

# A History of Anarcho-syndicalism

## Unit 19 Britain, 1930-1950: The Era of Reform

### This Unit aims to

- Examine the period when reforms and state interventionist policies came to dominate Britain and the rest of the advanced capitalist world.
- Look at the role of the trade unions during this critical time.
- Analyse the role of the Communist Party during the inter-war period.

### Terms and abbreviations

**SWF:** Syndicalist Workers' Federation. Anarcho-syndicalist group formed in 1950.

**DAM:** Direct Action Movement. Anarcho-syndicalist group formed in 1979.

**TUC:** Trades Union Congress.

**NUWCM:** National Unemployed Workers Committee Movement.

**CP:** Communist Party.

**TGWU:** Transport and General Workers' Union.

**NUR:** National Union of Railwaymen.

**AEU:** Amalgamated Engineering Union.

**Gold Standard:** First used in Britain in 1821, the gold standard signifies a monetary system under which gold is the only standard of value, freely convertible at home or abroad into a fixed amount of gold per unit of currency. By definition limited to the actual gold reserves of the Earth, the gold standard was phased out in the

1920s for the gold bullion standard, under which nations backed their currencies with gold bullion and agreed to buy and sell the bullion at a fixed price. In reaction to the Great Depression, the gold bullion standard was abandoned in favour of a system in which countries fixed their currencies to the U.S. dollar and retained dollar reserves in the United States.

**Trades Dispute Act of 1927:** Passed as a result of the 1926 General Strike. It made sympathetic strikes illegal, debarred trade unions from requiring their members to contribute to a political fund unless they contracted in writing to do so, prevented civil servants from joining a TUC affiliated union, and defined "intimidation" as a legal offence.

**Keynesian Economics:** An economic theory, which advocates government intervention, or demand side management of the economy, to achieve full employment and stable prices.

**Bretton Woods:** In July 1944, representatives of 44 countries met in Bretton Woods, New Hampshire to create a new international monetary system that would foster full employment and price stability, without imposing barriers to trade. The Bretton Woods agreement fixed exchange rates against the U.S. dollars, and fixed the price of the dollar to gold at \$35 an ounce. Member countries had the right to sell dollars to the Federal Reserve for gold at the official price. The goal of the gold exchange standard was to prevent inflation by tying down gold's dollar price.

**Marshall Plan:** On June 5, 1947, US Secretary of State George C. Marshall called for American assistance in restoring the economic infrastructure of Europe. The official reason was, faced with famine and economic crisis in Europe in the wake of World War II; the United States would rebuild the continent in the interest of political stability and a healthy world economy. In reality it was to prevent any chance of communist revolts or influence and to ensure a stable, and compliant, market for US exports.

**NATO:** North Atlantic Treaty Organisation. US dominated anti-Soviet military coalition.

# Introduction

This Unit and the following one cover a time during which anarcho-syndicalist ideas were at a low ebb in Britain – the 1930s to the 1970s. While anarcho-syndicalism had little influence during the period, such wider events, and the lessons learned from them, were important in the development of modern anarcho-syndicalism. Thus, the period under examination can be seen as a backdrop to the re-emergence of the anarcho-syndicalist movement onto the world stage since the 1970s.

In making sense of today's society, we have to have an understanding of the forces that have shaped British capitalism. To gain this understanding, we need to trace its development in Britain back towards its roots (see Unit 1). Britain was unique in that it was the first country to experience the industrial revolution. This had a profound effect on the development of British capitalism, for it was the free market that drove Britain's industrial revolution. The state played only a secondary role - mainly in removing the obstacles hindering capitalism's development (see Unit 2). The response from the labour movement was a period of development of anarcho-syndicalist tactics and ideas around the turn of the century and up to the First World War (see Units 5, 6 and 14).

Since the First World War, Britain has been in long, slow decline from its former world power status. Various attempts have been made over the years by both Tory and Labour governments, to deny and/or halt this decline, culminating in the Thatcher government and the return of free market orthodoxy in the 1980s. These attempts had a considerable effect on the development of the British economy, but did not stop the decline. However, the role of the trade unions changed dramatically, as they were increasingly incorporated into capitalism.

British capitalism and its development is very different from that in the rest of Europe. European governments saw the economic dominance which the industrial revolution brought to Britain and soon realised that, if they were going to compete with Britain, they would have to speed up their own industrialisation process. As a result, the state sought to encourage the growth of capitalism. This resulted in the development of a 'state interventionist' tradition in mainland Europe, where governments have long-practised active policies to control and develop the economy.

Broadly, the two approaches have developed to become known

as free market capitalism (the British model) and social market capitalism (the European one). Thus, in Britain, the central idea of free market capitalism has dominated - that the running of society should be left wherever possible to market forces and that market forces perform best when they are free from state interference. Social market capitalism, on the other hand, looks to state regulation, both to direct the markets and ensure greater co-operation within society, which it is argued, leads to greater stability and efficiency.

Major long-standing differences between Britain and Europe also exist in the development of the financial sector. Britain's financial position largely grew out of the enormous profits gained from being the world's first industrial economy. As such, the banking system was a response to the industrial revolution, and only began to expand after it was well underway. As a result, British banks did not evolve to provide finance for the emerging capitalist system. Rather, they evolved in order to deal with the massive wealth being created by British capitalism. This is in marked contrast to financial sectors in countries such as Germany and Japan, where banks were developed to meet the investment needs of the growing industrial sector. Here, the banks were also regulated by the state in order to ensure that enough money was available to fund the industrialisation process. From the outset, the banking system in Europe was closely linked to domestic industry and specifically, to the provision of long term loans for inward investment.

Since banks did not actively finance Britain's industrial revolution, they had no strong links with industry and were not dependent on its success. Instead, Britain's banks found themselves with vast sums of money pouring in from the proceeds of the industrial revolution. These vast sums were soon attracting foreign borrowers keen to draw on these surpluses and willing to pay high returns in order to fund their own industrial process. As a result, Britain's financial sector quickly became internationally orientated, and most of its energies were devoted to channelling funds into and out of Britain, rather than to the provision of finance for domestic industry. As demand for British money grew from abroad, sterling strengthened. In turn, as the strength of sterling rose, the City of London became the world's leading financial centre. Pounds sterling became the world's trading and reserve currency, and it took on a similar role to that played in today's world markets by the US dollar.

# Money problems

Since the British banks were first and foremost about protecting the wealth of the industrial revolution by investing it abroad, British finances rapidly became dominated by the need to maintain the conditions in which export capital was safe. This meant defending the value of sterling and ensuring international commercial and financial operations could freely function (therefore ensuring British capital could continue to dominate in world markets). British industrialists therefore found their bankers and government preoccupied with such issues, and not with investing in British industry. With little support from the state, British industry had no means of persuading bankers to make long-term loans to industry on any scale, or put up risk capital in sufficient quantities, and hence it was forced to heavily rely on its own inadequate internal funds for innovation and modernisation.

Starved of investment, Britain's domestic economy began to decline, while at the same time, the financial sector became the most vibrant part of Britain's economy. As a result, the City of London acquired a powerful and often dominant position within domestic affairs, both economically and politically. This was to have far reaching consequences for the British economy. As the importance of the financial sector grew, Britain's political class increasingly directed policies aimed at maintaining dominance as the world's financial centre. This centred on maintaining the high level of the pound (incidentally making British goods expensive abroad), and increasingly intervening militarily and politically in order to protect overseas financial interests.

At first, this extension of British imperialism benefited domestic industry. The maintenance of the empire ensured the continuation of protected markets for increasingly uncompetitive British-made goods, as colonies were forced to accept and pay for them. But undercapitalised British industry could only be sheltered from modern competitors for so long. As Britain's share of world trade began to steadily decline, the need for state intervention to protect domestic industry and to boost investment became increasingly urgent.

However, the investment needs of the domestic economy could only be met at the expense of the financial sector. Boosting British industry meant reducing the level of the pound, lowering interest rates and new protectionist measures to prevent the import of cheaper foreign goods. The financial sector, dependant on free trade and a high pound, would suffer, and thus Britain's position as a leading

world power would be threatened. Each new generation of Britain's political elite saw the problem but couldn't face the solution consequently, maintaining Britain's 'greatness' as a world power won the day time and again, and government policy repeatedly supported the financial sector, at great cost to the domestic economy. The result being that Britain's manufacturing base was in serious decline from the first years of the 20th Century.

With exports falling and imports pouring in from the US and Europe, some British politicians, academics and industrialists sought increased support for Britain's domestic sector. Even as early as 1903, Tory leader Joseph Chamberlain launched a campaign to abandon the free market and introduce protectionist measures, mainly on employment grounds. This was fiercely resisted by the City of London, and a bitter debate ended once again in victory for them, with free trade policies maintained. The cost was borne by the working class. Unemployment rose and wages fell, and this was one of the major factors contributing to the rise of militancy prior to the First World War culminating in the Syndicalist Revolt (see Units 5, 6 and 14).

In the City, the victory brought yet further investment abroad. Between 1905 and 1914, some 7% of national income was invested abroad; more than that invested in Britain. It was during this period that Britain's dual economy was firmly established, with the dynamic, powerful financial sector servicing imperialism and operating profitably, and the investment-starved domestic economy fixed in relative decline, unable to compete with the high-tech US, German and Japanese economies. This dual economy is still very much with us today.

After a brief period of state intervention during the First World War, Britain returned to free market policies, and 1925 saw it return to the 'gold standard', with the pound set at its pre-war value, overvalued by some 10%. The result was the collapse of British exports and a flood of cheap imports. Again, it was the working class that bore the brunt of the economic stagnation that followed, as unemployment rose and wages fell. Elsewhere, the world economy was booming. Britain's disastrous return to the gold standard led to further demands for the state to support the domestic economy. The influential economist, John Maynard Keynes, headed these demands but, for the rest of the 1920s, both the Tory and Labour governments

## Social Capitalism?

resisted the calls. The 1929-31 Labour government was particularly loyal to the free market philosophy, as it attempted to prove to capitalists that they had nothing to fear from a Labour government. The “socialist” government eventually fell over its attempt to cut dole provision, as part of a package to cut public spending in the face of rising unemployment.

It was the 1930s worldwide depression that eventually led Britain’s politicians to rethink their free market policies and advocate state intervention. Macmillan, the Tory paternalist, was appalled by the effects of unemployment and embraced the Keynesian plan to boost spending to raise demand and lift the economy out of recession. Smarting from its disastrous 1929-31 government, Labour also became firmly in favour of state intervention. Importantly however, it did not argue for the state to control the economy, rather that it could be used to ensure capitalism was more efficient.

By the late 1930s, the Tory government was intervening to boost the domestic economy, bringing industries under state control, including sugar (British Sugar Corporation) and electricity (Central Electricity Board). In 1939, BOAC was nationalised and became the state airline. Nonetheless, the move away from free market orthodoxy did not immediately change attitudes towards trade unions. British capitalism had always been grudging in its acceptance of trade unions, and politicians had a relationship with them, which was shaped by expedience rather than conviction, and were openly hostile whenever possible, for example during recessions; and saw them as *“a medicine they were forced to swallow”*, as one trade unionist put it, in order to contain unrest in periods of full employment.

After the 1926 General Strike, British capitalism was in no mood to compromise with the trade union movement. In 1927, the Trades Dispute Act was introduced, which severely limited rights of trade unions. The introduction of the Act was marked by a wave of repression that saw the wholesale sacking of militants within the workplace. The effect on the trade union movement was profound. From 1927 to the Second World War, workplace organisation struggled to survive. Militancy virtually disappeared. The number of work days lost due to strikes reached 31.8 million in the syndicalist period of 1917-21, and rose even further to 41.8 million between 1922-26, before plummeting to 4.4 million between 1927-31 and just 2.6 million between 1932-6. Post General strike despondency and anti-trade union laws were joined by rising unemployment in undermining workers’ militancy. By 1933, union membership was half what it was in the 1920s.

## Leaders turn to reformism

Far from recognising their own cowardice as the problem behind the General Strike debacle, the trade union leaders blamed militancy for their fall in favour. They claimed militancy had marginalised the unions, and became determined to replace militant tactics with peaceful negotiation. A General Council motion before the 1928 Trades Union Congress (TUC) Conference summed up their thinking;

*“having rejected revolution ...the unions should involve themselves in the formation of economic policy and seeking to improve material standards in the immediate future.”*

The problem for them was that there was no sign this was about to occur. Nevertheless, in 1927 there was a rare high point for the union bosses of the time, when they were invited to talks, chaired by ICI chairman Alfred Mond, by a number of company owners. Represented there were the heads of some of Britain's largest chemicals, electrical industries and car manufacturing companies, including firms such as ICI, Shell, BP and Lucas, who were to form the backbone of the post-war British economy. More sheltered from foreign competition than coal and textiles, these companies were more relaxed towards the unions, seeing them as a source of stability in the workplace.

The Mond-Turner talks, (Ben Turner was the TUC General Secretary), led to the setting up of joint negotiation bodies within which the unions acted as little more than rubber stamps to designs already taken by management. In return for management recognising the unions, union leaders were more than happy to accept management proposals aimed primarily at raising productivity and lowering wages. In doing so, the unions were giving respectability to management proposals that were fundamentally undermining their members pay and conditions. The unions attempted to justify their position by arguing that without union input, the job losses would have been higher and the wage cuts deeper. Hence the old adage of union leaders claiming victory on the grounds that they had managed to reduce the size of the pay cut.

The talks were significant in that they were to prove a foretaste of the industrial relations of the post-war period. Though union leaders were still very much given to declaring their support for the establishment of socialism, the talks demonstrated just how happy they were to work within capitalism. The talks were also significant in

that they were to prove highly controversial, drawing considerable criticism from activists. This criticism demonstrates that there remained a deep commitment to socialist ideas among the rank & file, and that they knew their own bureaucracy was selling them out.

As the union leaders fought to develop their respectable image, they were clearly prepared to go to considerable lengths. However, it was their attitude to the unemployed that was to prove the most scandalous. As unemployment began to rise to horrendous levels in the 1930s depression, instead of extending the hand of solidarity to the unemployed, they chose to ignore them. They realised that a mass organisation of the unemployed would inevitably come into conflict with the state, and that these impoverished people, with little to lose, would look to militant action to further their ends. As such, union leaders saw the unemployed as a threat to their respectability in the face of the establishment, and so deliberately distanced themselves from them. They did not even campaign for better dole entitlement.

Initially there was token union support for the non-union National Unemployed Workers Committee Movement (NUWCM), as a way of evading the accusation that they were doing little to help the unemployed. However, with Communist Party (CP) influence growing within the NUWCM, the state, fearful of NUWCM's growing strength, sought to portray it in the media as a communist front inspired by Moscow. On this, the TUC took fright, ordered branches to disaffiliate and actually joined in denouncing the NUWCM. Though attempts were made in 1927 and 1933 to set up a trade union unemployed organisation, both attempts floundered due to opposition from union leaders.

Throughout the 1930s, the union leadership issued the usual platitudes and simply sat out the depression, waiting for better times. This stands as a major missed opportunity to extend trade unionism beyond the workplace into the wider community. The unions could easily have established union halls in working class areas to act as focal points for the unemployed and wider community struggle. Instead, they retreated into the workplace and kept their heads down. From the 1930s onwards, the unions' interests were to end at the factory gate. For this reason, the 1930s was a defining moment in the history of British trade unions. During this period, they became entrenched in the workplace and in their aim to become acceptable to

## In from the cold

the political and capitalist establishment. Their consequent rejection of the unemployed working class points to an attitude towards workers that still shapes the nature of the trade unions and their leaders today.

The unions' shameful attitude towards the unemployed paled alongside their venomous attitude towards the Communist Party (CP), which was growing in influence within the unions. After its founding in the early 1920s, the CP had looked to the political struggle and sought to work within the Labour Party, with the aim of pushing towards a revolutionary position. However, attempts to affiliate to the Labour Party were blocked, so the CP turned to organising within the trade union movement and the growing ranks of unemployed. In turning to an industrial strategy, the CP (which from its inception had drawn many syndicalists into its ranks) increasingly moved towards syndicalism, arguing for the formation of industrial unions and workers' control.

With the unions happy to sit out the depression and the Labour Party arguing for policies indistinguishable from the Tories, the CP began to be seen as the only organisation prepared to take action on behalf of the working class. As a result, it grew in influence, both within the unions and the wider working class, while developing a marked hostility to parliament, in favour of direct action. The unions' reaction to the growing influence of the CP was alarm, followed by a hasty witch-hunt. As one leading TUC leader stated;

*"The Trade Union hierarchy, pledged to eternal opposition, resisted Communism by revising union constitutions, conducting 'disruption enquires', and expelling recalcitrant members".*

Nor were these empty words. The TGWU, NUR, AEU, boilermakers', shoe and boot operatives', and steelworkers' unions, to name a few, took action against CP activists.

The union leaders' betrayals of their members, the unemployed, and witch-hunt of the CP began eventually to reap some personal rewards. In 1935, the TUC general secretary Walter Citrine and the steelworkers' leader Arthur Pugh were given knighthoods. Their acceptance of these caused considerable controversy and was widely seen as further betrayal. Even moderate socialists within the Labour Party were outraged. As the intellectual RH Tawney noted;

*"...who will believe that the Labour Party means business so long as some of the stalwarts sit up and beg for social plums like poodles in a drawing room?"*

He had missed the real point, which was that union leaders were now moving towards (or had already arrived at) the position of seeing capitalism as a permanent fixture. This attitude was later to become further entrenched during the long post war boom. In fact, from the 1930s on, British trade union leaders dropped what little commitment they had to a new socialist utopia and were at best looking for better regulation of capitalism. They had no intention of "doing the business" when it came to establishing a socialist society. Unfortunately for the union leaders, being knighted did not mean that they had been accepted as part of the establishment. While the state had bought their loyalty cheaply, the government's attitude towards the unions remained hostile. Despite union leaders' pleas, it refused to repeal the 1927 anti-trade union legislation.

It was not until 1939 and the outbreak of war that the union leaders were able to shake off the effects of syndicalist militancy and gain wider acceptance with the ruling establishment. Remembering the workers' militancy of the First World War period, the Churchill-led wartime coalition government now turned to the union leaders to help them avoid and subdue workers' unrest likely to arise with the war-induced labour shortage and full employment. Churchill brought several union leaders into the government, most notably the leader of the TGWU, Ernest Bevan, who was made Minister of Labour.

Bevan organised meetings at which he addressed up to 2,000 trade union leaders (executives). In return for their co-operation, they were promised involvement in the machinery of government. The long-ostracised union leadership rushed to accept Bevan's offer and soon found themselves sporting various government titles. By 1941,

## The Communists sell out

they were fully integrated into the wartime administration. Union officials served on innumerable committees for encouraging production, operating rationing schemes, and so on. As a contemporary noted;

*“...the annual report of the TUC began to read like the record of some special government department responsible for co-ordinating policy in the social and industrial sphere”.*

The price for gaining respectability with the establishment was high. In return for being brought in from the cold, the unions had to accept new draconian anti-trade union legislation. The new Emergency Powers Act gave the government complete power over both persons and property. Under the Act, Defence Regulation 58A was issued, which gave the government enormous power to control labour. It included Order 1305, which made strikes illegal and disputes subject to binding arbitration.

By 1941, the Emergency Powers legislation was being used to severe effect on the skilled labour force, especially within engineering. One order forbade anyone from leaving their employment without permission – almost identical to the sorts of measures taken during the First World War (see Unit 14). Then, the response was widespread workers' unrest, centred on engineering. This took the form of well co-ordinated syndicalist-based action, which was channelled into a wider attack on the war and capitalism itself. However, sadly, by the outbreak of the Second World War, syndicalism had been replaced by the Communist Party as the dominant revolutionary movement in Britain. The CP was to attempt to steer any signs of unrest along a very different path this time around.

The single most important influence on the activities of the Communist Party from its inception was its strict, hierarchical, leadership – which was itself increasingly controlled by Russia. Hence, before the Second World War, the British CP line was to encourage political and workplace militancy to destabilise the British economy. As the war started, this militancy was abruptly dropped. After the short-lived Hitler-Stalin pact ended with the invasion of Russia in 1941, the call went out from Russia to the Communist Parties around the world to fully support the war effort. Obediently, the British CP began supporting the war with the patriotic fervour of a Daily Mail journalist. Every effort was made to persuade and spur on workers to throw all into their work. Any workers participating in strike actions were castigated for sabotaging the war effort.

The workers were not stupid, nor did they unquestioningly follow the CP's changes of policy. However, largely due to its militant record prior to the war, the CP did enjoy strong support among activists. This record was used to aggressively push its new message to support the war in the workplace. In the engineering industry, where there was a strong shop stewards' movement, the argument was pushed strongly. At a rank and file engineering shop stewards meeting in London in 1941, the CP was able to rally support for the war effort. Thus, instead of taking advantage of massive war profits to improve workers' conditions, they discussed ways to improve production. The conference passed a resolution supporting the idea of joint management and workshop production committees. Both capitalism and the state seized on this initiative, and the committees were introduced throughout industry. As a government report noted at the time;

*“...(these joint production committees) were able to help management, which were at a loss to know how further to quicken the tempo of output”.*

The effect of the CP and the joint production committees was that unrest was kept to a minimum. However, workers realised that they were being used by the CP, and soon began to turn against the joint production committees and the instructions from the CP leadership.

By the later stages of the war, workers militancy had started growing considerably, and the number of unofficial strikes began to

## New improved capitalism?

rise dramatically. In the mining sector, the mine owners had used the emergency war conditions to bypass safety requirements, and reaped massive profits from gained production. At the same time, mine accidents and workers' injuries and deaths soared. The workers ignored the CP's directions and responded in their own way. By 1944, the mining industry accounted for two thirds of all working days lost due to strike action. Faced with such unrest, the government went on the offensive. Bevan (the trade union leader, now Minister of Labour) argued that the miners were inflicting more damage on Britain than the air raids. As one, the British media, government and even the CP and trade union leadership launched a propaganda campaign against the miners. A new Defence Regulation was introduced under which those instigating or inciting a work stoppage faced imprisonment. Fortunately, the Second World War ended before many workers began finding themselves behind bars.

The developed world's economic landscape went through a major change in the years immediately following the end of the war in 1945. Many world leaders blamed the 'boom and bust' of free market orthodoxy for the economic conditions which led to the war. Thus, the idea that the free market system was flawed and needed state direction to ensure its long-term stability gained dominance, and Keynesianism finally was to have its day. The foundations began to be laid of what was to become known as the consumer society.

At the forefront of the new state interventionist approach was the US government. At a meeting in Bretton Woods in 1944 the shape of the post-war economy was decided by the leading capitalist nations led by the United States. While mainland US had been undamaged by the war, it had become the powerhouse of the allied industries. Simultaneously, its production was used to inflict serious damage on the industrial infrastructure of Europe and Asia. In a few short years, the US became the undisputed and dominant world economic power. By 1945, the US accounted for half the world's total production.

The US government moved quickly and decisively to intervene in the world's economies and so reinforce its newly acquired economic, political and military dominance. Under the Marshall Plan, US dollars were poured into Europe and Asia, mainly in the form of loans. The immediate effect was that, from Britain across Europe and Asia to Japan, dozens of shattered economies were lent cash with which to buy US goods to re-build their shattered economies. The net effect was that the US economy was given a further major boost, ensuring that the dollar became the world's undisputed trading and reserve currency.

Hand in hand with economic dominance came military dominance. Here, the newly emerged USSR became a perfect excuse for keeping the now-massive US military production machine, as the US sought to counter the threat of Soviet Communism to its new-found dominance. The result was the creation of NATO, an organisation that, from the start, was dominated by the US and whose aim was maintaining and furthering US power and influence. The immediate open hostility of the US to any apparent threat to its authority spawned the cold war. Far from making the world a safer place, the defeat of fascism had only resulted in hastening the rise of a new aggressive world superpower, the US. Its targeting of Soviet

Communism led to the world being divided into two opposing camps. Though the boundaries of these two camps were clearly defined and accepted by both sides, capitalism and 'communism' began to confront each other militarily, largely in the 'less developed' (third world) nations of the world, as they each sought to extend their influence. Since then, much of the less developed world has contained virtually permanent war zones, ensuring that development has been hindered militarily and physically, as well as economically.

## Stalinist influences

While the US was now the world economic giant, the war had also strengthened the position of the Russian Communist Party, and its various satellite parties within capitalist countries across the world. The Russian workers had paid the single biggest human price of the war, with some 20 million lives, and the Russian Communist leadership now enjoyed an enhanced reputation on their behalf (sic), for helping defeat Germany. Also, outside Russia, the Communist Party in many countries had been active in its resistance to fascism. These factors combined to make the 'communists' a powerful force, and social democracy was seen in the US as a buffer against the spread of communism.

The US used its influence in providing Marshall Plan finance to ensure that structures were put in place in Germany and the 'liberated' countries to promote social democracy and reformist trade unions, in order to counter the threat posed by communism. These trade unions were to be highly centralised, with little room for rank and file activity by the workers themselves. Through such unions, it was hoped that the state could control workers' aspirations, and the plan worked, especially in the early years in Germany and Japan, where the workers' movement had been smashed by fascism. The extent of the fear of communism was indicated in the fact that CP members were barred from being employed in the public sector for much of the post war period.

In Britain too, the free market system was discredited.

However, Britain faced numerous problems, not least, an economy that had been run at full production during the war, and was in desperate need of new investment. Nevertheless, it emerged from the war in a relatively strong position within Europe, at the same time as a Labour government swept to power. While this new administration talked about building a new socialist society, the reality was that Labour and Tories alike were now committed to making Britain 'great' again, through the new form of state-regulated capitalism.

The extent to which the new Labour government put the power of the state to work in British capitalism was considerable. Rather than dismantling the emergency wartime state controls, they kept them and used them to direct the economy. State planning was used to ensure investment in the domestic economy, for the first (and so far only) time in the history of British capitalism. Import controls were maintained to shelter British industry from overseas competition, and the nationalisation programme was massively expanded, to boost investment and force through industrial modernisation. In the first year of the new government, exports doubled, and by 1948, they had risen by 70%. Production also surged by 30% in three years and, by 1948, it seemed that state planning would overcome Britain's old problems of subordination of the domestic economy to world markets.

In 1948, Britain's historic economic decline looked to have halted, and the outlook was bright for competition with countries across Europe and Asia, still struggling to rebuild their shattered economies. However, the powerful advocates of free market ideas within Britain's elite had not gone away. Ironically, the influence of these old ideas was strongest in the newly nationalised Bank of England; the very same vehicle the Labour government thought it could use to regulate the economy. Both the Bank and the Treasury began to push for a return to free market policies. This pressure, with its origins in the all-powerful City, would not go away, and began to slowly gain ground through the 1960s and 1970s, until it came back to prominence with the rise of Thatcher.

## New Labour, old fixations

Even in the boom times of 1948, the free market advocates were powerful enough to end Britain's brief excursion into economic planning. In what became known as "the bonfire of controls", the Labour Government dismantled the wartime economic planning mechanisms. With Labour's retreat, market forces once again made the decisions on matters of growth and investment in Britain. This was in contrast to other European countries such as France, where economic planning structures were converted into a peacetime programme for modernisation and development under the Monet Plan.

Why did Labour give up central economic planning and give in to the City? At the centre, was their fixation with Britain's imperial past and retention of its status as a major player on the world stage. An unregulated City stock market with free flow of capital was important in this. At the same time, the new government sought to capitalise on its wartime alliance with the US and make Britain a junior partner in the ongoing US campaign to strengthen its already dominant position. The pound would become a junior reserve currency to the dollar. The economic policies that had proven so disastrous for Britain's pre-war domestic economy were back once again; this time from Labour.

Eager for some significance (albeit secondary to the US), the economy was not the only area where Labour looked to increase Britain's role in world affairs. As the US began its first major post-war military campaign to maintain its sources of cheap raw materials from underdeveloped nations, it started a bloody conflict with communist insurgents in Korea. In dutiful support was Britain, playing out its new role as junior partner to US imperialism. This role quickly began to cost the British economy dearly, as British involvement in Korea saw military spending soar to 10% of total Gross Domestic Product (GDP).

The switch of resources from investment to military expenditure rapidly halted the recovery of Britain's industry. The opportunity to expand the economy at a time when others were rapidly modernising and rebuilding was lost. Military spending never dropped below 5% of GDP (far higher than Germany or Japan), while defence of the overvalued pound led to repeated deflation of the domestic economy. In other words, the City once again dominated the British economy.

## Post-war unionism

The late 1940s were also a crucial period for the other major factor that was to dominate post-war British capitalism, the labour movement. Under Labour, the union leaders were capitalising on the enhanced personal status they had acquired during the war. Firstly, the worldwide post-war economic boom (which affected Britain despite the government's economic policies) brought full employment. This created a need to use the unions to control a workforce empowered by the labour shortage. Add to this the close ties between the Labour Party and union leaders, and this ensured a prominent role for them within society.

Ever hungry for status, many trade union leaders now began to call for the unions to become partners in a new welfare capitalist system based on co-operation between the state unions and capitalism. Such confidence reflected their position of real power. The new Labour government of 1945 boasted five trade union Ministers, in Education, Health, Transport and Labour, and most significantly, Ernest Bevan became Foreign Secretary, and was to become Prime Minister Atlee's closest confidante. This situation reflected a major transformation of the union leaders' position, from being marginalised and despised only a few short years before. It was summed up by TUC leader Woodcock who said, shortly after the war;

*"When I rang up a government department in the thirties I was treated with the utmost suspicion. By the end of the war, we had the position that exists today, where I can telephone any of those officials and exchange the most extraordinary information".*

The union leaders had learned their lesson, and knew that they had to deliver on their unwritten promises if they were to keep their status. If a Labour government were to experience problems with labour unrest, this would reflect badly on the union leaders in and around government. So they went to great lengths to demonstrate that their new-found power held no threat to capitalism. To give just one example, under the auspices of the Marshall Plan, union leaders were shipped out to the US by the plane-load. There, the 'benefits' of 'modern' management techniques were demonstrated to them. Many returned advocating union co-operation in the introduction of 'scientific management', an idea that a few years previously had aroused bitter hostility within the ranks of the trade unions.

## Nationalised Failures

Of course, there was a price to be paid for this integration of the unions into government, and (of course) it was not paid by the union officials themselves. They were now being actively wined and dined by high society. The union leaders readily accepted a whole raft of measures introduced by the government aimed at keeping working class consumption down. These included the extension of the wartime Emergency Powers legislation, Order 1305, which made strikes illegal, and the continuation of rationing. The TUC also entered into an agreement with government to bring in pay restraint. The 'free market' was now to be removed from wage negotiations, as the traditional free collective bargaining system was ended. Now, in 'the national interest', wages were to be kept artificially low. That the union leaders accepted this at all is an indication of how much they cared about their members; that they accepted it so obviously because they wished to ensure continuance of their new-found respectability shows clearly where their priorities were – with themselves.

The mood of trade union leaders was summoned up by Citrine at the 1947 TUC conference, when he maintained that the unions "had passed from the era of propaganda to one of responsibility". He was later to be instrumental in setting up the CIA-funded International Confederation of Free Trade Unions. However, union leaders' boastings of heading a new responsible union movement were to prove somewhat premature. Once again, their members were not stupid, neither were they about to stand aside and let their union leaders sell them out. As early as 1948, discontent was growing.

There was growing disillusionment with the Labour Government. Many workers had genuinely believed that the new administration heralded the dawn of a socialised society. They were soon brought back down to earth, not least by the Labour government's readiness to use troops to break strikes, which were still illegal under Order 1305.

For many, it was the failure of Labour's nationalisation programme that became the single biggest source of embitterment with the new Labour government. Many trade unionists saw nationalisation as the key to replacing capitalism, as state ownership combined with socialist government to allow workers to gain control of their workplace. Although the nationalisation proposals did not amount to any sort of workers' control that would be acceptable to anarcho-syndicalists, trade union activists welcomed the general notion of some form of workers' control, and it drew in widespread support amongst the British working class. Although with hindsight it was hopelessly wishful thinking, many thought that nationalisation could herald the birth of socialism in Britain and a new socialist world.

In fact, of course, the Labour Government had no intention of replacing capitalism, and the nationalisation programme was designed simply to make capitalism more efficient. In the event, it failed even to achieve this. Labour never considered bringing the profitable parts of British capitalism under state control, but instead concentrated on the most run-down sectors of British industry, which the capitalist owners no longer wanted. While the railway and coal industries were still vital to the domestic economy, they were no longer profitable and had long been starved of investment. Massive restructuring and cash injections were needed, involving wholesale replacement of old equipment, relocation of plant, redundancies and redeployment. Not surprisingly, British capitalism did not feel threatened by Labour's nationalisation programme – the only opposition came over the steel industry, where there was still some profit to be made. As Manny Shinwell, Labour minister in charge of coal nationalisation noted;

*"...the coal owners were hardly less anxious than I to get out of the pits on the right terms".*

There was no secret in Labour's approach to nationalisation – only misty-eyed misapprehension on the part of the unions. Labour clearly stated the aim of nationalisation in its first policy statement on the issue entitled "Let Us Face The Future", where the intention of nationalisation was clearly stated;

*"...amalgamation under public ownership will bring great economies in operation and make it possible to modernise production methods".*

There was no reference to socialism, and it was made clear that there was no intention of introducing any form of workers' control. In fact, it explicitly argued against even parliamentary control, stating that the nationalised industries should operate in a "business way" free from "interference by amateurs". The trade union leadership was in full support of this drive to make capitalism more efficient. The joint TUC-Labour

Party report "Interim Report on Post War Reconstruction" rejected even limited workers' participation. Though it called for workers in nationalised industries to be consulted, it also stated:

*"...the responsibility of actual management rests with full-time professional administrators...(while the management board were solely selected on the basis of)...their competence efficiently to administer the industry...(and any union officials placed upon the board, having demonstrated their competence, must)...surrender any position held in, or formal responsibility to, the trade union."*

In other words, the TUC leadership and Labour government agreed from the start that the main role of unions within nationalised industry would be the traditional one of representing workers within industry. If this was not enough, Labour's approach to nationalisation became abundantly clear when it nationalised the Bank of England in 1946. This was seen as the key measure through which Britain's capitalist economy could be regulated. When the National Union of Bank Employees argued for consultation rights, the Chancellor of the Exchequer, Hugh Dalton, dismissed the idea. The notion that workers should have some input in the regulation of the economy was seen as something tantamount to a joke by the Labour leadership.

Nevertheless, when coal was nationalised in January 1947, many miners thought it was a first step towards a new socialised world, as well as alleviating the atrocious conditions in the pits. At the more militant pits, red flags were raised, and signs erected declaring workers control. Such expectations were to be cruelly disappointed.

The original coal nationalisation bill did not even contain provision for management to consult the workforce. It was only amended after the Tories expressed their astonishment that no consultation procedures existed - something even the coal owners had seen as desirable. Even after amendment, the NUM ruefully noted;

*"...that the majority controlling the industry would be drawn from the former mine owners and capitalist circles".*

The reality did not fully hit home until the mines were nationalised, when the miners were faced with the same managers they had faced under private ownership.

The nationalisation of the transport, steel and gas industries all followed a similar pattern. Trade union leaders did get themselves elected to the boards running the mines, but the workers had no input other than being consulted by management when they were introducing major changes. The lack of any control whatsoever caused uproar among rank and file trade unionists. In the immediate post-war years, union conferences were dominated by the issue of extending nationalisation across industry, with calls for workers to get equal representation at all levels.

The National Union of Railwaymen (NUR) was a typical example. As a speaker to the 1948 conference noted, the NUR paper, *The Railway Review* had seen "hundreds of yards of column space" taken up with the issue of nationalisation and demanding equal workers representation. A resolution arguing for 50% workers representation in nationalised industries was duly passed by 72 votes to 2. From post office workers to building workers, the argument for nationalisation and increased workers' control was made.

The role of the British Communist Party during the nationalisation debacle also predictably betrays where their true allegiance lay, and it was certainly not with the British working class. As the Communist leadership in Russia controlled it from above, so the interests of British workers were subordinate to the defence of the Soviet Union. The CP policy on the best way of defending the USSR was to work to increase the CP's influence within the Labour Party. The CP managed to get two MPs elected to Parliament after the war, which added to the numerous CP members in leading union positions. Until the Cold War changed the picture, these were used to give unconditional support for the Labour Party, including promoting their nationalisation proposals and, as the argument concerning nationalisation raged, the CP kept quiet, for fear of offending the Labour leadership.

Although far from an isolated case, Shinwell's comments on the communist miners' leader Arthur Horner's role in coal nationalisation

are revealing. He noted that the miners;

*“...did include many whose bitter experience precluded any feeling of sympathy for the owner and argued that the mines be taken over without compensation...(yet Horner)...in our many discussions never put forward the ideological precepts of his communist affiliations...(noting that Horner accepted that)...nationalisation of the mines was a Labour plan...(and that both he and Horner)...were unanimous in our aim to make it a success”.*

## SWF

It was left to a small group of syndicalists to put Labour's nationalisation proposals into a revolutionary context. These had come together during the war to produce the paper “Direct Action”. After the war, they formed a small but vocal group, the Syndicalist Workers' Federation (SWF). The SWF immediately began to develop and put across anarcho-syndicalist ideas. It was to survive up to the 1970s, when it merged to form the Direct Action Movement (DAM), forerunner of the Solidarity Federation.

The SWF began by attacking the Labour government and its nationalisation proposals. It also forcefully made the point that, even if nationalisation was extended to all industry, it could only result in state capitalism. Far from heralding workers' control, this would allow a new “boss class” to emerge, whose power would result from control rather than ownership of industry. They argued workers within the nationalised industries would soon find their conditions and wages lagging behind the private sector. Instead of supporting nationalisation, they argued, we should organise on the same basis of class struggle, irrespective of whether the workplace was in state or private ownership. The aim of this struggle should not be state ownership;

*“...but common social ownership of the means of production under democratic workers' control”.*

Unfortunately, the influence of syndicalism was very limited and was to remain so in immediate post-war Britain. Also, the SWF predictions proved depressingly true, as working conditions in the nationalised industries were the same or worse than in the private sector. Workers faced the same managers as before, and quickly became disillusioned with nationalisation. Sadly, since the unions and the CP had so closely associated the idea of workers' control with nationalisation, for many workers, the hope for workers' control also died with it.

Ever since the rise of syndicalism at the end of the 19th Century, the idea of an alternative to capitalism based on workers' control had given day-to-day workplace militancy a wider, political perspective and a long-term aim. Hence, workers had long seen the short-term economic struggle as part of the long-term struggle for revolutionary change. Now, all this was lost. With the decline of the workers' control idea, the labour movement lost its broader political perspective. From now on, militant action was invariably only undertaken in order to achieve immediate gains, devoid of any wider political context. The result was that economic struggle became completely separated from political struggle. Workers and unions pushed for pay and conditions today, while it was left to political parties and party members to discuss politics.

This entirely artificial divide has held back the Labour movement ever since. In particular, it was to be devastating for workers when the post-war economic boom came to an end (see Unit 20).

## Postscript

As disillusionment with nationalisation grew, workers turned to the immediate struggle for improvements in pay and condition. At the same time, they adopted the tried and tested ideas and tactics developed by syndicalists within engineering during the First World War (see Unit 14). Once again, workers organised directly in the workplace through their immediate union representatives, the shop stewards, and increasingly used direct action, such as unofficial strikes. The major difference was that, having lost any hope of effective workers' control, there was no longer any long-term aim of overthrowing capitalism.

By 1949, the Korean War was leading to inflation in the world economy. Workers in Britain, who had been stuck with static living standards under the government's rationing and pay restraint measures, now felt them falling due to the effects of inflation. Unlike in the 1930s, they were not threatened by the fear of unemployment, and so set about organising against the austerity imposed on the working class by the

Labour government. They began to take action for wages, in breach of the TUC-Labour pay restraint agreement and, by 1950, it became clear that the TUC leadership could no longer control the rank and file. Union leaders had little choice but to pull out of the agreement governing pay restraint and, consequently, workers' militancy resulted in the union leaders suffering a set back in their new-found respectability and power within capitalism. This set up a pattern to be repeated for the next thirty years; workplace militants and union leaders at loggerheads over pursuing their different agendas. Spurred on by their success over pay restraint, workers began to take more and more unofficial action, independent of the trade union leadership. By 1951, levels of unofficial action were such that the government was forced to accept that Order 1305 outlawing strikes could no longer be enforced. The legislation was withdrawn, and strikes became legal again.

As the 1940s drew to a close, the pattern was set that was to shape British capitalism for the rest of the 20th Century. Both Labour and Tories rejected state planning and adopted Keynesian demand management to attempt to halt Britain's relative decline. This was to ultimately fail, partly because Keynesianism failed, but also because successive British governments were obsessed with maintaining a leading world role, so they boosted the power of the City over the

needs of the domestic economy. In response, Britain's industrialists attempted to squeeze workers' pay and conditions to compensate for Britain's manufacturing uncompetitiveness. For this reason, the working class increasingly turned to workplace militancy in an attempt to maintain pay and conditions, the result being a bitter conflict with both capitalism and the state.

This conflict continues to the present, although it led to a massive defeat for workers during the Thatcher years, which temporarily plunged workers' militancy into massive decline once again. In the next unit, we shall examine developments of the 1950s-1970s, as the long post-war boom turned to worldwide recession, the inefficiency of British industry became increasingly exposed and Thatcherism was able to take advantage of the situation.

## Key points

- Two schools of capitalist thought developed, free market capitalism and social market capitalism.
- Britain flirted with social market capitalism through the 20<sup>th</sup> Century but always reverted to free market capitalism.
- During this period, union leaders abandoned any pretence of socialist aims and moved towards the viewpoint of a wholesale acceptance of capitalism.
- After WWII the US was the undisputed, and dominant, world economic power.
- Post-imperial Britain's desire for a new role in world affairs meant that the City came to dominate economic thinking.
- The unions sought a post war alliance with the state and capitalism in a new welfare capitalist system.

## Checklist

1. What was the effect of a return to the Gold Standard by Britain after WWI?
2. What was the attitude of the trade union leaders in the inter-war years?
3. What were the effects of Bretton Woods and the Marshall Plan?
4. How did union leaders see their position in post war Britain?
5. Why did nationalisation fail?

## Answer suggestions

1. *What was the effect of a return to the Gold Standard by Britain after WWI?*

The return to the Gold Standard saw the pound set at its pre-war and therefore overvalued. The result was the collapse of British exports while cheap imports flooded into the country.

2. *What was the attitude of the trade union leaders in the inter-war years?*

The trade union leadership sought to gain respectability and so turned against any form of militancy. They withdrew their meagre support of the unemployed and sought to marginalise the Communist Party.

3. *What were the effects of Bretton Woods and the Marshall Plan?*

With the Bretton Woods agreement and the implementation of the Marshall Plan the United States established its dominance of the world economy. It ensured that structures were established in Europe to counter communist influence. It also ensured the dominance of reformist trade unions.

4. *How did union leaders see their position in post war Britain?*

The union leaders called for a partnership between the unions, the state and capitalism in the new welfare capitalist system. They encouraged wage restraint while seeking to control militancy and increase production.

5. *Why did nationalisation fail?*

Nationalisation by the Labour Government was designed to make capitalism more efficient. They stopped short of nationalising the most profitable parts of the economy so as not to alienate British and American capitalists. Instead they concentrated on the most investment-starved, unprofitable and run-down sections of the economy.

## Suggested discussion points

- What are the differences between workers' control and nationalisation?
- How different today is the position of the Labour Party and TUC from this period?

## Further Reading

**The political economy of British capitalism. S. Aaronovitch, R. Smith and J. Gardiner. McGraw-Hill. ISBN 0070 841217. -LI-**

A 'standard text' for left academic historians, this is in-depth, technical and detailed. Takes generally a Marxist perspective, failing dismally to draw out the true role of the working class. The proposed solutions to Britain's problems are also standard and weak - a left social democratic mix of import controls and state intervention in the City. Nevertheless, a good challenge and an ideal reference .

**Economic decline of modern Britain - The debate between left and right. D. Coates and J. Hillyard. Wheatsheaf Books, 1986. ISBN 0745 001076. -LI-**

Good analysis of the reasons for Britain's decline. Tackles both left and right perspectives, but both fail to recognise the workers' role. Easier reading than Aaronovitch, but not so detailed.

**Tom Brown's Syndicalism. T. Brown. Phoenix Press. £3.95 ISBN 0948 984163. -AK-**

Detailed vision of syndicalist strategy c.1940s, from one of syndicalism's clearest writers and orators of the period.

**British Syndicalism: Pages of Labour History. T. Brown. KSL. £1 ISBN 1873 605706. -AK-**

Collection of Tom Brown's writings - cheap and accessible source of contemporary syndicalist ideas.

Notes: There are many (old) books about the workers'/union movement and the post-war British economy. Most are dry, academic or preaching Marxist, and very few give realistic weight to the influence of the workers' movement. Nevertheless, it is worth looking for such texts in libraries for general background information.

The further reading outlined is not designed to be an exhaustive bibliography or a prescriptive list. It is designed to provide some pointers for the reader who is interested in taking the topics raised in this Unit further. In addition to the above, it is always worth consulting your local library for general history texts, which do cover the period, although they invariably understate the level of working class organisation and activity.

To assist Course Members, an indication is given alongside each reference as to how best to obtain it. The codes are as follows: -LI- try libraries (from local to university), -AK-available from AK Distribution (Course Member discount scheme applies if you order through SelfEd, PO Box 29, SW PDO, Manchester, M15 5HW), -BS- try good bookshops, -SE- ask SelfEd about loans or offprints).