LPRD can be seen as proactive and, for the most part, effective participants in the radicalisation of British politics. The Conservative and Labour paths to radicalism were markedly different, due to the different cultures of the parties. Conservative radicalism came from above, through Thatcher's election as party leader and the party's adaptation to the ascendancy of the new right. Labour radicalism rose from below, driven by the bitter legacy of the 1964-70 Wilson governments, and directly opposed by the parliamentary leadership. Through a confluence of events and intellectual

[1073] Edgerton, *Rise and Fall*, pp. 442-5.
[1074] Saunders, '"Crisis? What Crisis?"', pp. 30-5.

predispositions, both parties rejected established models of governance and embraced radical alternatives. Economic thought was the primary battleground, which shaped the parties' approaches to other policy areas. The research departments pushed their parties into ideologically opposed directions. Loss of faith in Keynesianism led the CRD to fashion a programme of eclectic neo-liberalism, based on monetarism and reduction of the size of the state. The LPRD promoted an interventionist state, dramatic expansion of public ownership, and limits on Britain's exposure to foreign competition. In European policy, the departments again found themselves on opposite sides of the argument, with the Conservative policy unit promoting greater integration with Europe and Labour's policy experts engaged in a stubborn rear-guard action against membership in the common market. The research departments' failure to achieve traction in industrial relations policy serves as a lesson in the unpredictability of the marketplace of ideas. Neither research department achieved even impact across all sectors of policy; their influence was uneven and dependent on factors beyond their control. The CRD was intellectually out of step with the changing mood in the Conservative Party in the latter half of the 1970s. While proto-Thatcherite in other areas, in industrial relations the department failed to read the changing balance of power within the party. The LPRD was organisationally sidelined by the party leadership and constrained by long-held unwritten conventions that treated industrial relations as the province of the trade unions. The marginalisation of the LPRD shows that the ad hoc corporatism of the 1970s reserved no space for party policy.

In the final analysis, the research departments appear as representatives of opposing ideologies. Through the adoption of novel economic thinking, aimed at either minimising or maximising the power of politics over markets, the research departments formulated fundamentally incompatible intellectual responses to the crisis of Keynesian

economic governance and the waning of Britain's industrial might. The triumph of Thatcherite Conservatism in the May 1979 general election, and the leftist reaction it evoked in the Labour Party, directly led to the uncompromising politics of the early 1980s. In their own ways, the CRD and the LPRD contributed to radicalising intellectual currents that carried Britain into an era of Thatcherite conviction politics.

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