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Peter Hall in his introduction to

labour's new frontiers

by Peter Hall
utors: Brian Abel-Smith
Claudio Veliz, John Corina
Christopher Foster, Peter Pulzer
Roy Pryce, Harry Rée, Edward Shils

Labour's New Frontiers

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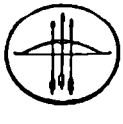
Edited by PETER HALL



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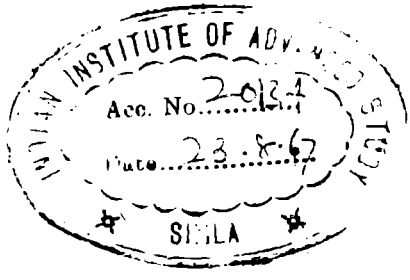

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Labour's New Frontiers

Introduction: Labour's Hundred Days

by Peter Hall

In recent months the Labour party has experienced a profound revolution in its traditions, its way of thought, its method of political attack. The next election, it is said, will not be fought on a cut and dried set of promises; the Party must not commit itself in advance; its actions as a Government must be guided by the situation as it evolves. This represents a fundamental break with the past. Who remembers, now, the great manifesto of the 1945 election, *Let Us Face the Future?* These twelve pages of cheap paper were the basis of the great legislative programme of 1945–50, the most staggering series of reforms ever carried through in the lifetime of one British parliament. National Health, the independence of India, the Atomic Energy Authority, the nationalisation of coal, the railways, the airlines, electricity, gas, not to mention the Bank of England, the Finance Acts of Dalton and Cripps, town planning and New Towns, the Criminal Justice Act, 1948: pick up these bulky Acts on the Stationery Office counters, plunge through their hundreds of close-packed pages, and you will stand amazed and humbled by the colossal industry and fierce intellectual application of the political heroes of that age – and of the devoted administrators who saw them through it. The effort killed many of the best. But after thirteen years of Conservative government, note that in large part their legacy survives. *Si monumentum requiris, circumspice.*

There is a simple connection between the promises of the manifesto and the colossal bout of legislation that followed it. Both were results of the massive, pent-up accumulation of intellectual capital, which had gone on through decades of opposition and the few faltering years of doubtful power between the wars. It had started with the first great Fabian tracts; gained momentum with Sidney and Beatrice Webb's great Minority Report to the Poor Law Commission of 1909; become a flood of ideas and plans in the interwar years. Think of Tawney's great Bloomsbury meditations, of the torrent of tracts and pamphlets from Cole's astonishingly fertile

mind in Oxford. The intellectual riches did not come merely from within the Party, either; for Labour drew heavily on the rich fund of ideas in the great series of official reports of the war period, and especially of the two years before the 1945 election.

Now things are different. Within the Labour ranks, the intellectual flood tide is no longer at the full. The pamphlets get written, true, but perhaps they do not make the same impact. And on the official side, the years of Conservative administration have seen so many wilful decisions to ignore the recommendations of successive Royal Commissions, that the institution itself is all but discredited.

Labour is not going to fight the election without policies, of course. It has pronounced, in *Signposts for the Sixties*, on five clear areas of policy: economic planning, land, social security, education, and taxation. These policies will require legislation which will occupy a Labour Government very fully during its first hundred days of office – for one hundred days is the best part of a parliamentary year, and no Government can initiate a legislative programme from scratch: even in 1945 Labour could not do that. But even while the first Bills are being drafted, Labour must at all costs make the preparations that will allow it to keep its intellectual momentum. It must provide for a sustained process of intellectual creation.

The essays in this book have been written to provide an impetus to that end. They are by experts in the universities and public life, all of whom have contributed powerfully in recent years to the debate on Labour policies, some of whom have been actively engaged in helping the Party formulate official policies.

As a background to Labour policy we need an understanding of the social structure of Britain today and the ways it is changing. Britain in 1964 is a very different place from the Britain that was last under a Labour Government. In the autumn of 1951, in the last month before George VI dissolved Mr Attlee's Government, people in Lancashire and Yorkshire were able to see television for the first time; industrial production in West Germany was painfully climbing back to its 1938 level, somewhat to the surprise of many in Britain; in Britain itself the meat ration was being cut to 1s 10d a week, the cheese ration was down to $1\frac{1}{2}$ oz a week and the butter ration to 3 oz a week. Admire the great Labour figures of those days as we may, that age is gone; and it will provide many lessons or pointers for a Labour Government in the Britain of today. We need a new social analysis, and that demands unusual skill in social observation.

Edward Shils is a Fellow of King's College, Cambridge, and divides his year between Cambridge and the Committee on Social Thought of the University of Chicago. This alone gives him unique authority to write about the present social state of Britain in relation to Labour policies.

After his introductory survey we go straight to policies. The opening policy chapter (Chapter 3) concerns the most fundamental question which a Labour Government must face. Can Labour achieve a high and sustained rate of economic growth, without the recurrent crises which have marred the management of the economy under Conservative rule, in the last decade? This question is basic; for without such a rate of growth, we will not be able to carry out many social policies which we consider essential.

There are many good economists within the Labour ranks; many indeed who have helped the party in recent years. I asked Christopher Foster, Fellow of Jesus College, Oxford, to write the chapter because of his original approach. In recent years he has done fundamental research on transport economics, helping to evolve new ways of analysing public investments, so as to help society plan its investment to bring the maximum social benefit. These techniques may well prove to have tremendous future implications for Government policies, and I have described them briefly in my concluding chapter.

The problem of economic growth hinges significantly on one question: Can we achieve an incomes policy which will allow growth without galloping inflation? This is a field demanding specialist analysis. I asked Dr John Corina, then a Fellow of Nuffield College, Oxford, and now a lecturer in industrial sociology at the University of Sussex, to contribute. In the Labour Party he is regarded as a foremost authority on incomes, and his views must command great interest. He has tried to bring out the delicate balance of responsibility which must exist, for incomes policy under a Labour Government, between employers and unions.

After economic growth, education had to have pride of place. It is a first priority for a Labour Government, not only for itself but because it is thought to be a prerequisite of rapid economic growth. For this chapter Harry Rée was an obvious choice. He was for many years headmaster of Watford Grammar School, where he acquired an almost legendary reputation as a practising educationalist – a reputation recognised in 1962 when he became first Professor of Education at the new University of York. He has written on the priorities of a Labour education policy.

I tackled the chapter on urban planning, including Labour housing policies. I had passed through a hard school on this subject, as a member of two *Socialist Commentary* groups, which produced *The Face of Britain*, on planning (in September 1961), and *Transport is Everyone's Problem* (in April 1963). I had also been working on the planning problems of London and other big world cities. This chapter is long but it has not done justice to the larger problems involved; they demand a book. I have tried merely to put forward some positive suggestions on certain aspects of policy, which may be shaped by criticism and discussion.

Our last home policy chapter is about social security. Dr Brian Abel-Smith is well-known in this field. He is Reader in Social Administration, in Professor Titmuss' famous department at the London School of Economics. He played an important part in the research and discussions that led to Labour's official social security plan, *New Frontiers for Social Security*, in 1963. I asked him if he would expound the broad principles of this policy, and then define areas where he thought further progress was needed.

Foreign policy is a difficult field, where the view is still held, even in the Labour Party, that the plain man's intuitions are as good as the expert's analysis. This view certainly seems to survive in our universities, for as Peter Pulzer tells us, only London among them provides for strategic studies. Mr Pulzer, who is Student of Christ Church, Oxford, and has been Lecturer in Politics in the University of Oxford, challenges this idea. His own original and forceful analysis of Britain's role in the world is itself the best justification he could provide for the contribution of the expert to questions of foreign policy.

European policy is charged with emotion in the Labour Party. The official policy agreed at the 1962 Brighton Conference is that Britain should go into the Community – on conditions. But de Gaulle's unilateral resolution has made this of little more than historic interest. I thought it right to ask a convinced pro-European for his views on Labour's policy towards the Community in an era when there was no immediate prospect of British membership. Roy Pryce, of the Information Services of the European Community, has done this Brussels post-mortem for us.

Finally, no Labour external policy would be complete that failed to define our relations with the under-developed nations. I wanted to break away from conventional British viewpoints on this subject so I asked Dr Claudio Veliz, who has been working on the history

of Latin America external relations at the Royal Institute of International Affairs, to join us. Dr Veliz has expert knowledge about countries which are a closed book to most British people, though once, in parts of the continent, we had considerable economic and cultural influence, and though, as he shows, the fund of goodwill towards us there is still immense. His chapter, which was deliberately written from a Latin American viewpoint, may surprise and stimulate the many people concerned with this subject in Britain, whose experience derives from the very different situation in our former colonial territories in Africa and elsewhere.

There is one most significant point about the contributors to this book. If we engaged in the ever-popular political pastime of pinning labels on them, those labels would range through every shade of colour in the Labour Party spectrum. Yet every one of the contributors accepted the invitation to write in full knowledge of the identity of the others. Each essay was written independently; the only consultation concerned the proper subject-matter of each chapter. Yet if anyone searches these pages for signs of basic disunity, I fear he will be very disappointed. Of course there are differences, as there are bound to be among people with expert knowledge and a degree of passion for their subject-matter. But it is interesting that in every case these are differences about means and not about ends, about the machinery rather than the ends of government, about emphasis rather than essentials. Further and most importantly, the differences cannot be grouped into any significant pattern. The labels of right-wing and left-wing, which we may sometimes allow to be pinned on us, reflect no consistent and meaningful reality.

If we had had four times the space there would have been no difficulty in finding themes and authors for twice the number of chapters, and the authors would happily have written at twice the length. Even then we would only have begun to bite at the problems. We wrote this book to trigger off a continuous process of generation of ideas. Let people now subject policies to a deep probing examination and publishers publish them. Only in this way will a Labour Government retain the momentum of its first hundred days.

1. Britain Awake!

by Edward Shils

I

British society today certainly is no paradise. Yet as human societies go, its attainments, in recent decades, are very considerable. It has made great progress in the present century towards the moral equality which is a *sine qua non* of a good society. The level of material well-being of previously horribly impoverished strata has been greatly improved. The weak, the defenceless, the young, the failures are better cared for than ever before, and even where the actual care remains markedly insufficient, solicitous concern exists and promises real improvement in the future. Educational opportunity is diffusing more widely than ever before the capacity to share in the cultural inheritance, to broaden the range of intellectual and aesthetic experience and to acquire the skills and qualifications necessary for occupational and professional achievement. It has continued to remain in the front ranks of the pioneers of scientific research. It has renounced with relatively good grace its empire which was until quite recently, among its greatest glories, and among the greatest creations of world history. The country has had stable government and the government has remained democratic. The institutional machinery for the public conduct of conflict and for the peaceful adjudication of contention is likewise fairly good by any realistic standard. Civility remains high. The manners of public life are relatively gentle and considerate. The political system, although far from meeting ideal standards, has at least not collapsed as it has in France. Public liberties have remained more or less intact. There are no large parties which are so alienated from the rest of the political system that they are committed to the subversion of the existing constitution, as in Italy and France. Its immunity from ideological fevers has not had to be acquired, as in contemporary Germany, by recuperation from a long bout of murderous madness.

Yet the situation in Britain today distresses many who contemplate it. They are, quite reasonably, not content that there should

be no growth in virtues already acquired. Sometimes distress over present shortcomings blinds critics to the accomplishments, persisting and recent, of British society, but our awareness of their blindness does not invalidate their criticisms. There still remain, despite the transformation of the public appearance of the *ancien régime*, very deep strata of 'darkest England', of hierarchical harshness, of contemptuous hostility towards the weak and unsuccessful. There are still pockets of misery particularly among the aged. A 'race problem' is beginning to emerge in and at the edges of the Negro and Indian ghettoes in some of the larger cities. The educational system at nearly every level is unable to cope with the increased numbers who should be educated, and it is contorted by its inegalitarian inheritance. The inter-university hierarchy and the inferior dignity of technological studies, both of which are related to the class system of this country, are still alive and injurious to the fruitfulness in life and in society of those who suffer at the lower strata of these hierarchies. Much of the urban physical environment – especially housing accommodation and amenities – is inconvenient far past the point necessitated by modern technology, and it is hideously ugly. The major provincial centres are dreary and boring. Political and economical leadership, although generally virtuous and mild mannered, is unimaginative and inspires little confidence; it is lacking in initiative and self-confidence. The British economy, which must provide the wherewithal for the next necessary improvements, is encumbered by archaic practices and arrangements, and both at its top and at its bottom it shows the constraints and distortions of its hierarchical traditions. The enormous progress that has been made in the movement towards moral equality only makes more evident the crippling inequality and the powerful snobbery which still exist. The power of the aristocracy and gentry has been largely broken, but the aura of deference which attended that power still persists. This manifests itself in many ways, the most important of which is the inhibition of individuality and initiative.

One of the features of British society which impresses a foreign observer is its constrictedness of imagination and aspiration. There is a lack of vigour and daring in the conception of new possibilities of life and a too narrow radius of aspiration. In its older industries, there is an anxious adherence to past practices. Foreign models dominate the vision of those who would leave the British past behind. Those who try to break away into some new sphere seem to lack self-confidence and innovators are distrusted. Too little is expected of life and too little is expected from oneself and from

others in the discovery of new ways of doing things. The demand for pleasure is too restricted; curiosity too confined to conventional paths.

It is true that there are variations in this picture of the situation. Certain industries do attempt to find better techniques through research; there are great scientists at the height of their power, at work in the country. Some new universities are trying out new syllabi; certain local education authorities introduce innovations. But on the whole, they stand out by their rarity. It is in the younger generation throughout British society that the compression of desire which the traditions of British society demand is less willingly accepted. The 'youth culture' which includes pop music, sartorial elegance, early sexual intercourse, motor-bikes and juvenile delinquency, is part of this refusal. These all express a new aesthetic sensitivity, a greater appreciation of more diverse experiences and a livelier contact with other human beings. Yet there too, in this most notable manifestation of spirit, one perceives a readiness to retract under the pressure of adulthood, into a more confined 'life-space', more like that in which the elders have been living.

II

The class system which took form in the 19th and early 20th centuries in this country demanded a lot both from those who were its obvious beneficiaries and those who were its obvious victims. From those at the bottom, it demanded more than obedience, it demanded respectability. There were many who did not conform but they were outcasts; they were expected neither to 'get on' nor even to hold their own before the universal dangers of unemployment, dependence on charity and base impulse. An iron discipline which looked straight ahead and not very far and a steady attendance to obligation did not leave much room for the opening of imagination or sensibility. The religion of respectability and the religious beliefs of the respectable reinforced what was necessitated by private property, scarcity and the police. Respectability entailed not only self-restraint, it entailed deference to one's betters, which involved self-derogation.

The obvious beneficiaries had their own religion of respectability too. It was a respectability which was less confining but it was acquired by a discipline in institutions which restricted the range of experience and narrowed the imagination. It had the great advantages that those who survived it felt themselves qualified for anything.

It was a discipline which was integral to ruling. Those who passed through it went on to the Civil Service, the Indian Civil Service, the Colonial Service, politics, the law, and the Anglican clergy which in those days was much closer to the atmosphere of ruling than it is today when it lives in miasmal depression. Those who followed none of these paths still inhaled the air which is breathed by rulers.

Had Britain been a rather rich, hierarchical society without an empire, like Sweden, those at the top might not have felt so ascendant. But having an empire meant that India and Africa, and parts of the Middle and Far East were also in a sense the lower strata of British society, the peak of which was the destined inheritance of the successful survivors of institutional discipline. The 'effortless superiority of the Balliol man' or of any man who had successfully passed other parts of the institutional system was the product of a sense of confidence. Their mere 'being' qualified them to do what had to be done – to administer, to do research, to understand the essentials of any problem and to take the action called for.

The great changes within national societies and between them in the present century have eroded the ascendancy of the beneficiaries of the British system of stratification. Within Britain the continuous growth of democracy has almost obliterated the power of the aristocracy and it has especially diminished its symbolic grandeur; and the growth of trade union power and the nationalisation of major industries has restricted the power of the plutocracy. The dissolution of the Empire and increasing real independence of the English-speaking dominions have contracted the size of the society over which the British élite – and British society as a whole – were superordinated.

These two simultaneous diminutions of the power of the British élite have had tremendous consequences for the life of present day Britain. The élite have lost that sense of effortless superiority which came from 'being' what they were. Their diminution has laid them open to self-criticism and to criticism by those who shared in their glory. Those over whom they ruled at home are now no longer so impressed by the standard which they represented or by the ideal of respectability which was its immediate derivative. Humiliated pride and once repressed resentment both come forward now.

British society is no longer regarded by those who live in it as a repository of a charismatic quality which exalted its members and imposed itself on the world. Pride in being British is no longer what

it was. There is little confidence that one's inherited pattern of institutions and culture or one's own party has the answers to important questions. There is a critical spirit abroad. Much of it is a nagging criticism and offers only archaic solutions to real problems.

Throughout British society today, there is a malaise of self-derogation. There is a widespread feeling among the educated classes in Great Britain, in politics and in the professions, as well as among the less educated, that Britain has fallen behind in a race and much present-day discussion is concerned with 'closing the gap', with 'restoring Britain's position in the world'. The race is one which the ancestors of the present generation did not feel was necessary to run, because their energies and their enterprise placed them so far ahead of the others that they scarcely saw it as a race. They were champions and so they did not feel competitive.[1] The confrontation of the challenge of two frightful wars only maintained the sense of being better than the others, at least in its most external manifestations.

Then, suddenly, with Suez, a great collapse took place. The moral obloquy and the disclosure of incompetence and weakness revealed a cavern of self-depreciation under the surface of the patriotic and even philistine complacency which had persisted in Britain in the preceding decade.

First the humiliations of failure and immorality were expressed in rage against the Government: then slowly it turned against British institutions, against Parliament, against the universities, against the British style of life, against British industry and technology, and against the British practice of scientific research. There it has remained for some time, sinking into its lowest position in 1963 under the combined pressure of a hard winter, President de Gaulle, Secretary MacNamara and former Secretary Acheson, Miss Keeler and Mr Profumo and the Royal Society Report on the Emigration of Scientists.

Now there is scarcely an institution or sector of the population which is spared or which spares itself. A few years ago, the British civil service was regarded as a source of pride; that is not so any longer. It is now charged with amateurism and rigidity. Even the judiciary comes in for criticism. The competence and honesty of

1. Of course this is not true historically; from about the eighties onward, the fear of German economic competition, then later of German military power began to be felt. But this did not reach into the mass of the population, or into the generations of schoolboys who in later life, amidst all anxieties, regarded themselves as Englishmen and as thereby unquestionably superior.

the police, the moral and intellectual substance of the clergy, the reliability of the press, the adequacy of the social services, indeed there is scarcely anything in which Britons once took so much pride, that now escapes the scourge.

The criticism, of course, is by no means all wrong. There is a lot of truth in it, but much of it is immoderate and unrealistic. The important point is that for the time being people in this country really believe it. Even suburban audiences enjoy the lampooning of every British institution. It is a self-denigration gaining passion from the very attachment to what is denigrated and from the grief that the object of such powerful attachment has fallen in world.

Indeed it is the feeling that Britain has fallen in the world, that it no longer leads the world, that causes such grief. There are other elements in it as well; a genuine humanitarian concern, a conviction of the highest importance of efficiency, a very high standard of probity in public life, a real sensitivity to amenity in the environment. But all of these and others are expressed in an idiom which implies that the improvement of Britain's position in the world's esteem, in any particular category of activity, is as significant a consideration as the intrinsic value of improvement. I do not think that the idiom of national pre-eminence is accidental.

Part of the Briton's attachment to his country was an attachment to something great, greatly esteemed throughout the world, and ahead of other countries in power and glory. The renunciation of empire, the prominence of the Soviet Union and the United States, the renewal of France and Germany, the recurrent crisis of the pound, the slower rate of economic growth, all add to the dismay which humanitarianism and aesthetic sensitivity would in any case call forth. Twelve years of Conservative Government generates impatience for change and improvement.

III

Realistic criticism is not made easier by the fact that the British Socialist criticism, which has for long been one of the main criticisms of British society and which is not a product of the recent fury, has often been a *bien pensant* radicalism, committed at the same time to the imperial glory which it affected to deride. Overcoming the inherited clichés and outgrowing the mood of mourning for empire both add to the difficulties of justly assessing the position of contemporary British society. The task of assessment is not made

easier by the way in which vice and virtue are so connected with each other.

British society is one of the best and one of the worst of the great Western societies. What it inherits from its past includes both best and the worst of its present features. Much of what is good in its inheritance is intimately intertwined with what is bad, and is, indeed, often only another facet of what is wrong.

Let us take, for example, the relative orderliness and law-abidingness of British public life. This admirable quality of British society might well be intimately associated with the deep-rootedness of the hierarchical element in British life – the kind of feeling expressed in the phrase 'respect for one's betters'. Let us take another feature of British life, rightly much admired in the world, namely, the probity of British administration. Might this not be associated with a puritanical suppression of feeling and imagination and a restraint on aspiration? Or to take still another instance: might not the high standards of British scientific and scholarly training lead anyone but a genius to be reluctant to take the chances which might end by his making a fool of himself, but which might also end by his making a significant discovery? Amateurism provides another instance of this dialectical complication. Nowadays it is reviled everywhere. Being a 'professional' is regarded as the real thing and there is no doubt that thorough technical training is invaluable. But amateurism has often produced in this country new subjects and great works as well as superfluous nonsense and its critics do not always seem to be aware of how much reiterative philistinism is produced by professionalisation.

These dialectical relationships of virtues and vices only add to the difficulties of the reformer. But the virtues should be recognised. They are genuine and they are important and the failure to acknowledge them accounts for a state of depression which is doing damage.

IV

What can any Government do to improve British society, to make it into a closer approximation to a good society in which individuality is maintained, in which experience is enriched, and sensibility enhanced, in which the inherited civility of the inhabitants of the country is renewed and extended? What can be done to re-establish the charismatic quality of British society so that membership in it heightens self-confidence, furthers achievement and opens up possibilities of change?

There is a certain circularity in the present British difficulty. Despondency, lack of confidence in the bountifulness of the future, makes it more difficult to arouse the initiative which is certainly latent. The dormant state of the creative forces of the country is a critical factor in its present despondency. There are scattered patches of eagerness to innovate, hemmed in by lack of self-confidence and distrust towards innovation. There is a delicate balance at present in which the torpidity of a hierarchical, tradition-respecting society is keeping the inventive and empathic capacity of the society barely under the surface.

Exhortation will not call forth the creative powers which are needed. Scientists, business men, workers in factories and engineers, for example, are not going to be inspired for more than an occasional moment to better performances by the expectation that their achievements will raise Britain's status in the world. Men work within a more parochial, or disinterested context. Deeper motives, expressed in an appreciation of workmanship, in respect for the standards of their calling, and the judgment of their peers, in individual pride and ambition, are more decisive in making men exert themselves than are the exhortations of politicians and the concern for the reputations of their country in the world.

Nor can a Government do much directly to enliven the imagination and to deepen the capacity for pleasure. It can create institutions in which certain kinds of experience can occur. It can increase opportunities for experience when increasing them involves the provision of financial resources, physical facilities and institutional arrangements. But the growth of individuality has its own obscure conditions which are not within the direct legislative power of Governments.

Fortunately for Britain, the immediate task, at least in some spheres of life, is not to engender motivation and capacity, but to provide the conditions under which latent motivation and capacities can come to life. In education, for example, the eagerness for education and the capacity to benefit by it are there, and so is the potential capacity to teach with devotion and effectiveness. It is largely a quantitative matter. If the teachers and the classrooms are provided, and if the educational span of life is extended, talents will be uncovered and made available for private and public benefit.

At present, quite apart from sheer conservatism and preoccupations with status, there are many who fear that institutional changes will lower the stringent standards of the best of British education. There is too great a reluctance to take a chance, to trust in the

creative powers of the mass of the population which is at present excluded from educational opportunity.

A similar situation exists with regard to science. Britain does not need to create a scientific tradition; it does not need to implant scientific curiosity in a population to which it has hitherto been alien. These already exist. What it must do is to provide the resources, financial and institutional, in which they can work more effectively.

More generally, there is a great role for local civic initiative. The great British tradition of voluntary activity needs renewal. It has many tasks in a society increasingly subject to the authority and action of the central Government and increasingly subject to the growing pains of affluence. Almost every important problem has its local manifestations, and local initiative can contribute much to its solution. But the dormant local initiative needs encouragement, through example and support.

The tasks are easiest where there is a tradition of performance of high quality and where the main task is to increase its scale. Once this is done, there will surely begin a change in the mood of depression which now infects the atmosphere and makes for scepticism about the future of the country.

There are other fields, however, where the quality of British performance is not so meritorious, where the motivation and capacity are more doubtful. Backwardness in the use of technological research by industry, especially in the more traditional industries, is one of these problems. There too, however, favourable financial and administrative facilities might succeed in arousing motivations which are not evident at present.

The improvement of the urban physical environment is still another of these problems. There is a great demand for housing, for convenient and hygienic shelter, and a Government with a strong will can do much, and quite quickly, to meet this demand. All too often, however, such housing policies have been carried out without regard for what is pleasing, either in the environment as it exists or as it could be created. These latter deficiencies are not primarily financial. They are probably more attributable to the indifference of the public and of governmental and private bodies. A generally more educated population with sensitivities liberated by a higher material standard of living and tastes formed by more and better education, might, in the course of years, become more insistent on amenity than is the case today.

Another aspect of amenity is the cultural dreariness of the great provincial cities. This too, is partly a product of public insensitivity

supported by a tradition of puritanism and by habituation to existing ugliness. Strong action by a Government could do something to avoid the concentration of resources on the cultural institutions of the capital and could do more to improve the quality of life of the provinces. Indeed, unless something is done in this sphere, the higher level and quality of education will aggravate the drift towards London and will thereby accentuate the dismal cultural atmosphere of the provincial towns.

More immediately serious is the uninventiveness of the administrative and political élites of the country. This is part and parcel of the constriction of spirit to which I referred earlier and which is a product of the tendency of the British status system to foster a type of character and bearing frowning on enthusiasm, distrusting spontaneity and regarding soundness and steadiness as the highest of human virtues. They are indeed virtues and they contribute much to British life, but they are too confining when they become touchstones by which everything is judged. The great expansion of education, if it succeeds in avoiding the tyranny of degrees and certificates, with their implication of the inferiority of everyone without them, might help to break the bondage of respectability. There is however also a danger that the old British combination of amateurism on the one hand and philistinism on the other will be replaced by a composite of philistine professionalism, oriented towards certificates and degrees in place of family connections and titles.

V

The chief impediment to the progress of Britain is its inheritance of moral inequality. Reluctance to innovate at the top and slovenliness and resistance to innovation below are both products of the class system – at the top of a spurious conception of gentlemanliness, and lower down of resentment against and distrust of those who are in authority. No benefit may be expected from frontal attacks on the fundamentals of inequality. The transformation of the institutions and the distributions which reinforce inequality as a moral system can do a lot, however. Neither the 'superior' nor the 'inferior' really believe wholeheartedly in the system any longer. It no longer works effectively and contrary impulses are markedly at work. The system has already begun to break up. Affluence will add further impetus to the process.

The task of a new Government is to 'take the lid off'. This does

not mean anything like *laissez-faire*. It means on the contrary very energetic action, sustained over a long period, to enable individuals to release their potentialities for doing, contemplating and feeling. The results might be untidy and for a time vulgarity and silliness might be among the by-products. But the chief results of a higher material standard of living and more education will be a wider diffusion and an elevation of self-esteem and self-confidence. Britain will then experience once more a flowering of its talents and an opening outwards of its imagination. Tasks will be more quickly perceived and the obligations of their solution will be embraced with more zeal and with richer results. British society will then once more resume its movement and what is still with all its faults a very decent society will become very much better.

Then by the cunning of reason, Britain could as a result resume that position in the world which the world needs and which injured vanity and false ideas of majesty have caused it to abdicate. The resumption of that position, as a model and as a training ground, will make for a better relationship with other societies, advanced and underdeveloped. This in its turn will add further to the liveliness and humanity of British society.

2. Economic Policy[1]

by C. D. Foster

We all hope that the next Government will be remembered for more splendid and enduring achievements than a successful economic policy. But if it fails in its economic policy it is probable it will fail in almost everything far-reaching it attempts. Most of its grander ambitions depend for their realisation on a higher and more stable rate of economic growth; and the revenue that will naturally bring into the Exchequer. Expansion of the social services, more education, redundancy programmes, urban renewal – and so through the long list of proposals – cannot be financed if the growth of our national income stays fluctuating and sluggish.

There are several fashionable solutions which from one point of view are too profound to be anything but a superficial answer to the next Government's economic difficulties. There is an understandable temptation – caused by despair of our creaking institutions and capabilities – to look too far into the future; and this limits the usefulness of some of the most powerfully argued proposals of the moment. There is the appealing argument that if we are to plan we must begin by reforming our administrative system – that our agile, but untrained, amateurish and unknowledgeable civil servants are simply unable to plan for us. Now I do not wish to appear opposed to administrative reform, but there is an invincible objection to making it the *basis* of the next Government's economic policy. We cannot wait so long. It will take the life of a Parliament to discuss it, and a Parliament to effect it, and probably another Parliament before the effects of a radical administrative reform have trickled through the administrative system.

And there is the same objection to many of the proposals for economic growth through education. Much of the talk about educational reform is cant – insecurely grounded on circular reasoning. We have been told so long and so often that we ought to be

1. I am indebted for comments on the first draft of this chapter to Messrs W. A. Ellis, A. Flanders and P. D. Henderson.

tired and cynical, that what is wrong with Britain and the British economy is British attitudes. The way to change ingrained attitudes is said to be education. So we must educate our businessmen so that they act in the national interest, educate our workers so that they see the stupidity of their restrictive practices – even educate our consumers. But this clamour for education is an old dodge of frustrated reformers and can be a way of avoiding deeper analysis of the problem. For it is by no means clear that what our businessmen or other weak links need is, in a formal sense, education – either at school, university or business college. Whereas if we use the word education loosely – and who can deny that it is more often than not being used loosely? – we are in danger of a tautology: whatever makes people do something other than they have been doing is 'education'. But as all the world knows there are many reasons besides education why people change their behaviour or their attitudes, for example, persuasion, exhortation, legislation. But so far as we may agree there are things which should be done – and neither do I want to seem an enemy to educational reform for I am not – there is still the same objection to making it the pre-requisite of a new economic policy. Indeed it would take longer than administrative reform to be effective; it would be a long time before the education of youth affected the decision-making of old and middle age. Meanwhile, our problem – the problem of the next Government – is to decide what is to be done now – within the lifetime of a Parliament.

If pressed, those who put educational or administrative reform first must agree that these reforms cannot work quickly enough to aid the economic policies of the next Government. And if pressed they would probably say that we should rely meanwhile on short-run economic policy, on an incomes policy and on some extension or modification of NEDC, to increase the rate of growth by ironing out fluctuations. Again I do not want to seem difficult or quarrelsome, or suggest that I am against these things. But there is a danger in relying on them too much even within the lifetime of the next Parliament. Put much too briefly the difficulty of using fiscal and monetary policy is that insofar as they do work, it is much easier to say that they help remedy short-run fluctuations of balance-of-payments difficulties than they promote growth. Again too briefly, if we rely too much on an incomes policy or on NEDC and do not try to probe more fundamentally, we are in danger of putting too much strain on the consent which is the pre-requisite of their success. Everyone knows that it will be much easier to have an

incomes policy when national income is booming – easier to share out a growing cake than one that is still. Everyone also realises – and it is very much the same point – that it is much easier to work NEDC in good times than in bad.

But there are many other policies for stimulating efficiency which command widespread support. Passing by such outpourings of bubbles as export drives and National Productivity Year, there are two other policies which perhaps deserve comparison – the first because it is widely held but a little desperate and foolish, the second because it is not enough in itself but is useful and supplementary.

The first idea is that what the economy needs is a 'shot in the arm'. One might call this the galvanic theory of economic salvation; and it is usually closely allied to the belief that it is our attitudes that need changing. There is the argument for example that exposure to the winds of the Common Market would have shocked our businessmen into efficiency. That failing, put tariff barriers down. (People often seem to forget that a shock can kill as well as cure.) After all, it has been pointed out to me, the Great Depression of the 1930s was a big enough shock in all conscience. And what did that do improve the efficiency of British business? The reasoning behind this kind of argument is not brought out enough into the open, but I think it is most often based on two fallacies. The first is that we are a nation which traditionally has risen to emergencies – e.g. Mons and Dunkirk – and that if we can provoke an emergency – a real crisis – we will rise to it. The second is that because the prolonged and severe social and moral revolutions suffered by Germany and France as defeated nations have helped to engender a kind of business enthusiasm and energy, that we need something similar to get us out of our slough. But it is absurd to compare such a thing as entering the Common Market with the German occupation of France. The latter was profoundly felt by everyone. It is odds on whether the former would be – at lease in the crucial first years. (Again I am not arguing against entering the Common Market or necessarily against lowering tariff barriers – only against expecting a miracle from it.)

The second idea is that the same aim that the believers in the 'shot in the arm' theory have, and which we have – the galvanising of the British economy into efficiency – can be achieved by taking steps to increase competition by an attack on restrictive practices and monopoly. I do not think there is any reason why the next Government should not wish to strengthen anti-restrictive practices and monopoly legislation. As Hugh Gaitskell argued, competition

and socialism are compatible. Competition is a general force making for efficiency. But those who expect too much, expect galvanisation, from this policy, are in ideological blinkers or have not realised how much the business world has changed in this century. As the most profitable and efficient scale of production gets larger, so it becomes more difficult to rely on competition to get rid of inefficiency. The large amount of capital which is required to enter most markets does provide some protective barrier behind which established firms can shelter. (This deterrent affects the giants. Imagine a very large established firm thinking of crashing the detergent market. Not only would its capital outlay have to be vast; but to have much chance of success it would have to contemplate an advertising budget at least as large as that of firms in the market now. For this to be worthwhile, given the risks of the situation, the prospective profit would have to be very considerable.) Competition, and the fear of competition, will provide a lower limit – a level of inefficiency below which a firm dare not go. But the fact is that most firms have some monopoly power. No amount of restrictive practice legislation will strip them of it – that is, they have some latitude within which they can be inefficient. And it is because the traditional recipe of competition cannot force firms to be as efficient as they should in the shareholders' interest, that the time has come for another sanction. If efficiency cannot be effected from the pressure of the market, then the pressure must come from somewhere else. And this will be the crux of the case for my main proposal when I reach it: a compulsory efficiency audit.

This is not to suggest that a Labour Government should not improve on the present Restrictive Practices legislation. Besides abolishing individual resale price maintenance, there are three things it could do. It should speed up the procedure by carrying out the original intention of the Act and appoint another court so that both can be sitting at the same time. At present there is a log-jam. It should appoint economic experts to the bench among the laymen because it is already unfortunate that some agreements have won through using specious economic arguments, and have established precedents. But the greatest worry is that when price agreements are formally abolished by court action, they are in some cases and in some respects replaced by covert price agreements – gentlemen's agreements not to compete. Unless something is done about this, the power of restrictive practices legislation to do good will be much reduced (though not as some suggest, undone completely). It is almost impossible to achieve a high detection rate of secret agree-

ments. By their very nature, nothing is written down. Most of the work is done by telephone. But it would surely be sensible to follow American practice here. When a secret agreement is discovered the offence should be judged a criminal one – a conspiracy against the public interest – meriting imprisonment. Anyone who enters into a secret agreement when a public one has been judged illegal is doing something which is morally despicable as well as, by presumption, against the interests of the shareholder and the country. Unfortunately because of the common connivance in these things which has grown up in the last fifty years, there is almost no stigma attached to this wrong-doing. It is thought no worse than defrauding the tax-collectors, while it is, at the least, a much more serious crime affecting the well-being of many more people.

But for reasons already stated restrictive practices legislation can only be of limited use. When agreements are broken up, the reaction of many firms is to merge. And this from society and the shareholders' point of view is generally a blessing, because the merger can in many cases realise economies of scale which the ring of small firms could not. Indeed there is a sharp clash between our distrust of monopoly and our approval of economies of scale. On the one hand we want firms larger to enjoy the greatest possible economies of scale, particularly so they can compete more effectively with foreign firms. On the other, we are worried that when they do, these large firms will dominate the market in a country as small as ours. As monopolists, some of them may sit back at their ease. Here again is a reason why it is especially important to have some check on the efficiency of large dominant firms. It is a pity that the weakest part of these laws is that dealing with monopolies. Most people agree the Monopolies Commission has been a failure. It has no set criterion for gauging inefficiency. It has to prove its case; and this has frequently proved difficult for an outsider. Because it is not a judicial body, there is a tendency for it to issue compromise reports grounded on no firm principles – which in the event have often not been acted on by the Government. It would be sensible, I believe, to turn the commission into a court. And just as trade associations upholding restrictive practices have to show that there is a case for preserving an agreement – the onus of proof being on the trade associations, the defendants,[1] so a monopoly would have

1. This is of course the opposite of the normal procedure where the onus of proof is on the prosecution, but here the law recognises sensibly that the overwhelming advantage is with the defence because most of the evidence prosecution and defence need is in the possession of the defence.

to prove to the satisfaction of the court that if its share of the market is greater, say, than some agreed percentage, that (i) there are economies of scale which would be lost if it were split up into smaller units; and (ii) that these would be substantial. So we would have some machinery for distinguishing between monopolies making for, and not making for, efficiency.[1]

But competition is not enough. There is another kind of policy to which too little attention has been given recently. To give it a rough generic name, it is extension of the kind of control exercised over companies by the Companies Act, in the interests of the shareholders. To give it one label, it is improving the accountability of management to the shareholders – and the nation. In a sense this can get to the heart of the matter. For if it is the case that we cannot in general change the people who make the decisions relevant to our economic destiny – either by nationalisation, which we now know changes appearances rather than facts, or soon enough by education; and if we are unable, in the near future, to control them, even should we desire to, through our present civil service, it follows we must make the most of the people we have got, the businessmen principally. So the problem is: how can we affect their decisions so that together we may achieve a higher and more stable rate of growth with full employment? In so far as there is a divergence between private behaviour and social need, why is there? How far is it the result of sin – which at the risk of seeming flippant may be defined in this context as Sloth, Ignorance and Nepotism? And how much the result of a genuine conflict of interests – the fact that in certain circumstances what is good for the nation is not good for General Motors? (Unless we distinguish between sin and a conflict of interests in our policy-making we run great dangers of unwise and ineffective legislation and planning.) I wish to argue in this chapter that there is much legislation of the Companies Act type which can be used to improve decision-making in private industry and bring it into line with national need; that this is an important basis for a successful economic policy; but I must defend myself against one criticism immediately. I do not pretend that the legislation could be carried through in less than the lifetime of a Parliament, but I do believe that the clear indication of an intention to legislate in this way would persuade many firms to put their

1. And since the danger is that even efficient monopolies will not be as efficient as they should be, there might be a case for requiring a more than usually detailed efficiency check on such an organisation by independent experts – our efficiency auditors.

houses in order at once. Therefore in this way it would have a substantial, immediate effect on business and national efficiency, as promises of educational and administrative reform would not.

In the next section I give some analysis of our economic difficulties. I have nothing much new to say on these. Why should I – when their general nature is well known? In the last section I go on to consider what might be done.

THE NATION'S ECONOMIC DIFFICULTIES

The nature of our economic problem is known to everyone. When we try to grow at more than a Portugal's pace, we run into balance of payments difficulties because our demand for imports increases faster than other countries' desire for our exports. In particular, the exports and national incomes of the Common Market countries are growing faster than ours. As they continue to do so even though their real incomes per head are catching ours up, and Germany indeed has probably overtaken us. Is this because we are in the habit of exporting to the *wrong markets* – sluggish because they themselves are growing more slowly? No. By and large we and the Common Market countries are trying to export to the same kinds of market, in most instances the same markets. Is our share of world exports declining, then, because we are exporting the *wrong goods* for which demand is more sluggish than for the goods Common Market countries make? Again, no. There is something to this, but very little. For the most part we are trying to export the same kinds of goods. Only, other countries are tending to buy theirs rather than ours. Our goods are frequently 'uncompetitive', in price and/or quality.

The explanation which springs first to most minds is inflation. Over the period since the war British prices have indeed risen more than those of any of the Six except France. But to stress this is to mistake a symptom for the cause. A possible explanation of our inflation is that earnings have in general risen faster than productivity so that we have priced ourselves out of many markets. This is true, but to jump from that truth to the accusation that the Trade Unions, or Labour in general, are responsible is to take too naïve a view of causation. Of course it is true that if wages had risen more slowly there is a presumption that prices would not have risen as fast and that therefore our exports would have been more competitive. However the real point is that British wage rates have not risen especially

fast. Since 1953 Dutch and French wage-costs per hour have risen more quickly, German wage-costs as quickly, and only Belgian and Italian less quickly. Therefore we cannot blame rising wage-costs as such as the reason for our trouble. It is not the *cost* but the *productivity* of labour which is at fault. Production per man hour has grown more rapidly in all Common Market countries and it is that which explains their faster growth and much of our poorer competition. Now there are three ways in which labour can become more productive. It can work harder – without getting a proportional increase in earnings. Or it can be used more efficiently. Or it can be used with more, or more productive, capital. One school of thought, if it can be called such, stresses the first. Of course labour would be more productive and the nation richer if people worked harder. Many people feel that we do not work as hard as most Europeans. I do not want to argue this. The evidence is thin both ways and the argument is ultimately irrelevant. It is not because it works harder that European labour is more productive, but because of the capital it uses. And the extent and nature of the capital is management's responsibility. But wherein does the responsibility of management lie? Is British labour less productive because the capital it uses does not embody the latest technical improvements? Outside manufacturing industry, there is evidence that this is so – in service industries, mining, public utilities. But contrary to received opinion there is no reason to suppose it is true of manufacturing industry. To quote the best informed comment 'technological and organisational progress in manufacturing has been faster in the United Kingdom than in Germany'.[1] Does this absolve management – in manufacturing industries at least? Again, no. Although the evidence suggests that on average what capital has been invested has been technically advanced, the difficulty has rather been that not enough has been invested.[2] While the charge against the average management outside manufacturing industry – public as well as private – would seem to be that it is probably technically backward, the charge against manufacturing industry's management is that there is not enough capital per worker to make our industry competitive with European.

Why is there not enough capital per worker? Several explanations

1. Cf. A. Lamfalussy, *The United Kingdom and the Six*, Macmillan, 1963, ch. 5. I have relied on this book heavily. It is one of the best quantitative analyses of our economic position.

2. *Ibid.* There are other opinions. But I find Lamfalussy's arguments persuasive, as they are the best evidenced.

suggest themselves and we really have very little evidence to help us decide between them. British firms may invest less than German firms in similar circumstances because they have got into the habit of expecting a higher rate of profit. They may invest less because they are slothful or ignorant. They may feel that investment is riskier for them; and a principal reason for this may be that as a nation we are growing too slowly and jerkily. There is another explanation of some interest. And that is that there is too much cross-subsidisation in some British firms which are too willing to make some unremunerative investments provided they feel the average rate of profit on their capital is high enough to give shareholders a fair remuneration. An example is a firm which invests in prestige office-building which is not justified economically. There is some evidence that a few firms, some of them large, do mask profitable by making unprofitable investments; and do feel that what they gain on the swings, they can lose on the roundabouts provided the average return on capital is respectable. But it would be stupid in the present state of knowledge to plump for any one of these explanations and act as if it were the truth. We simply do not know the truth. And it is probable that the truth will not be the same for different firms and industries.

The moral to be drawn from this is that there are no easy general criticisms one can make of British industry and therefore no easy answers to the legislative problem of trying to improve the efficiency of British industry. For if Lamfalussy is right, manufacturing industry in one sense is efficient, or at least as efficient *on average* as in European industry – in its technical progress. While its failure *on average* to invest enough may or may not be an effect of inefficiency, or inter alia of other attitudes which might more generously be called caution or pessimism. But the phrase *on average* hides away so much, ironing away the differences in efficiency and varieties of inefficiency which must distinguish firms. And again, if non-manufacturing industry is *on average* less efficient than European industry in the amount of capital it needs to produce a given output, no doubt there are firms and industries more efficient than the European. This is why it seems to me that there is such a strong case for setting up machinery which will attend to the particular inefficiencies of each firm – which will discriminate according to their needs.

Any successful economic policy must begin with the firm – public enterprise as well as private. We cannot jump to the conclusion that all firms are inefficient and all British management inept,

neither can we assume that those which are inefficient are inefficient in the same way. But there is a general feeling that some firms are more efficient than others, some industries likewise. We do not have to go into the reasons for the great disparity between firms. It seems widely enough agreed on. Logically there are four ways in which a Government can hope to make a firm act in what it believes to be the public interest. (1) The most drastic is to replace its management by another which it believes will act in the public interest. (2) It can try to persuade management that its, or the shareholders' best interests and those of the country coincide. (3) If that simply is not true, and a firm must go beyond its private interest to serve the public good, the Government can try persuading firms to put public before private interest. But there is this fourth method which is as I have said not discussed sufficiently often these days: that of imposing various checks and balances on firms so as to persuade them to act more in the public interest. But before one can discuss the relative merits of these alternatives, it is necessary to be clear what one wants from industry. The proposition I want to begin with, and then qualify later, is that by and large private interest, if defined as the interest of the shareholders, and public interest do coincide. The shareholders are interested in efficiency as a means to higher profits. The nation is interested in the efficiency of firms as a means to higher growth. What is 'good for the *shareholders* of General Motors is usually good for the nation'. Now this is not meant as a defence of capitalism. I am not concerned with who owns firms. The shareholders may be private people or could be the nation which is relevant to my present argument. Neither am I concerned with the redistribution of income through taxation or with deciding the proper level of welfare services. My argument is concerned only with the great question of achieving a higher and more stable rate of economic growth. Even then there will be certain areas where private and social interests cannot easily be made to coincide, especially concerning the amount of research to be done and the location of industry.

The sins of private industry, we have suggested, are Sloth, Ignorance and Nepotism; and the least of these is certainly nepotism. But it is not wholly unimportant either for its economic effects or its relevance to social justice. Men – whether owners or corporate management – are more likely to sacrifice the interests of the firm and the nation in the interests of providing power and livelihood for their children than for almost anyone else. It is hard to deny that there are firms held back, even quite large ones, by nepotism.

My first proposal is a small one. It is that no public company should employ father and son in *management* at the same time.[1]

But nepotism in the real word is not only a family affair. In its broadest sense it is any system of management selection which is sentimental – which is not motivated by a desire to get the best man into the job in the interests of the firm (and the nation). It seems to me that it is not an undue infringement of liberty to require firms to apply certain standards in management selection. My second proposal therefore – again it appears to me to make for national efficiency *and* social justice – is to require private industry to follow nationalised industries in one respect only: all management posts should be advertised publicly so that anyone may apply.[2]

My first proposals have been designed to help improve the quality of management by deploying the people available in a way both more efficient and just. But we may ask if there is not anything that could be done to help them make good and efficient decisions when they are there – since efficiency is not just a matter of putting the best people into the right places, though many conservatives and socialists seem to think so.

The standard method of controlling companies at the moment is through the Companies' Act which among other things lays down the form and frequency of accounts. The motive is traditionally to safeguard the shareholders' interests, but because this is an extension of a traditional method of control, it should not be something that

1. It will be argued (1) that the son is sometimes the best person for the job but if he is so able why cannot he prove his ability in another firm? (2) That this is a way of getting youth to the top but surely it is not the only or the best way? (3) That the proposal is impracticable, since fathers, if they have the power, can take in each others' sons. Of course people will always try to get around the law, but it is absurd to pretend that such a law will make no difference. Not everyone will try to defeat its spirit. And anyway to work for another man's father, for better or for worse, is not the same as working for one's own. Even should his son be working for your father, he is likely to apply other standards to your work. People usually do.

2. Again it will be objected this could become a formality. Firms might advertise and yet continue to promote the man they first thought of, from within their own ranks. Once more it seems to me that this kind of reasoning is faulty. If a firm found it was interviewing outside applicants who were demonstrably better than its own people, there is a chance it might in the end take one. Secondly it would be possible to back up the law with sanctions. I cannot believe it would be right to interfere with management's power to decide on selection on promotion, but they might be required to render account for their actions. The Trade Unions might be given the power to ask management why it chose the man it did against other candidates. Or the same power could be given to the efficiency experts whom I am about to call into my argument.

socialists should instinctively despise. Because I believe it would command considerable non-socialist, radical support is not a reason for despising it either. Economic efficiency is a means to various ends; and it is perhaps over the ends that socialists and non-socialists should usually disagree. Now it is arguable that the Companies' Act could be improved in various ways which would both serve the shareholders and the nation better.

It is often said that shareholders do not at present have enough control over their firms principally because they do not have enough knowledge of their affairs. Because they can buy and sell shares they have what is potentially a powerful sanction against inefficient management. My third proposal is that we should follow American practice and require companies to produce and publish quarterly accounts so that shareholders are not always compelled, so to speak, to look up last year's Bradshaw when looking for information about their company. (They should also publish turnover figures.) But there would be another advantage in this. Efficient companies prepare quarterly, frequently monthly accounts, for internal purposes, but there are many companies who do not in any adequate fashion; and who therefore have only a rough idea themselves of how they are doing from one year's end to the next. My fourth proposal is aimed against cross-subsidisation – the disguising of losses. Firms should be compelled to publish the full accounts of both subsidiary and associated companies separately. At present it is difficult to tell from the accounts or the chairman's statement where, if anywhere, losses are being made. This proposal should help.[1]

My fifth proposal is, I believe, much the most important. Not much more than a hundred years ago there was no compulsory audit of company accounts. When such an audit was suggested there was the outcry one might have expected against it as an infringement of personal liberty. A hundred years later perhaps the time has come to reinforce the financial audit in the interests of the shareholders and the nation. The interests of the shareholders are as affected by the inefficiency as by the fraud of management. My fifth proposal is that companies should be required to have

1. It may be objected that such a law would simply persuade companies which are networks of companies to reabsorb their parts into one again to prevent such a disclosure. But the fact that a company did this would be prima facie evidence it had something to hide. Moreover it would be possible for the Board of Trade to tackle the problem from the other end and decide with certain large companies that certain *divisions* were to be treated as subsidiaries from this point of view.

an annual efficiency audit in addition to the financial audit. What many firms undergo voluntarily from time to time, all firms should undergo as a routine. The efficient firms would have nothing to fear from it. The inefficient would. Such a law would have the merit of being specific and selective. Each firm would be judged on its merits – whereas most laws and most controls do not distinguish between the efficient and the less efficient. The efficiency experts would, like the financial auditors, report to the shareholders.[1] They might be asked to report on such things as: the procedure for selecting management trainees, career planning and promotion, techniques of industrial relations used, stock and flow control, and the efficiency and relevance of the market and production research done, the procedures used to decide on capital replacement, the profitability of investment undertaken and the system of internal costing used.

No doubt it would be objected that this would give too much power to these outside consultants. But taking a leaf from chartered accountancy again, these consultants must acquire a professional status. It would be quite wrong if these efficiency auditors themselves stood to gain by reporting inefficiency. Therefore two branches of the profession must be separated: these management consultants who are called in to advise on improving efficiency; and those whose job is akin to that of chartered accountants and report on the *status quo*. It might be objected that management consultants, though many of them are perfectly reputable, include some who are less reputable. A hundred years ago this could be said of accountants. The remedy is to set up an institute which shall examine and admit, discipline and throw out, practitioners. But, it may be argued, even if we get independent, honourable impartial men, there is the simple difference that while chartered accountants report on matters of fact, efficiency is largely a matter of opinion. Now this does not only give too simple an account of what chartered accountants do (and neglects that others in similar position – e.g. surveyors – do give opinions) but is fallacious. Given that as at present the duty of a company is to make profits for shareholders, efficiency can be tested objectively. Sometimes it is easier to see this than at others. For example any competent consultant can work out whether in the circumstances of a particular firm it would pay to introduce some system of stock control. Similarly it is often quite

1. A detail well worth discussing is whether a board of directors should have a period of grace – say six months – in which to reform before publication of the report.

easy to point out that a firm took insufficient facts into account before making a decision to invest. Sometimes the reasoning must be presumptive: for example information to the shareholders that it is the habit in firm X to make all promotions from within, up a slow slide of seniority. Particularly it should be possible to check on so-called unremunerative investment[1] and see what reasons the directors gave for making it. Just as chartered accountants do not investigate every aspect of a firm's accounts every year, so these management investigators could sample the procedures of a firm. It may be argued that by disclosing the truth they would do the shareholders' interests a lot of harm. It is of course true that in many instances, the values of shares might drop as inefficiencies were uncovered, but the ultimate effect should be to the shareholders' and the nation's benefit as new ways of becoming efficient were revealed. Indeed, changes in share values are some of the most effective sanctions there are to make management take notice of the efficiency experts' criticism. It might not be necessary to have other sanctions. However should a company be able – because of close control or other reason – to ignore this sanction, the Board of Trade might be empowered to step in.[2]

There is not enough space here to develop the idea in detail: to discuss how one might professionalise the profession of efficiency auditor, management consultant, etc., a profession young enough for its members to be called by a number of labels. Or to discuss with what firms one would begin.[3] Nevertheless it does seem to me that a Government moving towards a comprehensive policy of this kind would be doing something which would startle many firms

1. A difficulty is that unremunerative means at least three things; unsuccessful investment, deliberately unremunerative investment, and investment where it is alleged, always falsely, that the return cannot be quantified. Those who say the last show an insufficient grasp of the use of probability distributions.

2. It might be asked: Why have this audit made by independent professionals? There seem to me three cogent reasons for not entrusting this job to civil servants. (1) Civil Servants are used to thinking in terms of the public interest. What we are concerned with here is helping firms to make themselves more efficient. Therefore we need people who think in business terms. (2) Civil servants are scarce. We want good men for this job and to be good they will need to be paid as professional men. This is difficult within the civil service framework. (3) It is important that business feels these people are impartial and have no political axe to grind, and that their responsibilities are well defined by law. For these reasons it seems to me wrong to have these functions performed by Board of Trade Inspectors who would be much less likely to win the confidence of businessmen.

3. It would seem sensible to begin with the larger firms. To begin with a relatively small number of firms would be more practical and would have experimental value.

into wondering whether they were behaving in a way which was serving their shareholders' and the country's best interest.

So far we have argued as if the interest of shareholders and the nation coincide; and that the devils are Sloth, Ignorance and Nepotism. But there are genuine conflicts of interest where another approach must be adopted. There are many important areas of divergence between social need and private interest we could discuss. Some of the more important are redundancy, transport and urban planning, and the location of industry. John Corina discusses one of the most important – incomes policy – in another chapter. But the two which are perhaps most immediately relevant to economic growth are research and exports.

Research. Though we have argued that the shortcomings of British research have probably been exaggerated particularly in manufacturing industry, we ask if there are any reasons why *efficient* firms should do less research than is in the national interest. There are. (Recently there have been reports that some very large firms have actually cut down on research expenditure on the grounds that they were doing more than it paid them to do, especially in so-called pure research.) First, the patent laws. When somebody, or a firm, invents something, they can protect their invention by patent. But it is nearly always insufficient protection. Say it is a new type of refrigerator. As soon as it is produced rivals will strip it down and, it is said, it is nearly always possible to imitate the improvement with something sufficiently different to get round the patent laws. An innovating company will find that some of the profits from its ideas go to other companies battening on it. There would be no harm if all companies in a market did research since all would benefit from the efforts of all. But the harm is that some companies will find it pays them to do no research at all, living parasitically on the ideas of others. Thus the social return from research is often significantly higher than the private. And less research is done than is profitable for the nation.

Besides inefficiency there are other reasons why not enough research is done. One is that investment in research is risky. The chance of a pay-off is low. As in a lottery there is a small chance of a great prize. This kind of operation requires large capital and endless patience. A research department working at 'pure' research may not pay off at all for twenty years or more and then come up with an idea that pays for all the lost years. Or if the firm is too small it may never win a prize. So there is a positive disincentive to small firms to do sustained research. And there

are one or two other points which will come up in connection with exports.

As a long-run measure, it would, I believe, be wise to have a Royal Commission on the Patent Laws and the problems of protecting new ideas to try to distinguish where the protection is too slight and where, as is sometimes the case, it is too great. But it is probable there will always be a divergence between private interest and social need here. Perhaps the most important thing the next Government can do is to give more finance to various bodies to subsidise research. It should be wary of any simple solution. Policy should be flexible. There is a danger, for example, that if most of the money is channelled into government research establishments that commercial considerations will not be considered sufficiently. And research should *pay* – the kind of research we have in mind here. (It should pay in the sense that even if it does not pay the research establishment, it is the most profitable use of research resources when all its beneficiaries are considered.) Therefore, it is sensible sometimes to give direct subsidies to industry, either by way of development contracts or for permanent research establishments. In other cases more industry-wide research establishments could be set up with Government backing. And for other purposes new or expanded Government establishments might do some of the research.

Exports. Why are British firms not exporting enough to prevent balance of payments crises? Presumably if we succeed in our policy of making the less efficient firms more efficient there will be an increase in exports both because our exports will be more competitive and also because it is a sign of an inefficient firm that it only looks for orders in the home market. And the most important forces affecting exports should be a general increase in firms' efficiency. But the question we are asking ourselves now is whether there is any reason to suppose a divergence here between social need and the private interest of efficient firms? This must be sharply distinguished from another question, which is how one may best subsidise exports. The subsidisation of exports is in itself surely rather a stupid policy for any nation for if it means anything it means selling one's goods abroad at less than cost. (And as an isolated act of policy it is surely only defensible as some kind of short term measure perhaps preferable to adjusting wrong exchange rates.) But the reason why we must subsidise exports is that other countries are doing so in one way or another. So that we must subsidise to keep our place in a race which as far as the benefit of

most parties is concerned, should never have happened. If they provide low cost long-term finance for exporters so must we; if they give exporters tax reliefs, so must we – within reason.

But to return to the other side of the question, there does seem to me one way in which the Government might act to stimulate exports which would benefit private firms, the nation and the countries to which we export. It is often said that we are good at pure research, bad at applied research. Perhaps we flatter ourselves by thinking about one or two instances, but the real trouble about this statement is its ambiguity. By applied research one may mean the application of pure research to commercial uses, but there is a wider interpretation of applied research not to be forgotten, which covers market research. Now it is surely reasonable to suppose that firms by themselves or using market research organisations are able to foresee far enough into the future what they can sell in the home market. But there is a difference between what we can know about future needs here and abroad for our goods. It seems to me there is a case for Government intervention to promote long-range market research abroad, particularly in under-developed countries. This would mean trying to estimate what the needs of such countries will be in say, ten years' time. This is a kind of activity difficult for private enterprise. Any market research needs a large team on the ground and it is unlikely to pay a private firm to set up on a sufficient scale to do what is, after all, a rather new kind of activity. There are of course several ways in which such an organisation could be set up; but the one that appeals to me is that a team should be attached to every embassy. It should at least comprise experts in market, production and pure research, as well as commercial men. Their job would be a mission-at-large to wander through the country trying to assess its future needs. They would consider in detail the scientific and commercial problems of meeting these needs; make detailed reports on specific projects and send these back to the Board of Trade who would circularise firms who might be interested. It would be wise if the members of these teams were not regular members of the civil service. It would be better if they were people drawn from industry on secondment for a few years. Their commercial experience would be invaluable. And this experience would be valuable to them when they return to industry. In this way it would be possible to get excellent people for the service.

Although it may seem unimportant, if we want to make a success of our export drive, the important thing is that we should demonstrate the existence of export opportunities to home firms, particu-

larly the smaller ones, who are a long way from the market; and that the demonstration should be backed by enough expertise to make it convincing to the firms who will take the commercial risk. Our present system of commercial attachés is, from this point of view, inadequate.

If we can encourage research and, in the long run, exports, our economy will be healthier and we should achieve that higher and more stable rate of economic growth with full employment which will make it possible to realise the wider ambitions of socialism. But in the next few years the most likely checks to a successful economic policy will be balance of payments difficulties. And I would like to round off this essay with a last positive proposal of a different character since it concerns short run economic policy.

At present we have few ways of controlling a balance of payments crisis especially when there is, as there is always likely to be, inflationary pressure. It is possible to remedy it temporarily by monetary policy – putting up interest rates to draw hot money from abroad to close the gap in the balance of payments. But monetary policy may have harmful side-effects at home in discouraging some investment. And there is the danger that money attracted in this way will move out again revealing again the underlying lack of balance in the balance of payments. Many thinkers, not all of them on the left, have recently advised the introduction of import controls. When there is a crisis, cut imports directly. The proposal I want to outline is a more flexible kind of import control. If we try once more to look to the heart of the matter, our problem is not to increase exports or to reduce imports for their own sake. After all if we increase our exports too much – without increasing imports – and achieve a large export surplus, we are making things more difficult for the rest of the world, in a way which is indefensible and which we have criticised in others. Our problem is to achieve *balance.*

The difficulty about the ordinary sort of import control is its arbitrariness. Someone has to decide what imports are to be cut, in what proportions; and this requires more skill than can usually be marshalled in face of a balance of payments crisis. It also invites criticism that a particular set of import controls will be unfair between importers; and that it will encourage a black market of some kind. This difficulty can largely be avoided by a plan which tries to relate the total value of imports admitted to the total value of exports.

My proposal is that exporters when they export should be given

a certificate equal in value to their exports. So that £1,000 worth of exports would purchase a £1,000 import certificate. It would not be difficult to set up the machinery to do this. It already exists potentially in the Exchange Equalisation Fund of the Bank of England. A crude system would be to let these certificates be licences to import to the same value, but it would be desirable to have a more flexible system than this. A market should be set up in these certificates analagous to a commodity or money market.[1] All exporters should be obliged to sell their certificates in this market. (No one would be allowed to retain a certificate for their own use. If they were allowed to, it would discriminate unfairly in favour of exporting firms. Firms which have a greater proportion of imports than exports – who indeed may supply the firms that export – are just as deserving of the right to import.) All would-be importers would have to buy certificates to the value of the imports they have to buy. So there would be an automatic mechanism relating imports to exports. When the demand for imports rose relative to exports, the prices of certificates would rise so putting an automatic brake on imports (and incidentally profiting exporters who would sell their certificates for more). If imports fell relatively to exports, then the price of the certificates would fall, and this would be an inducement in importers. If a system of this kind were adopted, there would be no problem of rationing. Those who valued imports most would get the certificates they needed.[2]

1. The market must be managed in the sense that the Government would have to print a proportion of import certificates unbacked by exports. This is necessary if only because total imports are greater than total exports – the difference being made by invisibles and movements on capital account. Even if invisibles were brought into the scheme, an adjustment of this kind would be needed, but it makes no difference to the essential nature of the plan.

2. The basic proposal might be modified in many ways. (1) There is not much to be said for making it a managed market. The Bank of England or the administering authority would have the power to increase or reduce the import certificates on the market. This could be used to iron out minor fluctuations so that there would not be a daily fluctuation in the price of certificates. This would meet the objection that the system would introduce too much uncertainty. (To the objection that any such system would damage imports and exports because of fluctuation in prices, the answer is that any system of import controls would do the same and in a more arbitrary fashion. So does monetary policy.) But it would mean that the administering authority would have to follow trends carefully so as to achieve the major aim of preventing an excessive growth of imports in relation to exports. (2) It might be decided that instead of the proceeds of the sales of certificates going to exporters, they should go to the state – either on general grounds or in deference to GATT. This would not be difficult to arrange.

Footnote 2—continued on page 36

In this chapter I have tried to outline some measures which might help a Labour Government achieve a successful economic policy soon. They have been:

1. To discourage nepotism in the narrow sense in firms.
2. To prevent nepotism in a wider sense by requiring public companies to advertise all management positions.
3. To require companies to publish quarterly accounts.
4. To require them to publish separately accounts of subsidiary companies and in some cases of divisions.
5. To require public companies to undergo an annual efficiency audit – the auditors reporting to the shareholders.
6. To improve restrictive practices legislation in a new way, but principally by making tacit agreements a criminal offence.
7. To turn the Monopolies Commission into a court of law and throw the burden of proof on to the monopolies: for them to show cause that economies of scale exist which are a good reason for not requiring them to divide into smaller units.

The first proposals are all based on the notion that by making firms which are inefficient more efficient we can help solve some of the nation's economic difficulties. But there are certain problems

Footnote 2—continued from page 35

It might be thought a problem to separate capital from current transactions since the whole point of the scheme is that it should operate on the current account only. (It is in fact equivalent to a freely floating exchange rate on current account only – and is therefore free from many of the objections to an ordinary floating exchange rate. Or to put it another way, investors in the international capital market are assured of capital certainty in respect of a fixed interest rate when they buy British investments.) But in practice this should not be so. Imagine an importer who rather than buy an import certificate at the going price, decides to borrow from abroad to cover his imports. There would be nothing wrong with this. (It is equivalent to a futures market in import certificates and there is much to be said for that anyway.) Or alternatively he might try to *lend* money abroad at uncommercially low rates of interest – the difference being reflected in the invoice prices of his imports. But if he were to do this he would not gain in the end, since the import certificate creating power of the interest payments remitted home would be less than would otherwise be the case. Again his transaction would be equivalent to one on a futures market. (Alternatively it might be decided to exempt interest payments from the system, in which case there would be risk of false invoicing; but this might be thought a small price to pay on other grounds.) Lastly it might be objected that this will encourage bilateral arrangements whereby firms abroad and at home in effect barter with each other so avoiding the transmission of funds. Although this would give some advantage to firms able to barter because they both export and import, it could, not by assumption, worsen the balance of payments.

which go beyond this where one cannot rely on a coincidence between private self-interest and the public economic good.

8. To promote research there should be an inquiry into the Patent Laws and Government aid in diverse forms to industry.
9. The chief obstacles to increasing exports are probably the inefficiencies of firms; but it would also be sensible to set up Government sponsored teams to make long-range forecasts of the needs of foreign countries – on the analogy of high-powered long-range market research organisations.

Those proposals are all what might be called medium-distance as compared to long-run proposals such as educational or administrative reform.

10. Lastly, a scheme was outlined for import controls in the short run as a means of preventing, rather than correcting balance of payments crises.

3. Incomes Policy

by John Corina

Inflation and economic growth are supremely important political issues. The electorate, no longer remembering the evils of mass unemployment and depression, regards the control of inflation and the achievement of fast economic growth as the central test of a Government's economic competence. So when Labour takes office its major political test will be the revival of an economy damaged by over a decade of Tory neglect. Labour's recovery programme must therefore be primarily directed at increasing the share of national investment, guiding its allocation, and encouraging technical progress, to ensure that the economy remains fully-employed and committed to fast and steady growth. Now, factors other than wage pressure have admittedly played a part in Britain's failure to achieve economic stabilisation and growth, but any programme to slow down cost inflation and speed up growth must have sweeping implications for incomes. If these implications are recognised by the unions, if the unions show that they will co-operate in an incomes policy (given that they have a major say in an equitable and properly worked-out plan for economic growth), the unions will be, and will be seen to be, an outstanding economic asset to Labour.

So far this responsibility has only been ambiguously accepted by the unions. At the 1963 Trades Union Congress, the unions refused to recognise squarely that the success of economic planning under a Labour Government would be dependent upon their acceptance of an incomes policy.

This case for an incomes policy – that it will enable a Labour Government to stay in office – is political. The creation and application of an incomes policy would be Labour's ace of trumps. But the leading case today is not just that it would encourage the development of a more equitable wage and salary structure, nor that it would eliminate harmful inter-union and inter-group struggles for a larger slice of the incomes bill, nor that it might even succeed

in reconciling full employment with reasonable stability in the cost of living. The fundamental case rests on an economic argument, that an incomes policy (involving a policy on wages) is essential to a programme for economic growth – which alone can produce a rapid rise in the living standards and quality of life of the ordinary worker.

ECONOMIC GROWTH AND INCOMES POLICY

Until the 1960s the leading economic case for a wages policy was felt to be the reconciliation of full employment with a stable price level. From 1948 to 1961, total money incomes per person employed rose by an average of 6 per cent a year, well outstripping productivity, whilst unemployment *averaged* 1.6 per cent. Since 1950, the cost-of-living has risen by about two-thirds. Recently, however, wage cost pressures have become dominant in British inflation. The focus of interest in wages policy has now shifted to the achievement of faster economic growth.[1]

Unless Britain doubles the annual rate of increase in her exports, the prospect of even a 4 per cent growth rate will be threatened. Her export performance up to 1963 has been poor because our costs and prices, among other things, have tended to rise faster than those of our competitors. Wage costs per unit of output tended to rise about 3 per cent a year faster than those of our competitors between 1953 and 1961. This was partly because wage earnings rose about $1\frac{1}{2}$ per cent, and partly because our productivity (damaged by Stop-Go measures) rose about 2 per cent more slowly. If the Labour Government commits itself to the NEDC 4 per cent programme, then productivity will have to rise about $3\frac{1}{4}$ per cent; and for prices to remain constant, incomes will *have* to rise at approximately this rate. The rate of increase in money incomes will have to be restrained by at least one-third.[2]

This is likely to prove a minimum estimate. A recent expert survey of the British economy emphasises that the NEDC's assumptions 'concerning savings, and the need for them, may prove optimistic . . . This throws into sharp relief the need for all sectors

1. National Economic Development Council, *Conditions Favourable to Faster Growth*, HMSO 1963.

2. The figure largely depends on the extent to which the utilisation of *existing* resources can be improved, and to which the terms of trade continue to move in Britain's favour. Recovery from the 1961–3 recession should bring a *temporary* sharp rise in productivity as the utilisation of idle resources lowers unit costs. This rise began to appear in late 1963 and should be tailing off now.

of the community to accept a policy for incomes as an integral part of the arrangements for securing faster growth'.[1]

There is a strong case, therefore, for a medium-term policy of incomes restraint. Such a policy can be loosened and withdrawn in the longer-term, once productivity begins a fast climb and can accommodate money wage increases nearer the 5–6 per cent mark. *The longer such a policy is delayed, however, the greater will be the necessity for severe restraint when it is introduced.* This is an unpalatable truth. But the opening phase of the 1961–66 planning programme has, in fact, been thrown out of gear by the Tory Government; because investment, employment and output have been well below the estimated requirements.[2] An initially 'tight' policy of incomes restraint may prove essential to hold down costs and consumer expenditure, relieve the balance of payments, and shift resources into investment so that the investment share in the national income can be speedily raised.

A SOCIALIST WAGES POLICY

All incomes policies are likely to involve some measure of money-wage restraint. But in what ways would a *socialist* wages policy differ from a non-socialist one? It might be thought, as some argue in France, that the problem of constructing a wages policy is merely one of technique to be left to the master economic planners. It is, admittedly, tempting to conceive of wages policy as a piece of pure economic engineering in which the choice of 'machinery', and the selection of social objectives governing the wage determination process, are rigidly limited by the economic trends of the *existing* labour market. In Britain, a conception of this sort promoted the setting-up – without union approval – of a 'specialist' and 'authoritative' body; first the Council on Prices, Productivity and Incomes (1957–61) and then the National Incomes Commission (1962–?). The Swedish and Dutch wages policy models, representing *all* the interests in the labour market, were blandly ignored. The first report

1. Organisation for Economic Co-operation and Development, *Economic Survey of the United Kingdom.*

2. Between 1961 and 1962 output increased by less than 2 per cent, so that the average annual increase between 1962 and 1966 will have to be more than 4½ per cent to reach the 1966 target. An upturn in investment was still lacking by mid-1963 and although investment picked up in late 1963, the consequent output increase was not sufficient to make up for lost ground. This investment recovery was only *relative* since capital investment in manufacturing fell by about 14 per cent in 1963 as compared with 1962.

of the NIC was based on the assumption that questions of 'fairness' belong to the untouchable caste – that the present distribution of income must never be challenged. The second report of the NIC neatly evaded the major problems of redistribution. In Britain, therefore, an ostensibly 'technocratic' view has been seized upon by the unscrupulous political right. They use it to prop up conservatism in the labour market with bogus economics, and to wrap existing social values in a mantle of respectability.

This static conception of wages policy, however, is not only open to abuse, but is completely fallacious. There are two grounds for rejecting it.

First, because the labour market structures and forces relevant to growth policy are those related to a fast-growing economy, and not a stagnant one. We have to change the structure, and functioning, of a defective labour market *in order to induce faster economic growth.* In any event, income distribution is not left to the free play of the market. To a great extent, the pattern reflects the irrationalities of an imperfect market. It is the result of the disorderly interplay of many factors: the strengths of worker and employer organisations, bargaining opportunities, union aggressiveness, the varying monopolistic conditions of industries, and manifold obstacles to the flow of labour and capital.

Second, there is clearly a place for fresh social values in wages policy, although in the short run they may appear to be in conflict, and can be accepted as being in apparent disharmony with, the present economic valuations of the labour market. Passive acceptance of the *status quo* involves agreement with the value judgements incorporated in it. After all, wages policy cannot avoid deciding, whether clearly or hazily, consciously or unconsciously, such questions as whether it is *socially just* that dustmen should receive smaller pay packets than engineering labourers (taking into account all the respective advantages and disadvantages within wide limits of the occupations). A Labour Government is free to choose its ends and means within wide limits. It is free to choose, for example, whether it should develop a wages policy, on egalitarian principles, aimed at the levelling-up of low-paid workers. Obviously, this *would* mean that the 'capacity to pay' principle, now favoured by many employers as an 'economic' yardstick, ought to be less influential in wage settlements and that wage differentials ought to reflect more accurately differences in the nature of work. It would also mean assessing to what extent narrowed wage differentials would impede the mobility of labour. (It is arguable that there would be little

effect since factors like housing, redundancy payments, retraining facilities and social attitudes are far more important determinants of labour movement.) But the choice is there to make.

To a great extent, then, wages policy can select the content of change in the labour market and determine the direction of change. This does mean that any Labour Government, and socialist proponents of a wages policy, must be clear in their minds why and how they are choosing certain social goals, and to what extent these will involve changes in the existing labour market structure and the system of collective bargaining. We must, from the start, make our choices deliberate and conscious.

Our choices, however, must be made within a socialist framework of reference and those features which distinguish a socialist wages policy from a non-socialist one can be readily identified. Any Labour wages policy should embody four general characteristics.

VOLUNTARY ACCEPTANCE

First, the whole policy-making structure should be based on the principle of co-operation between the Government, unions and employers. This sharply contrasts with recent Tory attempts to coerce the unions into a wage pause; by issuing pronouncements without prior consultation, by arbitrary interference with free bargaining, and by the creation of a 'loaded' National Incomes Commission. The voluntary tradition, and the right to free wage negotiation, are part of the historical base of the trade union movement. They would not be yielded easily, and indeed should not be unless we wish to see unions submerged in the apparatus of the state. Only by approaching the problem through persuasion could a Labour Government develop the essential 'climate of opinion' amongst trade unionists. Only in such a 'climate' would the unions be prepared to look rationally at the wage-price spiral or the wage-profit chase, and at competitive wage scrambles; and be prepared to see where their responsibilities to the community lie. A Labour Government, then, must put the economic position to the ordinary man. It must find out what the ordinary man will accept so that he becomes a participant in the whole conception of a voluntary wages policy. A warning against the danger of clumsy Government intervention in wage affairs has already been issued by the TUC General Secretary: 'Do not seek to impose . . . some conception of a restraint which is entirely your own, which is not related to their circumstances, which draws nothing from them, no

response at all. You must get at the roots, get at the things which move people. You must appeal to them, appeal to their sense of responsibility, and then if you do that there may be no limit to what people are prepared to do voluntarily, sensibly in their own interest and in the interests of everybody else.'[1] The General Secretary has also warned the unions that they should prepare themselves for the voluntary acceptance of an incomes policy because the issue of wages 'will arise more acutely with a Labour Government than with a Conservative Government . . . because it is a reflection of a determination to use resources to the full.'[2]

But, so far, the unions have been reluctant to prepare themselves for this prospect. At the 1963 Trades Union Congress, the debate on wage policy proved inconclusive. Schizophrenic systems – approval of planning coupled with distaste for money wage restraint – appeared in a doctrinal dispute over paragraph 40 of the Special TUC Report on economic development and planning. Open TUC approval of this paragraph (stating that money incomes as a whole must rise less rapidly than in the past) was withheld. The commitment to planning was carried by a 7 million majority, but far more important was the passing of a motion against any form of wage restraint. This union attitude was not seriously modified at the 1963 Labour Party Conference. The unions must realise that, under a Labour Government, they cannot both have their cake and eat it.

CHANGES IN UNION ATTITUDES

The second feature of a Labour wages policy is that it should in no way weaken the influence of trade unions in economic life, but as far as possible should expand their influence into other sectors at present closed to them. This would be a continuation of the historical process whereby unions have reached out into every larger area of the life of the community. Indeed, in many economic aspects of growth policy, such as greater productivity and greater labour mobility, *the active co-operation of the unions is vital.* But where does the opportunity rest for the expansion of union rights and interests in wages? It does not lie solely in the conventional pursuit of higher money wages through collective bargaining. Unions, by exerting their full bargaining power, tend to damage the interests of their wage-earning members, as well as those of consumers. Sectionally-organised unions engaged in disjointed

1. *TUC Report*, 1962, p. 368.
2. Speech to 1963 TUC, as reported in the Guardian, 5th September, 1963.

industry-wide wage negotiations (supplemented by local bargains often outside national control) tend to split any stable basis for income relationships. Emphasis on this kind of bargaining can lead to the chasing of phantoms because union influence over the level of real wages is largely illusory. What can unions achieve by isolated wage policies of this nature? They cannot control the level of employment in the economy or maintain full employment. They cannot increase and sustain the total share of wages at the expense of profits and rents. They cannot keep prices down. They cannot raise real wages, and hence the living standards of the wage-earner, if money wages continually rise faster than output.

The lesson of the past twenty years is that real wages are only one part, an end-product, of the economic process. On the grounds that unions are the defenders and extenders of workers' interests, they must be prepared to shift their focus of bargaining on to the plane of the national economy. They must achieve a position in the planning mechanism where they can influence *all* the factors at work in the economy and where they can assert the workers' claims to fair shares and fair sacrifices. This does involve a wholesale change in union attitudes. It involves recognising that genuine solidarity of union action and policy scarcely exists and needs to be built up. This leads straight to the case for a reorganisation of union structure and for the infusion of a sense of purposeful unity.[1] It also involves recognising that greater union influence over real wages is not feasible through the unco-ordinated collective bargaining system. The immoderate use of bargaining power may even reduce the growth of real wages, if money wage demands cut into investment resources, thereby preventing increases in output which would have resulted from higher investment. The unions must give up the illusion for reality. They must obtain a powerful bargaining say in the complex of variables which determine real wages; investment, exports, science, productivity, profit margins, tax policy, monetary policy and the like. A Labour Government should accord them this right.

THE ECONOMIC ENVIRONMENT

The third feature of a Labour wages policy follows from the preceding argument. It should express the workers' commitment in an economy dedicated to faster economic growth and price stability.

1. The TUC is already investigating this problem but its progress has been far too slow.

A wages policy is only tenable if the economic environment is properly shaped. It has to be seen in the context of a *total* economic policy aimed at producing a higher national income, at slanting the distribution towards the poorer-off members of society, and at aiding poverty-stricken nations in the outside world. The unions would need to be satisfied that a national system of planning and controls (physical, budgetary and financial) would ensure that their contribution would not be frittered away by other sections of the community. *There would have to be a deal with the unions.* Only a Labour Government could attempt such a deal because only genuine planning can take the economy off the roller-coaster: 1951–2 crisis and recession, 1953 recovery, 1954 free-for-all boom, 1955–8 credit squeeze and recession, 1959 recovery, 1960 slackening, 1961–3 crisis and recession, 1964 temporary recovery . . . Tory Chancellors have merely paid lip service to economic planning, whilst strangling it at birth by asserting the dogma that deflation will 'counteract' pressures on costs and 'protect' economic growth. This myth has been exploded by the long drawn-out effects of the July 1961 measures – unemployment, low investment, idle capital and production losses – which have retarded the economy, and dimmed the prospect of a yearly rate of growth of 4 per cent between 1961 and 1966.[1]

ECONOMIC EQUALITY

The final feature of a Labour wages policy is that it would provide a leading role for some egalitarian conception of 'equity'. Wages policy would be seen as *one component* of a policy concerned with the whole complex of incomes. 'Fairness' must be given more influence in governing the distribution of income between wage earners and profit recipients, the spread of incomes between various manual occupations, and the distribution of income between wage earners and salaried groups. Above all, an incomes policy must provide a fair deal in the way of price reductions for the consumer who is, after all, the common denominator of all income groups.

Of course, it is extremely difficult to set up watertight quantitative criteria for fairer income shares, because of the bewildering complexity of individual circumstances. Allegedly general principles such as 'payment by effort', 'payment by social worth', and 'payment by need' lose their plausibility on closer examination. Policy cannot escape from recognising that one of the factors determining people's

1. See National Economic Development Council, *Growth of the United Kingdom Economy to 1966*, HMSO 1963, especially pp. 56–60.

incomes is the amount that other people are prepared to pay for what they do. Scarcity of certain types of labour, whether accidental or induced, can raise the incomes of those who have the particular skills or who are lucky enough to be in the right place at the right time. This is an aid rather than a hindrance to policy, however, because it means that the market can be used as a manipulative instrument. Government action, in many ways, can influence incomes by altering the patterns of demand for labour and supply of labour. As a long-term ideal, the infusion of social standards into income distribution is a feasible socialist aim. To build an acceptable and socially just income system, however, takes generations of trial and error, whereas to build a temporary dam for wage restraint merely takes a few years or months.

Even though progress during the first five years may fall far short of a national 'job evaluation' system, a Labour Government can still make striking advances towards economic equality. The well-off are always keen to urge an incomes policy for the workers which leaves the problem of income distribution untouched. They have propagated a myth that there is a built-in social law which, aided by progressive taxation, forces pre-tax and post-tax incomes towards greater and greater equality. But it is highly questionable whether income equality has developed over the past decade or so. There is much evidence of social changes which point to an *increase* in the degree of income inequality in Britain.[1] The task is to halt this trend and reverse it.

One thing does stand out. At the ends of the income scale there remain the very rich and the very poor. It is irrelevant to point out that the rich are only a minority. Their scale of expenditure, their abuse of the tax system, and their ostentatious mode of life mocks economic equality and alienates the wage-earning masses. It is also irrelevant to point out that the very poor are a minority whose needs have to be met by the transfer of social income through the tax system. They are very poor just because income is not being adequately siphoned off from the richer strata of society. The erosion of the tax base by the well-off has been ironically shifting the burden towards the poor, in the shape of regressive poll taxes like national insurance and health service contributions. Persistent inflation, itself, tends to hit the poor hard while benefiting the rich.

Direct taxation is obviously a major instrument in the fight to reduce the disparity between the rich and the poor. Since the gap

1. A penetrating analysis of the myth of income equality is given in Richard Titmuss, *Income Distribution and Social Change*, London, 1962.

between 'statutory income' and real income widens enormously at the top of the nation's income bracket, we need a much tighter definition of personal income for tax purposes. It is imperative to close the thousand loopholes in the tax system through which so many of the propertied rich, the higher executives and the self-employed now escape. But is this enough? Taxing incomes for fairer shares inevitably runs into the difficulties of defining income, and of permitting glaring income inequalities to develop at source. Because wealth is unevenly distributed in the first instance, people still tend to draw very unequal post-tax incomes. There is little to stop the wealthy from using part of their capital for income purposes. There is little to stop a rich man from astutely investing in a country house, a London flat or antiques which can raise his standard of living *and* also bring quiet capital appreciation. To level all inequalities by higher direct taxation of incomes produces an unwieldy tax system, shot full of anomalies and administrative tangles. To solve these problems the obvious way is to try and eliminate the inequalities at source. This means tackling the problem of the distribution of property.[1] It also means that a coherent incomes policy must legitimately include profits and wealth in its scope. Even if profits are undistributed, they lead to a rise in the value of shares and property assets, and swell private property accumulations. Government policy must ensure that a large proportion of capital gains accrues to the community.

WAGES AND SALARIES

But economic equality also means that an incomes policy should favour more wage and salary equality within the working population. Surely there is a gap in the Labour platform in that it favours equality, proposing to correct the imbalance between unearned and earned incomes by taxation and social service policies, yet leaving differences in wages and salaries (through which most income is distributed) untouched? As we have argued, a Labour Government can hardly be committed to the view, held in 1948, that it is undesirable 'to interfere directly with the incomes of individuals other than by taxation'.[2]

Incomes policy, like the double-headed eagle, must face two

1. The techniques are not discussed here because property distribution lies properly beyond the province of incomes policy. There is much to be said for a wealth tax amongst other measures.

2. *Statement on Personal Incomes, Costs and Prices*, Cmd. 7321, 1948.

problems at the same time. There is the micro-problem of wage and salary differentials as between different occupations, regions and industries. There is also the macro-problem of work incomes as a whole in relation to profits.

Despite some tendency, since 1945, towards the levelling of differences in basic wage rates, it remains true that there are gross inequities in the distribution of income between workers. Weekly earnings (actual pay packets) now differ widely throughout industry.[1] Incomes policy must carefully examine the existing inequalities, and question whether they are socially or economically justified. If not, then a move towards equality can be induced by negotiating larger proportionate wage increases for the lower-paid groups. Competitive wage comparisons have produced persistent pressure for large increases in basic wage rates (which leave untouched the problem of the earnings structure) throughout the 1950s and 1960s. The problem is one of re-ordering the wage structure to produce results which most workers would feel to be equitable. A common rationalisation of existing differentials is that if they were narrowed or eliminated, then the supply of labour to the previously high-paid occupations would dry up. This is a tenable economic argument. But it can only be tested in practice by first actually narrowing differentials, and then correcting, if labour supply begins to thin out. There is much evidence to suspect that further narrowing would do little harm. Traditional attitudes, and vested interests in the social status attached to higher relative incomes, are too often at the root of wage differentials. These will be difficult to budge without a co-ordinated union wages policy agreeing that there should be tapered wage settlements, and wage increase priorities for the low-wage workers.

INCOMES POLICY AND PROFITS

Profits are an even more contentious item in incomes policy, largely because unions are highly suspicious, and often rightly so, about profits as such. During Labour's 1948–51 wage restraint experiment, unions were particularly suspicious of company reserves because it was suspected that 'dividend restraint' merely meant a temporary

1. Some adult male workers in manufacturing are very well paid (14 per cent earned over £19 a week in Oct. 1960), whilst others are very badly paid (14 per cent earned under £11 a week). Such figures have to be translated into items of what wage earners feel about Jack earning more than Joe. The current figures are not available, but we can be certain that the *distribution* has not altered significantly.

transfer of shareholder income into reserves until the commitment ended. They also believed, with less justification, that prices could be immediately reduced at the expense of profits. But we cannot condemn profits outright – they exist as a form of income, and have a function, in a mixed economy. Hugh Gaitskell, as Chancellor, passionately pressed this point home to the TUC in 1951. The unions will have to recognise squarely that a high rate of *gross* profit may be ancillary to economic growth. Profitability helps to sustain private investment because decisions to invest are partly influenced by the current rate of profit; it colours expectations about future returns. Profits do fulfil a function, in a crude way, by allocating investment resources within the private sector.[1] They represent a return for risk-bearing and a source of finance. It is *excess* profits, and the lack of competitive conditions in the private sector, which unions especially have to worry about. In particular, it is distributed profits – those handed out to shareholders and not retained for investment – which waste resources and flout equality.

The pursuit of equality, so far as profits are concerned, has to be conceived in national terms. It is irrelevant for some to argue that since 1950 gross profits have risen slightly less than, or just about the same rate as, wages and salaries; or to point out that profits represent only about 17 per cent of the nation's income bill. Gross profit margins are still an important element in costs and prices. Profit incomes still add to the total demand pressure on our economic resources, often diverting them into less essential goods and services. The share of dividends and interest rapidly increased from about 22 per cent of gross profit income in 1956 to about 33 per cent in 1961.[2] This is a startling trend. It shows that shareholder income rose by almost one-third – although the total share of gross profits in the national income fell slightly during the period. The crux of the egalitarian case is that profits should be judged largely by the extent to which they are ploughed back into productive investment and hence raise real income. Increases in real income – what a given amount of money will command in terms of goods – just as much benefit shareholders who receive higher real dividends as wage earners who receive higher real wages.

1. Of course, the fact that the allocation is often inefficient, and not always the best from the social viewpoint, calls for planning in the private sector.

2. These figures exclude the insurance, banking and finance sector. The 'marginal propensity to save' may be high for the profit income group, but the point is that *some* of this dividend income (hundreds of millions a year) swells consumer expenditure and adds to inflation.

A wage-profit chase at industrial level can do little but raise the cost of living. It is only collectively that unions can have an important effect on profits. Collective negotiations on the absolute and relative shares of profits – the public discussion and planning of total shares – must be undertaken. At present, we negotiate about them separately, getting inflation as a result while leaving total relative shares as a sacred cow. There is no reason why unions should not be able to choose, for example, between an immediate fall in the profit share with a slower rise in investment and real income in the future, and an increase in the profit share with a faster rise in investment and real income. The bargaining choice, of course, would not appear in such an over-simplified way. But the point is that the full range of income planning alternatives ought to be as openly discussed in Britain as in the Netherlands.

To control profits widely, however, tax policy will have to operate as a supplement to incomes policy. Once the wage bill is planned in relation to output, profits will depend mainly on the general level of demand. It would reassure the unions if the Government undertook to recover, through taxation, excesses of total profits above the planned level. It would reassure employers if deficits of aggregate profit below the planned level were to be restored by planning for higher profits, or by taxing profits more lightly, in succeeding years. In money-wage restraint conditions, dividend restraint will be an essential concomitant. The problem of possible misuse of swollen reserves will have to be met by tax policy.[1] Selective price controls, together with stiffer taxation of capital gains, would also be useful supplements.

A SHORT-RUN PROGRAMME

All this, then, would be the general framework of a socialist incomes policy. Labour has to lead our society towards this long-run conception. But what can Labour do to meet the harassing problems of the first year of office? What scale of policy would be appropriate – bearing in mind that abrupt and far-reaching reforms of union (and employer) attitudes and organisation are not *immediate* possibilities? The answer narrows down to the creation of a money-wage restraint policy based on equality of sacrifice and equality of benefit. New wine must be poured into old bottles. Voluntary wage

1. There is much to be said for copying some features of the Swedish system; where a proportion of reserves are held with the Central Bank, their use being regulated by the Labour Market Board.

restraint will give Labour a planning instrument to iron out the inflationary 'hump' now obstructing economic growth, and an apparatus available for balance of payments emergencies. It will also be a base for the development of a wider and more permanent wages policy.

The construction and operation of money-wage restraint is a highly complex and technical matter, which involves, not least, tackling the problem of the growth and uneven spread of 'earnings drift' – the excess of earnings above basic wage rates.[1] Labour's 1948–50 wage restraint experiment was a series of makeshift responses to events. Though a successful operation, it was hardly conducted on a forecasting basis, and any future restraint policy will have to be carefully planned.

The king-pin is the acceptance of heavy responsibility by the TUC, and it is this that the unions would trade in any deal with the Labour Government. Certainly, the only hope for the emergence of a wages policy lies in the evolution of NEDC into a system where the various interests can *bargain* about the sizes, shares and roles of the chief variables involved in economic planning. If the unions agree to wage restraint, surely, at the minimum, they should be given a say in the allocation and implementation at industry level of the investment potential released by their abstinence?

Labour, then, must be adequately armed with a planned conception of an incomes policy drawn from an adequate analysis of lessons from the past. Academically minded socialists are all too apt to draw conclusions from a blurred picture of what happened to incomes policy in the past and why it failed; and to produce, therefore, conclusions which do not boil down into any feasible programme.[2] We must recognise that the first task is to make our goals clear, assess their feasibility against the lessons of historical experience, and to estimate the scale and nature of the administrative change involved in a short-run programme.

With the foregoing picture in mind of the goals and content of Labour's incomes programme, what should be the outlines of a voluntary restraint policy?

1. A technical analysis of planned wage restraint may be found in the author's 'Wage Drift and Wage Policy', *Economics*, Spring 1963.

2. An example of this approach, in an otherwise wholly admirable pamphlet, lies in Michael Stewart and Rex Winsbury. *An Incomes Policy for Labour*, Fabian Tract 350; see especially the thin content of ch. 4 on incomes policy since the war. The only concrete administrative suggestion which consequently emerges is that of a Price Investigating Authority, the need for which is indisputable.

OUTLINES OF A PROGRAMME

1. *The country must be made aware – in an educational sense – of the need for a voluntary wages policy within the overall context of a truly equitable incomes policy. The aim is not to impose external restraints on money incomes, but to help the labour market organisations build a system of self-regulation.* The policy is essentially a 'wage boost' programme, though at first a measure of 'wage-productivity alignment' may have to be undertaken. The public mind must not confuse tactics with strategy. The case for accepting a more moderate rise in money wages is that it will enable real wages to rise much faster each year than they have been doing, and increase living standards by at least a quarter in five years.

2. *The Government must encourage the development of an appropriate voluntary policy-making structure. Provision must be made for centralised bargaining between the Trades Union Congress, the British Employers' Confederation and the Government.* The ideal would be a 'National Incomes Policy Council'. A master agreement governing the general wages movement would indicate the absolute or percentages in wages compatible with price reductions or price stability. It could also recommend deviations from the general run to eliminate labour shortages or correct earnings anomalies. The Council would have the services[1] of a technical planning body – the National Incomes Planning Office – which would be concerned, in liaison with the NEDC, with forecasting incomes, costs and manpower trends. A close watch would be kept on wage claims, negotiations, the state of local labour markets, and changes in 'hidden' labour costs such as overtime and fringe benefits. The National Incomes Policy Council would operate in the light of planning decisions agreed by the NEDC – where the ultimate economic bargain would be struck.

The National Incomes Policy Council should also be paralleled by executive wage policy bodies in the TUC and BEC; which would undertake the centralisation of wage policy on both sides of industry, and see that constituent organisations accepted and recognised their obligations.

It would be too much to hope for the quick revival of central arbitration, or for a Board of Conciliators on the Dutch model. But a transformed NIC could be placed under the supervision of the National Incomes Policy Council, and become an investigating

1. Rather like the services given to the NEDC by the National Economic Development Office.

body or a specialist commission on wages structure revision and allied problems.[1]

Just as the development of planning has brought a further division of Treasury functions, so the introduction of a wages policy will change the Ministry of Labour. The Ministry should become the specialised agency of labour market policy, handing over most of its lesser functions to a new Ministry of Employment.

3. *It must be recognised that a wages policy, in the sense of consistent self-discipline, is something to be developed experimentally. It may not be achieved quickly.* Wages policy might well evolve as 'loose' regulation interspersed with periods of 'tight' control. But even this would be a major achievement. If controlled 'kinks' could be introduced into the upward wage curve, and if rates-earnings and earnings-rates interactions could be subdued, the *average trend* of money wages could still rise in line with the *average trend* of productivity.[2]

4. Institutional factors may determine such an approach. *Policy has to recognise that, at times, the money wage target set by economic considerations might have to be revised to equate with the wage advance needed to maintain union cohesion and authority.* Policy formulation must recognise that if the TUC and member unions accept responsibility, there is always the possibility that serious stresses will develop, eventually driving union leaders into the abandonment of central guidance rather than see their authority completely undermined. There must be a time-limit to 'tight' restraint because wage claims, and settlements, cannot be postponed or restrained indefinitely. Restraint inevitably 'decays', and has therefore to be relaxed when the pressures are too strong. Once this is appreciated, policy-makers can focus attention on a set of devices for decelerating the pace of breakdown.

5. *There must be a definite policy towards wage earnings. Neither the Government, nor the TUC, should approve of rising earnings as indiscriminately as they did from* 1948–50. Because the total earnings increment is unevenly spread among the working community, a given *wage rate* level becomes highly unstable. The most important factor in this uneven spread is the uneven incidence of 'earnings drift'; which causes disturbance to unions because it is unevenly

1. A change from the status of a Royal Commission would mean that the reference procedure could be reformed drastically.

2. To take a *hypothetical* example, wage rises of 2 per cent for two years, 5 per cent for two years and 3 per cent for one year, might prove to be the alternative to 3 per cent for five years.

distributed both between industries and within industries.[1] Pressures for wage increases tend to rise from both ends of the range. A low-drift industry like the railways may produce a large claim because the membership is disturbed by the relatively greater earnings gains of some other industries. A high-drift industry may produce a large claim because the membership is disturbed by wide differences in earnings gains within the industry.[2]

An earnings policy might pursue three objectives. The first would be to reduce the internal dispersion of drift in the fast earnings growth industries. To push such a policy to its maximum would imply wholesale reconstruction of internal wage structures; and it is doubtful if it could be achieved without a comprehensive 'job evaluation' system and elaborate controls over overtime and piecework earnings, such as exist in the Netherlands. Immediate steps, however, could be taken towards simplifying earnings relations amongst timeworkers, and between timeworkers and pieceworkers. The problem of ensuring that piecework and timework earnings keep roughly in step is so formidable that it will probably involve a switchover from piecework and 'incentive' schemes to timework payments systems. The second objective would be to slow down, or at least prevent the acceleration of earnings growth in these industries. Part of the responsibility for this lies in the hands of unions and employers, although demand conditions are the responsibility of Government.[3] The third objective would be to speed up earnings growth in the 'slow' growth industries. The best method would be to permit small increases in wage rates for the 'slow' earnings growth industries so that their earnings could be brought more into balance. When wage rates are being increased in all industries, a low earnings growth industry would receive a larger percentage increase than a high growth industry; a further corollary would be the tapering of increases within the high earning industries.

1. Thus the industrial scene is characterised by fast earnings growth industries (where earnings can rise, though rates are temporarily static, through overtime, piecework, bonuses, etc.) and slow earnings growth industries.

2. Usually, settlement of the claims does not alleviate this pressure. A wage round consisting of a fairly standard band of percentage increases fails to remove the various earnings anomalies. The superstructure is handed on from one period to another. Here lies the case for a revision of inter-industry and intra-industry wage structures.

3. But it does not follow that drift ought to be eliminated at the expense of production and employment. The Tory Government, in this way, reduced the rate of *increase* of drift during the 1961–2 wage 'pause'. The spread, however, became more uneven.

A policy of this kind would, of course, depend on close consultation and agreement between the TUC and affiliated unions.

6. *The strengthening of TUC authority is not the only prerequisite: the acceptance of responsibility by the TUC and its affiliated unions is equally important. In practice this requires agreement upon some binding principle of wage and salary determination.* Underlying the proposed objectives of an earnings policy for voluntary wage restraint is the implicit principle of 'solidarity' – a *tendency* towards the equalisation of earnings differentials for similar kinds of work. This process would place cost pressures on inefficient and marginal firms, forcing them (if demand is sufficiently controlled by the Government) either to become efficient or go out of business.

7. *There must be a policy governing the start and finish of 'tight' restraint.* There must be a realistic time-limit and the planning of a stage-by-stage scheme to cover the period. In the opening phase, for example, there must be a series of planned adjustments in the wage rates of those groups who have not shared in the previous 'round' of wage settlements. The problem of standardising, and perhaps voluntarily suspending, cost-of-living sliding scales must also be tackled at the same time. During the next phase, for example, the duration of wage contracts should be standardised (and perhaps lengthened) and an agreement reached that claims and negotiations should be bunched together. Once internal stresses appear, they might be relieved by permitting partial increases in the badly-affected industries. During the 'relaxation' phase, moreover, the average extent of wage increase, special deviations and the order of priority, should be the subject of negotiation between the TUC and the unions.

8. *The fundamental task of the Government is to create favourable conditions for, and union attitudes towards, a wages policy. But success will only come to the extent that initiative is seized by the TUC. It must have the power to co-ordinate, regulate and guide wage claims and bargains.*[1]

This would mean a powerful TUC committee responsible for negotiations with the Government and employers and for the conduct of union wage policy. It would be, in effect, a 'Wages Policy Council' with special temporary powers, and would need the assistance of a well-equipped research department. The freedom to form claims would remain in the hands of individual union executives, but Council representatives should have the right to attend union wage policy meetings and Annual Conferences, and

1. Similar reforms would be needed on the employers' side of industry.

possibly negotiations. Claims would be submitted to the Council for approval and subsequently discussed with that body, if necessary, the final decision resting with union executives.

As far as general wages policy would be concerned, the annual Congress would approve the Council recommendations, which would then be issued to national unions for pending negotiations. These would be prepared by the Council on the basis of continual investigation, and it should have the right to make interim modifications and special proposals. The investigations should include discussions with conferences of General Secretaries and executives, so that the Council could discover on what conditions the executives would be prepared to support the general line of guidance for the next negotiations.

Like all proposals for TUC reform, these are open to the criticism of being airy-fairy. But the main weakness lies in the lack of sanctions available to the TUC in the event of tension with the unions. Moral persuasion must remain the chief weapon.

9. *The Government, however, must be prepared to use rather limited sanctions for an incomes policy.* Of course, the success of the policy must depend fundamentally on voluntary co-operation. But what do we mean by 'co-operation' in terms of the practical power structure in the labour market? The British Employers' Confederation has even less power over its affiliated associations (and they have even less over their firms) than the TUC has over its unions. By 'co-operation' we mean that the constituent bodies accept and recognise their obligations to the public and their central organisations, *especially when these obligations seem to conflict seriously with immediate private interests.*

It follows that there is a case for external sanctions, used in consultation with the National Incomes Policy Council. They are useful to the extent that they can sustain the general incomes policy when rift occurs between the Government and the labour market organisations; and can protect the cohesion, and bolster the internal relations, of the central organisations. Various tax sanctions could be used, ranging from taxes on price increases and 'normal' indirect taxation to a tax on excess wage increases. The last, however it is applied (for instance, the excess addition to the wage bill being 'disregarded' as a cost for tax liability purposes), would carry many advantages.[1]

The object would be to deter the negotiation of wage rate in-

1. Of course, if it were used too often it would provoke unpopularity and weaken the co-operative basis of the incomes policy.

creases above a certain pre-agreed limit. But the principle underlying this sanction would not seriously conflict with the idea of voluntary collective bargaining. If an employer considers his labour situation tight enough (or his profits high enough) to justify granting a 5 per cent wage rise rather than a centrally-agreed 3 per cent, for example, he is free to do this. But he pays some of the social cost incurred by the community in doing so, and it may well take the form of a more than 7 per cent addition to costs (3 + 2 + 2 + a penalty addition). At least the Exchequer would not bear indirectly part of the cost of the extra wage bill as under the existing tax system. At least the firm, faced with higher relative labour costs would have to prove its efficiency *vis à vis* its competitors who have remained loyal to the incomes policy.

The chief advantage would be a direct linkage – in the eyes of unions and employers – between wage rises and costs. The employer would be more resistant in negotiations. The union would be aware that if it claimed and won an excess increase, then the employer would be increasing his costs in greater proportion which would stiffen resistance in the next negotiations. It would make both sides of the negotiating table cost conscious. It would help to discipline shop stewards and others in local negotiations – a headache for responsible union leaders and employers. It would be a means of influencing the independent negotiations of non-affiliated firms and non-TUC unions; and it would forestall the danger revealed by Dutch experience, of unions and employers in some industries acting in collusion to undermine the centrally-agreed wage limits.

4. Education Policy

by Harry Rée

If the education policy put into practice by the Labour Government does not imply a dramatic leap forward, the party will lose the backing of a whole phalanx of serious supporters; of those, that is, who recognise that, today, politics is inevitably involved with education. This involvement is often resented, decried and even denied by good men who are devoted to the improvement of our schools and to the welfare of young people. Often they confuse the whole question by pleading: 'Keep politics out of the classroom', as though the Labour Party were threatening to raise the ghosts of Laski or Engels and put them in charge of Training Colleges. But for those who are thinking clearly the position is plain: political policy can and must affect education policy. If it is to satisfy these supporters, Labour must recognise that the educational-political axis is a fact, and the new Minister of Education must get things moving in universities, colleges and schools in the same way as, in 1945, Aneurin Bevan got things moving in hospitals, consulting rooms and surgeries.

The present system is based on a permanent scarcity of educational opportunity which leads to the two great evils which are found in our schools: segregation by intellect and segregation by wealth. In itself segregation may not be wrong, especially when adequate supply permits free choice, but as at present applied it breeds evils: thus the divisions and jealousy inherent in the fabric of English society, the stagnation, inefficiency and self-satisfaction of our economic and social life, and the mad waste of human ability all stem, to a large extent, from our insistence on segregating groups of young people according to wealth and intellect. It will be the duty of the next Labour Government to attack these evils. This will mean that the Grammar Schools as we now know them must begin to go, and that the Prep Schools and Public Schools, having failed to wither away as many hoped they would when State Schools improved, must be removed from the educational scene.

The great temptation for the Labour Minister of Education will be to content himself merely to provide more of everything – more schools, more teachers, more money. True, more is needed, but the increase must be used, not to keep the Associations or Unions quiet with comforting statistics, but to remodel and reconstruct the whole national educational system; nor should it be used to give a few more scholarships for clever grammar school boys to go to Giggleswick – an easy sop to the middle-class liberals – but to shift the whole of the private sector gradually into line with the maintained schools, whether it be by providing boarding schools for the needy rather than the wealthy, or by insisting that a commodity which is scarce, like teachers, should not be cornered and consumed by private schools while other schools go short.

REFORMS WE CAN EXPECT[1]

There are certain basic improvements which we can rely on the next Labour Government to put into effect with the least possible delay. They are inter-related. First, an increase in the number of places at Universities and Training Colleges; second, and as a consequence of this, an increase in the supply of teachers; third, a reduction in the size of classes; and fourth, the raising of the school leaving age to 16. These all imply 'more'. Structural reforms which have been forecast in official party documents, *Signposts for the Sixties* and the report of Lord Taylor's working party, include (i) the ending of selection at 11+ with the reorganisation of schools on comprehensive lines, (ii) the integration of the Public Schools in the state system of education, (iii) the ending of the private system of selection by colleges at Oxford and Cambridge, by linking Oxbridge selection procedures with those of other universities under the Central Council for Admissions, (iv) the increased provision of higher education which will imply the establishment of new universities, the transformation of existing Colleges of Advanced Technology into universities in name as well as fact, and the raising of certain regional Technical Colleges to the status of 'Technological Universities', (v) the remodelling of teacher Training Colleges so that they prepare students not only for teaching but for all welfare and social services; certain colleges might well prepare suitable students to move on to degree courses at a university, where they

1. The Government (contradicting its previously restrictionist policy) have now accepted the Robbins proposals. As Robbins reflected Labour Policy, we can expect the Labour Government not merely to accept the proposals but to implement them.

would be exempted from at least the first, and possibly the second, year of undergraduate work; while some would be given the right to award degrees themselves, combined with vocational qualifications, after at least four years of study.

THREE WELL DEFENDED POSITIONS

There are three main areas where the need for structural reform is vital, but where opposition to it will be fierce: The first is in the maintained secondary school system: the Fully-Maintained, Voluntary and Direct Grant Schools. The fight here must be against segregation into separate schools by measured intelligence or examination. This is not just a matter of 'getting rid of the 11+'; it involves a structural change whereby, after eleven years old, and for the next few years, children of different ability are kept in a group, within which distinctions may be made but where no polarising decisions can be taken. The opponents of reform will come mainly from the selective schools. Their arguments, whether based on religious or educational grounds, need to be met and sympathetically discussed.

The second area is the private sector, and here religious conviction joins with social prejudice to oppose any alteration in the present patterns. There are, however, certain groups within this camp who, for good reasons, would like to see radical changes which would end the divisive effect the system at present has on national life; these agents must be used as a 'fifth column'.

Third, there is technical education and the field of apprenticeship, where the enemies of reform are all too often to be found in the Trade Unions, whose members are no less averse to change affecting them than any other well-established group in the community. In each area forces exist which will fight hard and conscientiously to maintain their own status and the *status quo*. The new Labour Minister will have to include tact in his tactics if he is not to raise an unhelpful storm when he goes into battle, for it is essential to realise that the reforms proposed will not only attack recognised evils but will also disrupt, if not destroy, certain features of our education system which – however limiting when viewed from a national vantage point – have been hallowed by history, and possess valuable facets. If the Minister can show that he recognises this and is trying to retain the good features as far as he can, then his reforms may go through with the backing of many men of good will who will have started by criticising his every action and

his every speech, but who will stay, if not to applaud at least to acquiesce.

GOVERNMENT, CENTRAL AND LOCAL

Before opening up the problems which abound in these three areas it is worth mentioning two overriding concerns of any Minister of Education; first the relationship and distribution of powers between central and local government, and second the supply and payment of teachers. Clearly the pattern of educational administration is changing, and the tide of events, whether affected by economics or by public opinion, is carrying into the Ministry more and more problems, which until a few years ago were considered to fall only within the province of the Local Education Authorities. While there is much to be said for this trend, no one would want to kill the interest which local communities should have in their own schools, nor throw away the advantages which arise when certain important decisions about schools and school systems are left to local groups of people. But decisions about teachers' salaries cannot be counted as one of these advantages, and *Signposts for the Sixties* is surely right to propose that salaries be paid entirely from central funds raised by taxes, without any contribution from local funds raised by rates.[1]

GOVERNMENT AND HIGHER EDUCATION

At the same time, in the field of higher education, the power of the central government is unavoidably growing. In the universities, while some people fear for their independence, they are uneasy too about their lack of a voice, that is of a Minister, to put forward their claims for a share of the national income. It has been suggested that university affairs should therefore become the responsibility of

1. Even this may be opposed by some local backwoodsmen, who are making the grim suggestion that Local Education Authorities should raise funds by a local tax whose proceeds should be devoted to education. This system operates in the United States. Anyone who has seen the glaring inequalities in the state system of education, which are common across the Atlantic, and even in teachers' basic salaries, as between one school district and another, would oppose its adoption here. In other matters, however, we could usefully follow the American example. For instance, the way they use national funds to fertilise certain barren fields in the educational landscape. Few aspects of American education today are more striking than those where Federal Aid has led to widespread, speedy and radical improvement in the teaching of mathematics, science and modern languages.

a Ministry of Science or of the Ministry of Education. Those who favour the former solution suggest that the universities would thereby be freer from bureaucratic control than if they were under the Ministry of Education. There is no guarantee of this; nor would their freedom from political and academic interference be necessarily better preserved; in fact, if they were inside the Ministry of Education, the prestige of the universities would be so high that they might find themselves in a better position than in a separate Ministry. Separation, in any case, would be illogical and could lead to wasteful argument and jealousies.

The Labour Government should take steps therefore to bring the University Grants Committee into the circle of other major committees of the Ministry of Education, which should then assume the same responsibility for the running of universities as it has for running the CATS. Such a move would enormously enhance the prestige of the Minister both inside the Government, in Parliament, and in the nation as a whole. Surely no one concerned with the well-being of our national education could complain about this.

At the same time, when the whole range of education becomes the ultimate responsibility of one Ministry, we could plan courses to match estimated national demands; we could rationalise university entrance, and in particular the entry arrangements to Oxbridge; and we could make certain that the universities not only provide what the country needs, but are themselves provided with what they need.

TEACHERS

One fact in education is undisputed: good teachers make good schools. The aim therefore must be to make teachers better as well as more numerous. Teachers belong to the most heterogeneous of professions; great teachers are found in all parts of it, and so are bad ones. A Government cannot create good teachers. But by insisting on certain requirements as regards recruitment, training and certification, and by smoothing out certain anomalies of payment, the way can be cleared for improvement in quality as well as for increase in numbers. For many years the majority of teachers, and in particular the National Union of Teachers, has been insisting that no one should teach who is not trained, and that the mere holding of a university degree is no substitute for a worthwhile course of teacher training. A very proper sense of unease and

injustice has grown up as increasing numbers of graduates have gone directly into teaching without training; in 1961, for instance, almost half the graduate recruits to the profession came in untrained. The sense of unease is seen to be justified when it is realised how many of these fail to remain in teaching.[1] They can, of course, be blamed for not doing what others among their contemporaries have done, for not trying to equip themselves properly for their work; it probably does not occur to them that by failing to be trained they are almost certainly imposing an additional burden on their colleagues in the schools where they are first employed, and probably holding up the development of the children they are trying to teach. But can they be severely blamed by a society which so organises the teachers' salary scale that they are actively encouraged *not* to train?

If a graduate goes straight into teaching, he is paid immediately as a trained teacher. One who decides to train has to exist for an additional year on a grant; he will be lucky if this amounts to half what his unconscientious untrained colleague will be earning.

A more permanent salary discrepancy exists between the teacher trained in a college and the teacher who has been through university. The college-trained teacher may be a better teacher than the graduate and as good a scholar, but this makes no difference; throughout his life, each year, his basic salary will be £80 less than his luckier but less able colleague.

The lack of distinction between the trained and the untrained graduate, and the unbridgeable gap between the teacher who started from a training college and the one who started from a university, are two of the injustices which should quickly be put right by the new Government. The solution is a relatively simple one; a teacher with only three years' college training should receive a basic salary of £x, but the one who is able to move on from college to take a degree course should be encouraged to do so, and when successful should start at £x plus £y. This would also be the starting salary for the trained graduate teacher who had had one year of training after taking a degree. In other words three years' higher education qualifies for £x p.a.; four years for £x + y.

If this is done, the way will then be clear for the Government to

1. Graduate teachers *under 25 years old* who left maintained primary and secondary schools (year ended 31 March 1962):

	Trained graduate	*Untrained graduate*
Men (under 25) ..	52 (5.5%) of intake	140 (21.7%) of intake
Women (under 25) ..	133 (13.2%) of intake	303 (29.1%) of intake

insist that, after a certain not-too-distant date, *no teacher shall be appointed to a school which has been recognised as efficient by the Ministry of Education, who has not done a course of training resulting in the award of a certificate from an authority approved by the Ministry.*

There are many opponents of compulsory training, and they have three main arguments: first it is suggested that this rule would drive many good teachers into the private and independent schools. This route should be closed. (Why should children in these schools, while they exist, be taught by untrained teachers?). Since the best independent schools value recognition by the Ministry, and are willingly inspected by Her Majesty's Inspectors, there is no reason why the new Labour Government should not make the requirements for the completion of Part III of the Education Act of 1944 more stringent, and insist that all schools in the country submit themselves to more rigorous inspection. Any school found inefficient must close. Thus, all schools in the country would, from the fixed date, appoint only teachers who had been trained.

The second argument is more persuasive, for it can be shown that by insisting on compulsory training for all graduates, we shall delay for a year the entry into the classroom of some quite adequate, if untrained, teachers. This must be faced as a small price to pay for a great step forward.

The third argument is much more serious. In effect it says that training courses at present offered both by training colleges for nongraduates, and by departments of education for graduates, are so inadequate, that to force all teachers to train would be to dissuade many potential teachers from following their vocation and going into schools. The fact that some of our most distinguished teachers are untrained lends further force to this argument.

It must be admitted that there is a great deal of justifiable dissatisfaction with many of the courses provided in training colleges and departments of education; there are very few heads of schools who, having had a wide experience both of trained and untrained teachers, could not point to some of the latter as very much more effective as teachers than their trained colleagues; yet, if before teaching, they had been obliged to go through the training process *as it at present exists*, they might very likely have decided to earn their living by doing something else. We cannot afford to lose teachers in this way, especially good teachers, and especially in this time of shortage. Therefore, if training becomes a condition of

employment in all schools, it is essential to open up entirely new alternative avenues to the staff room.

Here again we can look to America for model training courses for teachers, which take selected graduates of high quality and place them for a year as full-time, fully-paid teachers in schools, under the supervision of a practising teacher and a university tutor. During this apprentice year they also attend a neighbouring university for weekly seminars, where the theoretical aspects of teaching are introduced. Similar courses in this country would be especially attractive to those wanting to come into teaching from other professions, would make 'compulsory training' acceptable to all but the most backward-looking critics, and would bring teachers-in-training effectively into classrooms with minimum delay.

In all these ways, the number of teachers will be increased. Further increases will follow through the more generous provision of higher education and through the abolition of selection for grammar school education at eleven. (How many potential teachers have been lost to schools, excluded by early selection?) At the same time, through the controlled use of teacher auxiliaries, fully-trained teachers could be more economically employed, and it may well prove possible for these auxiliaries, where they are obviously successful, to receive special training to enable them to achieve qualified status.

But improvement in quality is probably even more important than increase in numbers. Initial training for all teachers will doubtless raise standards, but there is still no guarantee that teachers, once trained, will keep up with new developments in the content and in the methods of presenting their subjects. In some countries regular salary increments are conditional on attendance at courses; no such general imposition should be contemplated here. On the other hand, it might become an accepted practice that teachers who receive additional payment for special responsibilities, as heads of departments or heads of schools, should undertake to attend regularly (as many do at present) courses organised by their professional associations, by universities or by the Ministry and Local Education Authorities. The move to introduce such a measure could come from the Ministry. It could also come from the teachers themselves.

Apart from these major reforms, the only other vital adjustment necessary to teacher payment concerns pensions. First, pensions must be made interchangeable between one branch of teaching and

another; for example, between technical colleges and universities, and between maintained schools and those which have not yet been integrated with them; and second, the demands of the whole profession should be met regarding the payment of pensions to widows and dependents, to bring teachers into line with civil servants. As a further means of relating the private sector (while it lasts) to the state system it would be wise to insist that all trained teachers should have the right to the benefits of such a pension scheme.

THE TRIPARTITE SYSTEM SYNTHESISED

The outstanding problem within the state system is how to eradicate the evils of selection and segregation without alienating a large number of teachers and parents and unnecessarily harming good schools. The major aim should be to abolish selection for secondary education, and this must come as a directive from the central government; but it must be understood that each local education authority should be free to devise whatever system it thinks best to achieve the aim; and the Ministry should provide the fullest possible service to LEAs to inform them, and teachers and parents who are concerned, of the various alternative ways the aim can be achieved, and of the snags and advantages which the various methods include.

The first educational advantage to be gained by getting rid of selection, whatever pattern of unselective secondary education is established, will be felt in the Primary Schools. Teachers in these schools have too long been subjected to pressures, particularly from parents, to squeeze children into the best possible shape for succeeding in the 11+ examination. Released from this shadow, teachers can, with clear consciences, broaden the curriculum, relax meaningless memory drilling, and break through the dykes which so often have been erected between one stream and another, and which are thought to give the fullest possible advantage to the potential 'scholarship' child. Already in Leicestershire, where in some areas children from the Primary Schools have been passing untested and unselected into their secondary schools, the teachers in these have commented on the fact that, while they may not be so far on in arithmetic, the children come to them lively and inquisitive, cheerful and receptive.

In the secondary school itself there are, of course, important educational advantages. Everyone now admits that children develop at varying speeds and with varying interests; the non-selective school can offer rich opportunities at any stage to any child; transfers

within the school can be effected for those who develop abnormally slowly as well as those who develop abnormally fast.

It must be recognised that such changes will bring losses as well as gains, and we must do all we can to retain what has proved valuable in the old system. In some Secondary Modern Schools a rich and satisfying curriculum has been evolved where external examinations have been conscientiously excluded; and in most Grammar Schools real stimulus is provided by a group of fast-thinking children working together at their own speed; there is no reason why such valuable elements should not be preserved within the framework of an unselective school.

The chief social advantage of getting rid of selection is certainly the fact that social class will no longer be underlined and predetermined by the school a child attends, and particular types of school will no longer be automatically associated with particular social virtues and vices. There is a danger which is almost inevitable in big cities, that having abolished grouping by intelligence, grouping by social class will be increased since schools reflect the class composition of the area in which they are situated. This may often mean that a clever child from a working class home in a poor area is much more likely to be kept back both academically and socially than when he is removed to a selective school which draws its pupils from a much wider area. There is a similar risk that when selection for academic secondary courses within a school is left entirely to the parents, and postponed until fourteen, working class children who, under the old system were fitted into the academic groove at an early age, may feel less inclined, later on, to adapt themselves to it, even if they have the ability. But, with the rapidly increasing number of parents who value academic education, often because they themselves have enjoyed it, these cases are becoming rarer and rarer, and the cloying effect of area schools imposing area attitudes could be modified by the scheme mooted below (page 73).

ALTERNATIVE SYSTEM

The simplest system which makes selection unnecessary is that adopted by, for instance, Coventry; there all the children of eleven from any one area who are being educated in Maintained Schools go to the same Secondary School, and may stay there until they are young men and women of eighteen or nineteen. This has the virtue of simplicity, but there are disadvantages. It means that in these

schools, even with increasing numbers staying on beyond fifteen, and beyond O Level into the sixth, there is a big 'drop out' halfway through the course. This has an unsettling effect on the school community. Also it is felt by some teachers that to keep the young people of the sixth Forms in a 'schoolroom atmosphere', in the same institution as children who have not yet entered their teens, is unsatisfactory. Thirdly, with ever-increasing numbers staying on into the sixths, and because of the need to have large numbers starting the comprehensive course (in order to make the many separate sixths large enough to warrant their using expensive and rare teachers), the total number of pupils in such a school needs to be over 1,500 and usually nearer 2,000. It is becoming clear that, if these huge communities are to be successfully run, they must have as Heads people of quite exceptional ability, supported by a strong nucleus of exceptionally able senior assistants; smaller units do not make such very exacting demands on the staff.

The second alternative is that being tried out in parts of Leicestershire, where children all move at eleven from a small group of primary schools to one High School; in the High School, the more difficult academic subjects are taught to those who can 'take' them, while the curriculum is adjusted to suit those who cannot yet do so. Clearly, the teachers in these schools have a heavy responsibility to see to it that no child falls behind because of parental or family discouragement, and also that every child who can already benefit from the academic course does so to the full. This encouragement is important throughout the course, but it becomes of crucial importance at the end of the third year in the school. At this point, parents are given the chance to state whether they wish their child to stay one more year in that school and then leave, or to move to another school (called an Upper School and not a Grammar School) where the students must stay for at least two years. Here they have the chance of taking the Ordinary Level of the GCE, and, if they wish to and are considered capable of benefitting, may stay on for another two years, or three, and take Advanced Level subjects. One of the greatest advantages of this system is that it does not demand completely new buildings, and can, therefore, be put into effect without long delay, since with extensions and the addition of laboratories and workshops, existing buildings can be used. What it does demand is the appointment of many more specialist staff in the High Schools than Modern Schools have had in the past – but this is a demand which we will just have to meet if it is our intention to educate a larger proportion of the age group

in subjects which previously were taught only to a selected few.

The Leicestershire system is criticised because of the fate of those whose parents do not want them to move on from the High School to the Upper School, and who have to spend their final year unsatisfactorily waiting to leave; but Leicestershire heads insist that this is not a problem, and that those who are left behind have a good and useful year. A problem will, of course, arise when the leaving age is raised to sixteen; then it is expected that all will move on to the Upper School for at least two years. A further advantage of this system is that the Upper School is a community where 'all the boys wear long trousers'; there is a more adult atmosphere.

A third alternative is based on the Croydon Plan for Sixth Form Colleges; here it was envisaged that all children who stayed at their unselective secondary schools until they had taken 'O' Level should have the right to move on to the Sixth Form College if it were considered that they had the ability to profit from the courses provided in the college; these courses were to be geared mainly to prepare students to take Advanced Level exams. This, in itself, would not get rid of selection, since other students would be continuing their post-secondary education in technical colleges and many of their contemporaries would have 'finished with education'. But an extension of the scheme can be seen working at Cambridge, where the College of Art and Technology provides full and part-time courses for all young people wishing to continue their education and achieve higher qualifications. In this way, students studying for technical or commercial exams are working under the same roof, and sharing the same activities and facilities with those who are preparing for entrance to degree courses through Advanced Level. There is no reason why a scheme of this kind in a reasonably populous area should not function alongside either of the two previous alternatives, and indeed it would be admirable for students to have the choice either to leave at sixteen and continue their education in a college, or stay on in their school for another two years.

But there is one major objection to all these schemes; they can rarely be called 'fully comprehensive'. For, although they provide a wide range of subjects which could be called comprehensive, the students themselves are drawn from a restricted section of their age group in the area. This restriction occurs partly because in some places – for example, in London and at Coventry – alternative selective secondary schools exist which, while being maintained schools,

enjoy a peculiar form of immunity from local control; and partly because of the existence of fee-paying independent schools. These are used by the more knowledgeable, ambitious, or wealthy parents, and in particular by middle-class parents whose children fail the 11+. They are also used and, while they survive as at present, would continue to be used to escape from the Comprehensive Schools. But surely, where these schools are controlled by the state and receive a large proportion of their income from the state, it is stupid to allow them to do injury to other state schools. The next Labour Government must stop this, even though it means these schools lose part of their immunity from local control.

ESCAPE ROUTES WITHIN THE STATE SYSTEM

1. *Voluntary Aided Schools*

There are 155 Voluntary Aided Secondary Grammar Schools in England and Wales. They differ from County Schools in that the fabric of the school is maintained by the voluntary society involved (usually a religious denomination) and the rest of the school by the local education authority. The voluntary society is allowed two-thirds of the places on the governing body, one-third only being allowed to the Local Education Authority. As a result, three special privileges are granted such schools – (1) Freedom of religious instruction and worship; (2) Limited control of intake; (3) Freedom from certain local interferences.

It is sometimes thought that religious objections will prove the most difficult to overcome when it comes to reorganising these schools; but, in fact, there is no reason why they should not retain intact the religious freedom which they have enjoyed hitherto. This affects only the teaching of R.I. and the appointment of staff who have appropriate denominational connections; and parents who do not wish their children to participate may withdraw them from scripture classes and assembly. On the other hand, these schools must be brought within the comprehensive scheme for the area, and therefore the right of selecting only potential grammar school pupils, which many have had hitherto, must be withdrawn.

Voluntary Aided Schools are often in areas where the LEA, although in many ways admirable and full of concern for the schools in its charge, behaves towards them with a certain governess-like fussiness which, if it is not resented by staff, ought to be. (The trouble is that staff who would resent it often don't apply for posts in such places.) In these areas teachers are closely supervised by

local inspectors, Heads are forced to refer many day to day decisions to 'the office', and the appointments of assistant staff are made, not by the Head in co-operation with his colleagues, but by a committee of lay governors. To someone outside the profession all this may seem reasonable, but schools which are free from such niggling control (and there are enlightened local authorities which do allow such freedom) certainly are more highly respected both by the public and by the profession; and this affects the quality as well as the numbers of applicants for posts. Therefore, where a local education authority is about to extend its control of a Voluntary Aided School, besides confirming the Governors' control over the religious teaching and services in the school, it should also guarantee the various freedoms referred to above, to which the school has been accustomed. If such a promise is made, opposition to the change of regime will be dramatically reduced; and if this means that gradually councillors and officials in these authorities extend their confidence to other schools, how welcome this will be.

2. *Direct Grant Schools*

Direct Grant Schools present a more difficult problem. Apart from representation on the governing body, the LEA has no say in the running of Direct Grant Schools, which receive their income partly from fees and partly from grants directly from the Ministry, on condition that a suitable proportion of children are taken from local authority schools. There are 179 Direct Grant Schools in England and Wales. Their independence from local control might make integration with neighbouring schools less easy to effect, but where they are hardly distinguishable from Voluntary Aided Schools (and often this is the case) there is no reason why they should not be treated as these should be, and made part of the local comprehensive pattern, with the same important guarantees regarding religious and administrative freedom.

It is worth noting at this point that, of the 179 Direct Grant Schools, two only are co-educational. This might be the moment to change the monosexual nature of some of the others, for single-sex schools reflect another form of our mania for segregation, which has little to commend it and much to be said against it. Local Authorities should therefore be encouraged to apply a policy of de-segregation to all their single sex schools.

There is a special privilege enjoyed by Direct Grant Schools which can no longer be justified. At a time when the maintained

schools have been taking in increasing numbers of pupils because of the bulge, and in many areas have been subjected to a crippling pruning of their staffs because of the teacher quota, Direct Grant Schools as a whole were not asked, or expected, to share this burden; they stayed the same size, classes below the Sixth were kept down to thirty, and they continued to appoint teachers to fill gaps in the staff-room. There is no justification for this privilege to be retained. Another privilege which those which are predominantly day-schools have enjoyed is the right to draw pupils from an unlimited 'catchment area'. Children travel as much as twenty miles or more each day to attend such schools as Manchester, Bristol or Bradford Grammar Schools. These schools, controlling their own entry by an academic examination, have therefore been able to select a very large number of highly promising and intelligent children from all classes of society; understandably, this has meant that they have attracted highly qualified and intelligent teachers and often very distinguished Heads; connections are easily made and maintained with top places and top people in the educational world, and so a whole tradition of excellence linked with privilege is established.

Ought the new Labour Government gratuitously to break up all these sensitive but powerful machines? At present the best of them turn out a stream of well-trained and highly-gifted boys and girls who have no doubt benefitted from being taught alongside their equals by teachers of great intellectual distinction; they feed many key positions in government and industry. A case could be made out for the retention of some of them, provided their curriculum could be bent slightly away from the strictly academic bias, which at present diverts some of our leading minds away from careers involving technology and applied mathematics and science, and provided that we could nullify the tendency of these schools to favour the middle-class child. This favouritism cannot be wholly unconscious where they stubbornly retain the right to run a fee-paying preparatory department; these should all go the way of the preparatory department of Manchester Grammar School, which was abolished in 1950. But there may well be unconscious favouritism which is difficult to eradicate when entry depends upon an examination which puts a premium on the kind of literary and linguistic knowledge which can most easily be assimilated in a middle-class home.

It should, however, be noted that these schools do offer a better chance to the gifted boy or girl from a deprived home in a depressed

part of a town; he can escape from his unfavourable environment, while in an area comprehensive school such a child would tend to stay with his own group, and to be affected in his attitude by the area as well as by the school. If a scheme could be devised to give preference to children from deprived areas who are outstandingly intelligent, there might well be good reasons for retaining a small number of these schools.

Such a plan would meet with strong opposition from the root and branch reformers, and the pros and cons are too numerous all to be listed in this short chapter, but it should be seriously considered. It is interesting, for instance, to note that in the United States some schools selecting only exceptionally gifted children have become an established feature of the educational landscape, and in this country these schools would take their place alongside those which should be set up for other highly gifted children – for example, for musicians and ballet dancers, who need training and encouragement from an early age.

On the other hand we have no evidence that *in the long run*, and given similar social influences, the bright child benefits intellectually from being taught in a separate school, and made to reach his objective by forced marches rather than at a more leisurely pace. The rapid rate of advance in the early years may level out, and the gifted child who is set apart in a special school may be caught up and overtaken in the end by his equally gifted contemporary who has been spared exhaustion.

While the whole question is still unresolved it would therefore be unwise completely to dismantle the system, and sensible to leave open some opportunities for experiment by observation. If some schools are allowed to continue as they are, they would be under observation, and if, eventually they proved educationally unnecessary and socially harmful, they would be adjusted to the comprehensive system. It might be worth mentioning that, if some were permitted to survive, opposition to the proposed reorganisation over the wide extent of the educational field would be weakened. It is, therefore, suggested that while the great majority of Direct Grant Schools follow the pattern recommended for the Voluntary Aided Schools, and pass under the control of the LEA, a small number, say fifty schools with an intake of 6,000 pupils per year (that is, less than 1 per cent of the age group), should be allowed to continue to select children of very high ability to be trained there for *further education in Universities or Colleges of Technology.*

No fees would be charged for tuition in either the reorganised or in these special Direct Grant Schools. In boarding Direct Grant Schools, fees for boarding might with justice be charged to parents according to means.

A special commission should be set up to decide upon the future of the Direct Grant Schools which are predominantly boarding schools. Some would join the special groups referred to above, which would train the highly-gifted children whose talents may be intellectual or may be artistic, who cannot be placed in day schools.

It will not be easy to accomplish the reorganisation of the Voluntary Aided and Direct Grant Schools as proposed above without arousing vociferous resentment, but if the children going to the comprehensive schools and the teachers serving in them are to be given a fair chance, and if the socially divisive effect of our present schools is to be cured, this kind of surgery is imperative. One requirement is essential; everything must be done, through consultation with the staff, governors and representatives of the parents concerned, to see that the operation is made as painless as possible, and, above all, that as few good teachers as possible are driven disgruntled out of the profession.

But if the special areas of the state schools offer difficulties, the private sector is a minefield where every step invites an explosion.

TRANSFORMATION OF THE PRIVATE SECTOR

The eventual aim of the Labour Party should be to make private schools unnecessary and illegal. Not only do they provide an escape route from the state system, but the established ones confer on their products so many free passes to power and privilege that they have become, in the words of one of their defenders, 'a divisive factor in society', which is 'not merely regrettable but morally wrong'.[1]

The divisive effect springs almost entirely from the fact that, as *The Times* has rightly put it, they 'reflect and reinforce the ethics of a class'. This does not arise merely because middle-class parents send their children there, but, again to quote *The Times*, 'they have always been recruiting depôts for the middle class' – in other words, even a working-class child who goes to these schools comes out, not only with the accent associated with the Public Schools, but more often than not with the intrinsic attitudes and prejudices as

1. J. C. Dancy: *The Public Schools and The Future*, London, 1963, p. 103.

well.[1] This is why the Labour Government should refuse merely to award bursaries for impecunious parents to send their children to established Public Schools; the whole bursary business, as at present (rather lamely) operating, is – from a national point of view – far from satisfactory. It is noticeable, for instance, that the individual successes claimed for it are usually those boys who have conformed most closely to the Public School pattern, and these mostly from middle-class homes. The failures are those who have failed to conform to the pattern; these are not infrequent, but only too seldom are they rebels; the rebelliousness seems to get knocked out of them.

A further warning about such bursaries is needed – they are part of a general social principle of Social Vaccination, which is as yet all too little recognised: this is the method by which an established and privileged institution tries to justify its position by taking in a few 'dis-establishment' samples – e.g. the black boy in a segregated school, the handful of Jews in the Country Club, and the working-class Conservative MP.

Signposts for the Sixties proposed that an Education Trust be established which would consider the Public Schools and recommend the best way by which each of them should be integrated with the state system of education. Four possibilities are listed: (1) Some schools with outstanding academic traditions can be transformed into sixth form schools.[2] (2) Others could remain as secondary schools for children who need boarding education. (3) Others could be used to provide special courses for children from areas where such courses would be difficult or too expensive to run. (4) Others might be used to provide pre-university courses for students between eighteen and twenty-one.

The objection to the idea of Sixth Form Colleges has already been made in connection with the Croydon Plan, and they would only be acceptable if the students there were of varying abilities, of both sexes, and engaged in technical as well as academic studies. The same mixture should be demanded in the colleges set up under the fourth proposal. It is interesting, however, to note the concern expressed in *Signposts* for the Public Schools 'with outstanding

1. The same sort of danger has been noted in the effect of going through a Grammar School, and this is one of the reasons why so many people are in favour of comprehensive schools, where the tendencies of a single class cannot be intrinsic.

2. This is the word used in *Signposts;* possibly the word colleges is more acceptable.

academic traditions'; possibly the special proposal made earlier in this chapter for certain Direct Grant Schools could usefully be applied to them, but they would have to agree to accept children sent to them by the Trust, and to conform to the entry age fixed for all secondary schools, as would the schools mentioned in the second and third proposals; normally this would be eleven. This insistence on transfer at eleven would almost automatically mean the end of most private Preparatory Schools, as they would become even more uneconomic than now, and they would lose their special importance as the necessary ante-rooms to the Public Schools. Among all the influences which fix divisive class attitudes in the middle-class child, Prep Schools are probably the most powerful. This is one good reason for not mourning their disappearance. There are others. In spite of small classes the teaching provided in them is seldom good and is given often by untrained and temporary staff. They are usually neither big enough nor rich enough to provide good opportunities for a wide variety of studies and activities, and since they are generally the private property of individuals or partnerships, they are remote from public or parental inspection or control. All this is not to deny that good features can be found in many Prep Schools, and outstandingly good teaching in a small number, and it should certainly be within the power of the Educational Trust to take over some of the existing prep schools and transform them into state Primary Schools for children who need boarding education. Teachers, particularly in the preparatory sector, would suffer considerable inconvenience because of these changes, and special arrangements should be made for them to transfer, with suitable training courses arranged where desirable, into the state primary or secondary system.

Three further difficulties will be encountered when the integration of the Private Schools is being planned: First, what will be done about denominational schools? Here the formula which is applied to the Voluntary Aided Schools can be used, and freedom to plan religious instruction, to hold services and appoint appropriate staff should be safeguarded. As far as possible, only children whose parents wish them to go to a school of a particular denomination should be sent to these schools. Second, what will be the financial arrangements concerning compensation and fees? Compensation does not arise in the case of schools taken over by the trust which are already non-profit making, or endowed charities; but, in the case of schools which are the property of individuals, reasonable compensation should be paid where a school is taken over. As far

as fees are concerned, a small charge should be made to go towards the costs of boarding, but it should be graded in accordance with the income of parents – as with the fees for Direct Grant Schools today. Third, how will it be decided and who will decide which children go where?

SELECTION FOR BOARDING SCHOOLS

Having removed the necessity for Prep Schools (as corridors to the public schools) for middle-class children, parental demand for boarding places for children of primary school age will drop sharply. Normally, therefore, no boarding accommodation would be available for these children, except when their parents are abroad, or there are overriding reasons why they should not be at home. So there should be little difficulty about allocating boarding places in Primary Schools; with Secondary Schools the position is more difficult, since many parents want their teenage children educated away from home. For generations, members of the middle classes have been used to making their own decisions about schools for their children; as a result the English attach an exaggerated importance to the school a child attends. But already, in fact, choices are becoming less free to a certain extent regarding schools, to a great extent regarding universities. Until the last war it was possible for middle-class parents to buy places at most Oxbridge colleges for their sons; today, many old members of colleges and sisters of old members protest in vain as their requests for places for their sons are turned down by harassed admissions tutors. Things have now reached a stage where many have to put up not merely with colleges but with universities of their second or third choice. The same situation will have to be accepted as regards places in schools; parents will be asked to list schools in order of preference, and local placement boards, representing primary and secondary schools, parents and the local authority, will have to allocate the places as far as possible according to the wishes of parents and the needs of children.

But all these adjustments will take time, and it may well be four or five years before the scheme for the private sector gets under way; it is, therefore, all the more important that certain immediate steps affecting the Private Schools be taken as soon as possible. The importance of speed can be appreciated when it is realised that if integration of the Voluntary and Direct Grant Schools begins at once (and it should), there will be a

stronger tendency than ever for the seekers after special treatment and privilege to open up escape routes for their children into the private sector.

First, all financial benefits which the Private Schools have secured for themselves should be abolished – for example, the right of friends or of godparents to covenant certain sums towards school fees, on which income tax is returnable. Other schemes have resulted in Private Schools gaining special concessions regarding rates, and there are projects in the air by which language laboratories in Private Schools should be provided by Industry; these should be scotched.

The second reform is more vital; teachers are a scarce and expensive commodity, but unlike Jaguars they are essential and should therefore be rationed. The principle has already been accepted by the Tory Government which introduced rationing of teachers in the Maintained Schools in 1956, in order to overcome the discrepancy between places where teachers want to live and where on the whole they don't. What could be more logical than for the Labour Government to extend the principle to overcome the unjust discrepancy between schools which can buy unlimited supplies of teachers and those which can't?[1] There is, of course, no question of direction of labour in this; the scheme which has been functioning since 1956 merely allocated so many teachers to each LEA, and the authority put pressure on those schools which were overstaffed not to reappoint when vacancies occurred. The pressure which could be exercised over a Private School would, of course, become effective when it was necessary for all schools to be recognised by the Ministry.

The absorption into the state system of Public Schools and of some Private Schools, which, once integrated, could make a valuable contribution to the total education service of the country, would leave some Private Schools still surviving; but their ability to confer special privileges would have been severely curtailed. Consequently, it is not unlikely that some Private Schools would emigrate to Southern Ireland, to the Continent or the Commonwealth, and some parents would no doubt make arrangements to educate their children at schools which are already established abroad. This should not be discouraged; as émigrés they would not be important and would merely represent a dying culture.

1. While 8 per cent of children are educated in Private Schools, as many as 13 per cent of teachers teach in them.

Experimental Schools

Misgivings, however, may be felt about the disappearance of experimental schools. These are important, and state schools are too deeply indebted to schools run by private reformers to want to see the end of them. But up till now one of the inevitable disadvantages of experimental schools such as Summerhill or Bedales is that they have had to depend for their continued existence upon parents both with faith enough to send their children to an exceptional school and with money enough to pay the fees. This second condition induces an unwanted single-class atmosphere in these schools which unavoidably puts them into the class of the privileged progressives. The Labour Government therefore should establish at once an Educational Research Council which would finance not only specific research enquiries and projects, but experimental classes and even experimental schools, either new ones or established ones, where new ideas could be tried out. There would be no lack of applicants for working in such schools, and it would not be difficult, through suitable advertisement and press notices, to find parents who would wish their children to be educated in them.

APPRENTICESHIP TRAINING AND TECHNICAL EDUCATION[1]

Technical Education has often been disregarded by thinkers about education in Great Britain. True, in recent years money has been poured in to the building, equipping and even the staffing of new Technical Colleges, but too few people have cared about what goes on inside them. This lack of interest, particularly among the general run of teachers, springs partly from our tendency to regard education as something which should not be related to the business of earning a living. But technical training is a master key to material prosperity and therefore socialists need to know and to think about it; the more so because the shortage of technical skill in this country is a real shortage and can only be overcome by increased opportunities for training. It is therefore essential that the new Minister of Education should acquaint himself at once with the present unsatisfactory state of technical education and, in conjunction with the Minister of Labour, set about instituting reforms to increase as fast as possible the number and the quality of skilled workers.

1. For much of the material for this section of the chapter, I am indebted to two books:
Apprenticeship in Europe, by Gertrude Williams, London, 1963.
The Training Revolution, by John Wellens, London, 1963.

The raising of the school leaving age to sixteen will solve the present problem of the gap which many young people must face between leaving school and entering an apprenticeship; for, traditionally, apprenticeships begin only at sixteen. But this is a molehill compared with the mountain of other problems which must be faced. Among the main criticisms of the present apprenticeship system are: (1) The age limits are too rigid. A man older than sixteen or in certain rare cases seventeen has missed his chance of starting an apprenticeship. (2) The five year stretch is far too long a time for the modern youngster to spend as an apprentice, in view of the amount of skill and knowledge required of him at the end. (3) There is no outside body to supervise training, or to fix a final test of competence; after five years the apprentice becomes a craftsman, even though he may never have attended a class in a technical college or been introduced to any theoretical studies whatever. (4) Many of the skills which are taught are no longer required, while many skills which could be useful are not taught to certain apprentices because of demarcation rules. (5) Small or medium sized firms are reluctant to take on apprentices, partly because they cannot offer a comprehensive experience to the learner; but this means that the cost of producing apprentices falls unduly on the larger firms. (6) All too often reformers recommend alterations merely in the apprenticeship system. This is not enough. The whole field of industrial training needs to be thought out afresh and reforms made in the light of present and future requirements.

EDUCATION AND EMPLOYMENT

While apprentices account for about a third of the boys who start work between the ages of 15 and 17, most of the remaining two-thirds of the boys in this age group start in so-called semi-skilled jobs with no training. For girls the situation is far worse; apart from typists, hardly any expect or are expected to train. These boys and girls, as each year passes, are being drawn from the less and less able groups coming from the schools. This is the price we pay for the welcome tendency of the cleverer boys and girls to stay on at school beyond the official leaving age; but these are diverted from the factory floor to white-coated and white-collar jobs in laboratories and offices. This makes the training of the less able a matter of increasing urgency, and for this whole age group we need therefore to devise a new concept of training for work, industry by industry, which could include and supersede the present shaky structure of

apprenticeship training by trades, and end our concentration on privileged apprentices. For too long those outside the magic circle of apprenticeship have been disregarded.

Thus, 'the whole field of industrial training' means, not merely artisan workers, but commercial workers too and, beyond them, the supervisors, technicians, managers and company directors: it must provide equally for men and women and it must cover not only industry but all other employment activities such as public administration, commerce, the public utilities and so on, wherever men and women earn their living. It is an important, and so far neglected, fact that our efforts to create equality of opportunity in our system of schools, colleges and universities will be of no avail whatever unless a parallel effort is made to bring about equality of opportunity in jobs and, for this, complete training for the job, which is freely available at every level and in every occupation, is the principal tool.

An examination of conditions abroad has brought into focus only too clearly the backwardness of our own organisation, and given rise to many suggestions for improvement. A small number of reforms has already been initiated, but these are too timid: the Conservative Government has been loath to give that lead which the situation calls for. There has been too much reliance on exhortation. True enough, Government Training Centres have been adapted for apprentice training and have been extended. Originally they were established to help the small or medium-sized firm with the early years of apprenticeship, but there has been little response from such firms, and the number of centres remains small; yet in France one-third of the apprentices receive their training full time in the *Colleges d'Enseignement Technique.*

The White Paper, Cmnd 1892, though faltering and hesitant, has brought in the concept of the Training Board for each industry. This idea, which has been put over as revolutionary, is, in reality, not new: certain industries, notably Steel and Cotton Textiles, have had boards roughly equivalent to the proposed boards for many years, and Sir Stafford Cripps' Industrial Organisation and Development Act of 1947 had roughly the same objectives, even to the extent of providing for a levy to be used for training purposes. To make training a responsibility of industry, through these Training Boards, is a sound principle and should be extended. It is not enough to apply this principle to only a selected few industries; it should cover the whole range of industries and all other fields of employment. Such a body would devise schemes for the selection of

apprentices and all other workers in its own industry, lay down a curriculum of training which would be followed both in colleges and in workshops, and decide upon the qualifying tests to be taken, not merely at the end of the course, but at stages throughout it. This would introduce changes. The level of the tests having been fixed, the length of the course could be flexible. If this were done it would doubtless be found that some trainees pass tests after six months, which others might not reach after five years. Within such a system of Training Boards, conditions could be laid down for admitting late comers to training, who for one reason or another had not begun at the age of sixteen. These courses will be increasingly needed in the future, partly because there will be many who were born in the bulge years for whom there has been no opportunity for apprenticeship, and partly because the rapidly-changing technological world requires men trained to deal with techniques which did not exist when they were first trained. A further use for such courses would be for married women when their families have ceased to make full demands upon their time and energy; generally they are forced to take repetitive and semi-skilled jobs, but many would welcome the greater demands made upon them by following a skilled trade, and would welcome the extra money too.

One point should be underlined; the comprehensive principle which will have been built into the school system must be maintained, and, therefore, when the school leaving age is raised, it must be made possible for aspirant apprentices to follow a pre-apprenticeship course in their own schools alongside the young people with whom they have grown up and who may be studying academic or general subjects; the same pattern should continue in the technical college for those who move on there. For it is just as important that the young technician and the young academic remain in touch with each other during their period of training as that the social classes and those of different ability should be together in the earlier years of school.

MATCHING VACANCIES TO TRAINING PLACES

Every month the *Ministry of Labour Gazette* lists thousands of vacancies in the industries dependent upon skilled labour; in several parts of the country at the same time there are serious pockets of unemployment among unskilled school leavers. At a higher level industrialists are trying by all means, including bribery by means-test-free scholarships, to lure the brightest and best of

our sons to come to them as technologists and managers. But it is evident that these exceptional ones, especially in Public Schools but also in the socially aspiring Grammar Schools, in spite of the inducements, are switched, quite early in their school careers, on to branch lines which take them into fringe occupations in advertising, publishing or the City, or perhaps into the Principals' offices in Whitehall where no scientific or industrial experience is expected of them.

As in so many things, we are, in this tendency, merely the prisoners of our history. While America and Germany were developing their industry at the end of the nineteenth century, and the sons of their leading families were training as chemists or engineers at M.I.T. or at Technische Hochschulen, Britain's best were dutifully serving overseas, and in this way our ruling classes were able to extend for several generations their eighteenth century attitude to Trade and Industry. It may be felt that this has little to do with Labour Policy for Education, but just as this chapter began with the contention that the political-education axis is one of the facts of modern life, so at the end it needs to be recognised that our education system and what John Wellens calls 'the work situation' are also closely linked at all levels of the economy. This means that we must learn to plan the movement of school leavers into work and further training, in accordance with the most accurate possible forecasts of national needs for manpower.

Once more we can look abroad for a model. In France the *Commissariat du Plan* is careful to see that the supply of education and training facilities are matched to the future demands of industry. For us in Great Britain it means that the National Economic Development Council should include a representative of the Ministry of Education, who would have to ensure that the long-term plans for the expansion of the economy are matched by the necessary number of vacancies for those who need to be trained, and such plans will relate not only to the desired number of boilermakers and bricklayers, but to the number of radio spectroscopists and solicitors.

It could be said that this chapter has, seemingly, been about education. But the process of education consists in this: one human being wakes up ideas and concepts which are sleeping in other human beings. An Atlantic lies between this mystery and the dry practical reforms advocated here, but the two areas are connected, and to insist on the importance of reform is not to deny the existence and the superior importance of the mystery. No administrator, no lawyer, no politician should forget that when he is dealing with educational matters he is dealing with lives. In this chapter reforms

have been advocated with one end in view: that the stinting and stunting of life which is at present a sad feature of our education system should cease, and that all our children should have life and have it more abundantly.

The main areas waiting for educational reform have been indicated in the course of these pages, and enough problems have been identified and enough suggestions made, fully to occupy the time of the next Labour Minister of Education.[1] If he puts into practice, or at least initiates the reforms indicated here, he can be sure that no other Minister will be doing more for the extension of socialism and for national revival.

1. The Industrial Training Bill has appeared since this was written. It goes some way towards recommending reforms on lines indicated earlier, but it remains an 'enabling' bill, without sharp teeth.

5. Regional and Urban Planning

by Peter Hall

I will assume that a Labour Government are in office from 1964–8 and perhaps from 1969–73/4. This Government will immediately be involved in approving basic regional plans for the period up to 1980, which the Ministry of Housing and Local Government are now preparing, and which will powerfully shape the actions of any Government during this period. A Labour Government will urgently have to consider the implications of these plans on its policies for location of industry, housing and transport. First, therefore, I shall consider the basic current facts and trends on which these plans are based, and which any Government policy must take account of. They set limits to Government action and they pose choices. On this basis, I will then outline elements of policies which a Labour Government might pursue.

THE RISE IN POPULATION

Fundamental is the growth of the population. The Registrar General's latest estimate indicates that it will be rapid. Population in England and Wales will rise by 7.3 million (15.6 per cent) between 1962 and 1982.[1] Children and old people will form a greater proportion of the population in 1982 than now. This means a greater demand for space: for children, by way of playgrounds, gardens and playing fields; for the old, by way of single-storey dwellings.

THE DEMAND FOR HOUSING

More people mean more houses. In recent years there have been several expert estimates of housing need: the latest was that of L. Needleman in 1961.[2] He estimated that in England and Wales

1. *The Registrar General's Quarterly Return for England and Wales*, No. 456, 4th Quarter 1962, HMSO 1963.

2. L. Needleman, 'A Long Term View of Housing', *National Institute Economic Review*, 18 (1961), 19–37.

between 1961 and 1980 there would be needed between 2.3 and 2.7 million houses due to the rise in population and the tendency to smaller households, an average of 120,000–140,000 houses a year. This must now be corrected to take account of the Registrar General's new estimates: I have done this; it gives between 3.2 and 3.7 million houses – 170,000–195,000 houses a year.

But there is also the backlog of obsolescent housing. Needleman estimated this as 3.7 million houses, which should be replaced at 190,000 a year. This gives a total housing need of 360,000–385,000 houses a year; rather more than the Conservative Government's new target of 350,000 a year announced in the White Paper of May 1963.[1]

Obsolescence is a difficult word to give meaning to. It means something wider than the official definition of a 'slum', which is supposed to be 'unfit for human habitation': 847,000 houses were declared 'unfit' in England and Wales in 1955;[2] some 400,000 slums were cleared between January 1955 and the end of 1962.[3] Needleman's 3.7 million 'obsolescent' houses were all those which would be over 100 years old in 1980. This may seem arbitrary; more refined estimates may be based on houses lacking certain facilities, like fixed baths. In 1951 4,850,000 households in England and Wales (37 per cent of all households) had no access to a fixed bath; 2,792,000 (21 per cent) had no exclusive WC.[4] We have, in autumn 1963, no census figures of how the situation has changed since then. But sample checks of different types of counties[5] show that on the bath or WC criteria there had been approximately a 40 per cent reduction in the *proportion* of obsolescent housing by 1961; the housing stock however has grown. The best guess would be that the total of obsolescent housing, on these criteria, was in 1961 between 1.8 million on the basis of WC and 2.8 million on the basis of fixed bath. This is considerably lower than Needleman's working basis. But the possession of even a fixed bath, perhaps on a landing

1. *Housing* Cmnd. 2050, HMSO 1963, paragraph 19.
2. Ministry of Housing and Local Government, *Slum Clearance* (England and Wales), Cmnd. 9593, HMSO 1955.
3. Ministry of Housing and Local Government, *Housing Return*, 31st December, 1962 (H.M.S.O. 1963).
4. Census 1951, *Housing Report*, HMSO 1956, Table 11. The data are fully analysed for regions and individual towns by F. T. Burnett and Sheila F. Scott, 'A survey of Housing Conditions in the Urban Areas of England and Wales: 1960', *Sociological Review*, 10 (1961), 35–78. This is the fullest existing survey of obsolescent housing in this country.
5. London, Middlesex, Monmouth, Glamorgan and Montgomery, for which the 1961 *Census County Reports* had appeared by August 1962.

or in the kitchen, is a pretty minimal definition of adequate housing.

These estimates may be compared with results of the sample made by the Social Survey in 1960 for the Ministry of Housing and Local Government. This concludes that in 1960 there were some 622,000 'unfit' accommodation units in England and Wales and another 210,000 units described as 'fit' but with a life of less than five years – a total of 832,000 compared with the 486,000 which it was proposed to demolish for any reason whatsoever within five years from 1960. In addition there were 1,122,000 units with a life of between five and fifteen years, giving a total of 1,954,000 – a total which would involve an average annual rate of clearance of 130,000 a year, compared with the 60,000 actually demolished or closed in 1959. The burden could be reduced somewhat by repairing, but to some extent this would merely add to the very heavy burden of houses with a life of between five and fifteen years, which will come up for replacement after 1975.[1] Between two-thirds and three-quarters of the least satisfactory dwellings (those likely to be pulled down for any reasons within fifteen years) were rented from other than local authorities, compared with one-third of all rateable units.[2] Similarly, the Survey found that 39 per cent of households 'renting from other than local authorities' in Greater London, and 49 per cent elsewhere, were without the use of a fixed bath; 55 and 58 per cent without the use of a wash basin.[3] It should be stressed that the definitions of 'life' used by local authorities are not necessarily indications of truly satisfactory accommodation: of households occupying accommodation described as 'fit and with more than fifteen years' life', 1,570,000 lacked fixed bath *and* wash basin *and* hot water at three points *and* a WC in or attached to the building.[4] According to the sample, it appeared that of all households in England and Wales in 1960, 3,230,000 were without use of a fixed bath, even a shared one.[5]

HOUSING FOR WHOM?

But it is not sufficient to talk merely of numbers of houses. It is necessary to ask: what sort of houses? That leads to the question: 'for whom?'

1. P. G. Gray and R. Russell, *The Housing Situation in* 1960, The Social Survey (Central Office of Information), 1962, 37.
2. *Ibid.*, p. 42.
3. *Ibid.*, Table 41, p. 51.
4. *Ibid.*, p. 57.
5. Calculation from *ibid.*, Table 47, p. 55.

Recent research[1] has established fairly conclusively that some sections of our population are housed relatively well and others relatively badly. Of course there are important differences according to area and class. But perhaps the most obvious distinction is by age. In all classes, the best-housed group are the middle-aged parents living with their children – the ordinary families. They live well because the housing effort since 1919, both in the private and public sectors, has been disproportionately geared to their needs, by providing 4–6 room dwellings, generally in single-family houses. Their housing costs tend to be subsidised: directly if they are council tenants, via the exchequer and rate subsidies; indirectly if they are owner-occupiers, via tax relief, improvement grants and the progressive tapering (through failure to re-value) and final abolition of Schedule A tax.[2] The young in contrast are very badly off. Whether single or recently married, they tend to live in private rented property, at relatively high rents, and with the poor amenities associated with this type of property. Their chances of getting a council flat have become progressively thinner in recent years, and they often cannot afford to buy on mortgage. They do not receive any form of subsidy, direct or concealed, though they may need one more than many who get one. The old tend to live in ill-adapted big houses or flats, with more space than they probably need, but with poor amenities. If they live in privately-rented property – many do – they again enjoy no subsidy, except perhaps from National Assistance.

In recent years, council housing, as a proportion of all housing, has stayed constant; private rented housing has gone down, owner occupancy up. Home ownership is spreading into the skilled and even semi-skilled classes. But research shows that there is a substantial group who will not be able to buy in the foreseeable future. At present, an income of £15 a week is needed to buy on mortgage, even in regions where prices are relatively low[3] – and an average

1. Under the auspices of the Joseph Rowntree Memorial Trust; see particularly: D. V. Donnison, Christine Cockburn, T. Corlett, *Housing since the Rent Act*, Occasional Papers in Social Administration, No. 3, Welwyn 1961; D. V. Donnison, 'The Price of Housing', *Housing Review*, 10, 1961, 127–31; David Donnison, 'The Changing Pattern of Housing', *The Guardian*, 5th October 1962; David Donnison, 'What kind of housing do we need?', *The Guardian*, 20th November 1962; Christine Cockburn, 'Rented Housing in Central London', *The Guardian*, 21st February 1963; D. V. Donnison, 'More Rented Housing Needed', *The Guardian*, 13th August 1963.

2. D. A. Nevitt, 'Tax Relief as Housing Subsidy', *The Guardian*, 14th August, 1963.

3. Donnison, *Housing Review* 1961, *op. cit.*, 129.

manual worker's earnings were still only £16 a week in 1962. Needleman calculated that even in 1980, on an optimistic assumption, 73 per cent of the population could not afford to buy out of income.[1] (More could afford to buy out of capital, of course; for 43 per cent of households in England were owner-occupiers even in 1962).[2] It remains true though that there is an important section of the population that must rent: the young, the old, the poorly-paid. Yet the supply of rented housing, relative to the total, is falling.

This is bad, for rented housing is not merely necessary for some people; it is desirable for others. It is useful for the young and for small families. It is essential for mobile people, and we want to encourage labour mobility. It should be available for those who do not want to accept the responsibility of ownership, and may at present be taking on more than they can cope with.

The Conservative Government, in 1963, have accepted the force of these arguments. They are encouraging building for rent; but in a curious way. They will support housing associations to build for renting, at 'economic' rents of £4–£7 a week, or £208–£364 a year.[3] This compares with an average rent (England, March 1962) of £67 in uncontrolled tenancies, £66 in council property and £41 in controlled tenancies.[4] It should be reckoned against a survey of slum dwellers in Newcastle upon Tyne, in which half the households had an income of less than £10 a week;[5] or against Needleman's estimate that even in 1980, just over 40 per cent of the population would not be able to pay economic rent for a new three-bedroomed house.[6] The housing associations, then, will cater for a specialised market; and by no means the market with the most obvious need.

The conclusion is that Labour's first priority in housing policy must be to provide adequate rented housing for those who need it; and that this will mean some type of subsidy. This does not mean diversion of resources from building for owner occupancy: that will be needed too. It may need diversion of resources from elsewhere, and the creation in effect of new resources, by obtaining higher productivity within the building industry. It raises important questions of means, which are discussed in a later section.

1. Needleman, *op. cit.*, 29.
2. Donnison, 5th October 1962, *op. cit.*
3. *Housing*, Cmnd. 2050, HMSO 1963, paragraphs 33–41.
4. Donnison, 5th October 1962, *op. cit.*
5. T. Dan Smith, *RIBA Housing Conference Report*, 1962, xx.
6. Needleman, *op. cit.*, 29.

THE GEOGRAPHY OF DEVELOPMENT

Before we turn to policies, there is another important set of facts with which Government policy must reckon. They concern the geography of new development and of redevelopment. These facts break down into two groups: inter-regional, and intra-regional.

It is a commonplace that some regions, the 'fortunate regions', are growing faster than the 'unfortunate' ones. It is less commonly realised that on the latest forecasts of population, all regions are certain to grow very fast. Below I have tried to calculate what may happen to the distribution of population in England and Wales on two extreme assumptions. One can be called the 'laissez-faire' assumption: it projects the regional growth of population under the fairly lax policies of the Conservative Government in the 1950s, forward to 1980. The other is an 'extreme planning' assumption. It shows what would happen if complete direction of labour were introduced; if all net internal migration of labour were thereby stopped; if all migration from abroad were stopped.[1]

Region	**1962** estimated population	**1962-82,** extra population	
		'Laissez-faire' assumption	'Extreme planning' assumption
	all figures are in thousands, plus		
Northern	3289	412	584
East and West Ridings ...	4216	289	485
North Western	6636	456	704
North Midland	3704	771	587
Midland	4855	996	824
Eastern, London and South Eastern, and Southern ...	17949	3707	2114
South Western	3462	517	297
Wales	2657	170	268
England and Wales	**46768**	**7318**	**5863**

1. I am indebted to the Government Actuary's Department for supplying unpublished projections of population growth for England and Wales excluding the migration component. This projection gives the total figure in the final column. The other totals are given in the Quarterly Return, *op. cit.*

These two latter columns, in effect, represent the practicable limits of action, for a Labour Government, of regional planning. (I assume that it is completely unrealistic to assume that the trends of the last four decades could be reversed, so that there were a net outflow from the south-east quadrant of England.) The results may be surprising. For instance, the increase in the northern region will be around half a million, give or take 100,000 either way; much of it will be concentrated in the Durham Coalfield, Tyneside and Tees-side. The result, after 1971, will be large problems of overspill from the bigger centres.[1] And even on the 'extreme planning' assumption, the increase in the 'south-east quadrant' (south and east of the Solent-Wash line) is likely to be 2.1 million; on the assumption of migration it may rise to 3.7 million.

So it is misleading to talk about robbing Peter to pay Paul. To plan for an extra two million in the south-east does not mean abandoning the north-east to decay; growth there will be rapid too.

But a regional problem does remain; and it is a very serious one. It is a problem of stopping a net migration from the 'unfortunate regions' *far larger* than we have ever experienced before, either with a Conservative or a Labour Government. The portents are already there: net emigration from the north-east averaged 3,000 a year in the early 1950s, but 12–15,000 a year after 1958.[2] For that is the certain fate of areas like the north-east or Scotland, given a rapid rise of population, unless we undertake very radical policies of regional development. NEDC have estimated that even to keep migration down to the same rate as in recent years, it will be necessary to create 200,000 jobs in five years in the less prosperous regions, involving a growth of employment three times the rate of recent years. If not, unemployment and the under-use of potential labour may well worsen.[3]

Attention has concentrated, especially in the Labour Party, on the social reasons for regional policies. But NEDC have argued convincingly that there are most powerful economic reasons. It is not simply a question, as some economists would allege, of taking work to the workers at any price. The waste of human resources in the 'unfortunate regions' is such that a considerable subsidy would be justified to remedy it. NEDC have suggested that if jobs

1. Cf. *The Future Development of the North-East*, Policy Statement of the Town and Country Planning Association, August 1963, paragraph 8.
2. Future Development of North East, *op. cit.*, paragraph 6.
3. National Economic Development Council, *Conditions Favourable to Faster Growth*, HMSO 1963, paragraphs 61–2.

could be provided for 200,000 in these regions at an average cost of (say) £400 per worker, that would mean net annual government commitments of £20 million a year for four years; while unemployment benefit and national assistance alone in these regions came to £37 million in 1962.[1] More research needs to be done on the economic justification for regional policies, but there is a strong *prima facie* case; and the critical question, as NEDC recognises, is: how can aid be most effectively applied? This is a field where empirical investigation can even at best be only a partial help; where imagination will always count for much. A second priority for a Labour Government, therefore, must be a radical and imaginative set of regional policies.

DEVELOPING AND REDEVELOPING

There is however a more local and intimate aspect to the geography of development. The burden of obsolescence, which I have earlier tried to quantify, is heavily concentrated in the urban cores of the 'unfortunate regions'. The need to redevelop these areas, and to reshape the central area functions of our cities and towns, has to be coupled with plans for accommodating the population displaced. In addition space has to be found for the growth in population and households in the period up to 1980. A Labour Government will thus have to grapple urgently with these two priorities: central and inner area redevelopment; and new development for the extra population around the great urban regions of London, the midlands and north.

It is not necessary to review here the abundant evidence that these two jobs are not being adequately tackled. One extreme case may stand for all.[2] In the heart of the south-east Lancashire conurbation, at the end of 1962, Manchester had 58,000 remaining slum dwellings; Salford 8,000; Stockport 4,000.[3] The actual problem of obsolescence was certainly much larger. In 1951 the overspill problem in the conurbation was some 367,500;[4] it must now be much greater. Yet Manchester's proposals for new towns at

1. *Ibid.*, paragraphs 63–4. Capital expenditure would of course be much greater.

2. See the detailed discussion in J. B. Cullingworth, *Housing Needs and Planning Policy*, 1960, Chapter 9.

3. Calculation from Slum Clearance, *op. cit.*, and *Housing Return*, 31st December 1962, *Appendix*, HMSO 1963.

4. Cullingworth, *op. cit.*, 117, based mainly on figures in the Lancashire Development Plan.

Congleton, Mobberley and Lymm in Cheshire all foundered after agonising delays, due in part to the rooted opposition of farming interests. So Manchester has relied on the Town Development Act of 1952 – a watered-down version of a measure Labour prepared before the 1951 election. The Act assumes that the massive problems of regional overspill can be met by agreement between the central cities and the authorities, often very small, beyond the urban periphery: a task evidently beyond these authorities' competence, as Labour had recognised when it set up special Corporations to develop the New Towns in its Act of 1946. Failure was predicted for the 1952 Act and failure there has been. After a decade of total neglect of the New Town policy in England, the Conservative Government have recently had to reintroduce it to solve the problems which the 1952 Act failed to solve. They have designated two New Towns to take Liverpool overspill, two for Birmingham's. But Manchester is still left to struggle with the 1952 Act. Up to the end of 1961 Manchester and Salford had managed to get built a derisory 448 houses under the machinery of this Act.[1] Meanwhile, lack of land holds up redevelopment in Manchester. The city is unusual in insisting on redevelopment at a relatively low level of 74 persons per net residential acre;[2] the standard in most of London's redevelopment areas is 136, in some even 200. Research has abundantly proved that Manchester is right: high-density redevelopment is wasteful of the community's resources.[3] Yet the Ministry of Housing and Local Government spent much effort in the 1950s urging Manchester to redevelop at a higher density: an effort which they eventually had to drop, though they substituted the claim that Manchester could find sufficient sites by agreement.

The redevelopment of the 'twilight areas' is a thankless job and an unprofitable one. The Labour Government of 1947 recognised this, and devoted much attention in their Town and Country Planning Act to securing adequate comprehensive development of such areas. These provisions have been successively weakened by financial changes in the amending Acts passed by Conservative Governments. Local authorities no longer enjoy grants for comprehensive development; instead, under the slum clearance drive initiated by the 1954

1. 'Expansion of Country Towns', *Town and Country Planning*, November 1962. Some others have been accommodated in peripheral estates on the edge of the conurbation, which cannot properly be described as 'overspill'.

2. *City of Manchester Development Plan, Written Analysis*, 1951, paragraph 94. Total overspill from the City alone was estimated in the Plan at 137,500; 116,600 of it in planned movements.

3. Cf. the examination of the evidence in my *London 2000*, 1963, Chapter 4.

Housing Repairs and Rents Act they were positively encouraged to redevelop piecemeal; by the Local Government Act, 1958, their specific grants for comprehensive development were abolished (except for areas of war damage), being merged in general grant; and since the 1959 Planning Act they have suffered the final indignity of being forced to pay 'current market value' – including possible redevelopment value – for sites acquired compulsorily: an indirect consequence of the dismantling, by the Conservative Government in 1953, of Labour's provisions for collecting development charge from developers on the behalf of the community. Meanwhile, the development of central areas by speculative interests has become immensely profitable – a trend which the Labour Government, in the conditions of 1947, could hardly have foreseen. The Government's consistent attitude has been that no new legislation was needed to provide adequate machinery for such development and to secure that the community shared in the profits of development: this despite the evidence of the Monico case in 1959, which showed the London County Council, the largest and most active planning authority in the country, completely incapable of dealing with the problems involved.

This outline of the highly technical questions of development has inevitably been inadequate; but there are many fuller discussions available. All such discussions have inevitably tended to two conclusions which a Labour Government must act upon with priority. First, that more adequate machinery is needed for dealing with the problem of overspill on a regional scale. Second, that the redevelopment of central and inner areas needs more effective administrative machinery than now exists if it is to be carried through on a proper comprehensive basis; and that some way must be found for taking a part of redevelopment profits for the community, to whom it rightly belongs.

Here then are Labour's four priorities in urban planning. Housing to rent; regional policies; overspill; and urban renewal. New machinery is urgently needed for each. In the rest of this chapter I consider the form this machinery might take.

A HOUSING PLAN

What should be the main objects of a Labour housing plan? I would suggest these:

1. In an important part of the private rented sector, it appears that people are paying too little and that they are getting bad

accommodation. They should be encouraged to pay more for more. A first step towards this would be to establish more effective minimum standards of maintenance, coupled with a measure of rent increase.

2. But we should not expect that that will do the trick in itself. There is evidence that a lot of private rented property is so run down that it may not be economic to maintain.[1] Such property should somehow become public responsibility.

3. Above a fixed minimum housing standard the customer should have freedom of choice. If one man wants to spend more of his income on houseroom than another, we should let him. And to secure the most economic allocation of houseroom there should be rationing by price. If the rent of one flat is twice that of another, that should reflect the fact that the average tenant thinks it worth twice as much. This pricing system should be broadly consistent throughout the public and private sectors of rented housing; and it should be broadly related to the prices of owner-occupied houses.

4. An element of subsidy has to be built into the system because we know that some people cannot afford the economic rent of a decent home. The only fair subsidy is one open to all who need it. It may be a non-discriminatory flat rate subsidy (like the old food subsidies), but those go to people who do not need them as well as to those who do. Or it can reflect people's need – in which case there are difficult problems of means tests and the resulting danger to people's dignity.

5. One obvious differential subsidy, which would not affront dignity, is tax reliefs. We could allow rents to rise to economic levels but tax landlords – and perhaps other rich people – paying the money back to poor people. Liberal economists, like Professor Paish,[2] advocate this because it gives people the maximum freedom. But there are snags.

1. In a redevelopment area of central Liverpool, where an official survey showed that 75 per cent of the houses needed repair or demolition, more than half the houses commanded a rent below 15s per week. In nearly half the houses owned by the University in the area, between one-quarter and one-half the rent had been paid out in repairs and maintenance; in nearly one-third the proportion was more than one half. In Corporation-owned houses more than one-third had *more than the whole rent* spent on them; in only 31 per cent did less than one-half go in repairs and maintenance. C. Vereker and J. B. Mays, *Urban Redevelopment and Social Change: A Study of Social Conditions in Central Liverpool*, 1955–56, Liverpool 1961, 39, 42, 53–6.

2. Cf. F. W. Paish, 'The Economics of Rent Restriction', *Lloyds Bank Review*, 16, 1950, 1–17.

a. If poor people could pay more, a lot of the benefit might go to landlords, because the supply of private rented property is almost certainly inelastic to price changes.

b. There is the problem of discrimination. Even in a market where supply and demand were reasonably balanced, this would be a problem peculiar to housing. The capitalist system does not refuse anyone who has the money a packet of Surf, or a television set, because he has children or is black. It is difficult if not impossible to remedy this by legislation alone, while still leaving the private landlord in the narrowest sense master of his property. The only effective remedy is to extend the public sector of housing, which alone is likely to show social responsibility.[1]

c. There is also the problem that the housing market is very imperfect. When you buy a packet of Surf you know it costs about the same in the next town, or 400 miles away. The packet is soon used up and the decision to buy is not in itself of much consequence. With housing it is all different. The product itself is immobile; the decision to buy or to rent is a critical one, and it is limited by other factors, such as knowledge of opportunites elsewhere, not only in housing, but in things like schools or jobs. So differences in price tend not to be corrected by movements of buyers into cheaper markets. This is only to be altered by Government action to help people move and to publicise the opportunities to move.

6. These things compel the conclusion that a system of subsidies should be accompanied by extensive public management – which probably means public ownership. The most practicable method would be municipalisation. Many students of the problem, who are far from being left-wing socialists, have been forced to this conclusion;[2] the Labour Party were collectively driven to it in 1957; even the Conservative Party have been forced to provide for record municipal takeover of unsatisfactory rented property in their 1963 Housing Act. But the technical and political difficulties of municipal ownership are formidable; and they have forced the proposal into abeyance in the Labour Party. The chief are:

a. Difficulties of definition. There would be many exceptions:

1. That of course is not to say that individual landlords do not show social responsibility; only that on balance they do not.

2. Cf. especially D. L. Munby, *The Rent Problem* (Fabian Research Series, 151, 1952); D. Eversley, *Rents and Social Policy* (Fabian Research Series, 174, 1955); D. L. Munby, *Home Ownership* (Fabian Research Series, 188, 1957); James MacColl, *Plan for Rented Houses* (Fabian Research Series, 192, 1957).

houses half-occupied, or temporarily deserted by an owner-occupier, or bought for occupation later. They would create endless opportunities for evasion by the unscrupulous.

b. The fear – well-grounded in some cases – that a municipal landlord would be petty and restrictive.

c. The fear that a monopoly landlord would behave tyrannically. The official Labour plan had to guarantee security of tenure, though not necessarily in the same dwelling always.

d. The risk of considerable inelasticity in the housing market, because councils would feel they owed first duty to their existing tenants, and because necessary adjustments (e.g. old people into smaller dwellings) might take a long time.

e. The fact that a sector of private lettings would inevitably remain (the exceptions above) so that there would not in fact be a national scheme of rents and rebates related to the type of property and the capacity to pay.

From these conflicting considerations we need to create a scheme which would achieve the following:

1. To bring many more private lettings into the public sector, but voluntarily. In particular, those houses that are now undermaintained should be brought into public ownership so that they can be properly looked after by an authority that has social responsibilities and has the resources to fulfil them. This will be necessary to overcome market ignorance and discrimination.

2. To forge a common rent policy for the private and public sectors of rented housing. This policy would charge rents reflecting the quantity and quality of accommodation, but would inject subsidies reflecting need.

I suggest that these objectives would be met by the following scheme, which borrows (and freely adapts) features from various policies put forward by students of the problem during the last decade.

1. A *national house insurance scheme* would be initiated. This would be voluntary for owner-occupiers, but attractive, because the central government would underwrite a proportion of the policy. For landlords (including landlords of part-rented property) it would be compulsory. The scheme would be operated by local authorities in conjunction with approved insurance companies and builders. Independent assessors would determine the premium to be paid; the payment would be shared by the central Government (via a subsidy), the landlord and the tenant. Thus the tenant would pay a part of the resulting rent increase; but his share, and that of the

community, would taper as the cost of the premium rose, to a ceiling; above which the sole responsibility would be the landlord's.

2. *Municipal management.* All rents, for whatever type of property, would be collected by the local authority on behalf of the landlord; the premium would then be paid for the landlord by the authority, by deduction from the rents, and the residue (minus a nominal service charge) remitted to him.

3. This would leave the private landlord his central right of discrimination. But it would be subject to stricter control of abuses. New *Property Management Tribunals* would be set up for each local authority area (or for groups of areas where the problem was less intense). They would consist of representatives of landlords, tenants, the local authority and other people with a special interest in, and knowledge of, the problems of the area (social workers, doctors, vicars). Their job would be analogous to the County War Agricultural Executive Committees of World War II and their peacetime counterparts created by Labour's Agriculture Act 1947.[1] They would have power, which would needless to say be used sparingly, to dispossess for flagrant abuse of the responsibilities of landlordism. In this event the property would be regarded as compulsorily acquired and the landlord would receive compensation on the basis for compulsory acquisition then in force.[2]

4. *Willing sale to Land Commission.* The landlord of a property in bad condition might well find the premium impossibly high. In this case he may be allowed to sell the freehold to a Land Commission.[3] The Commission would pay him the existing use value of the freehold plus a sum to encourage willing sale and to cover contingent risks, plus a valuation of the property which took into account its liability to insurance premium. This would be paid in bonds yielding an annual income. The landlord would thereby achieve an income equivalent to that which he enjoyed before,[4] minus any responsibility to find insurance premium. It is supposed that most landlords of badly decayed property would gladly opt to be relieved of it in this way. In addition the Land Commission would freely buy better property in the open market, and offer it to local authorities.

5. After an intermediate period, a *new Rent Act* would be brought

1. And abolished by the Conservatives' Agriculture Act 1958.
2. See the section on Urban Redevelopment below.
3. For the Land Commission see the section on Urban Redevelopment below.
4. That represented by the property would of course represent a diminishing asset.

into force. It would apply to all municipal property; to housing association property; and to private rented property below a certain rateable value. It would fix rents as a proportion of rateable value so that demand and supply for each type of housing would be roughly equal everywhere. Simultaneously, the Act would introduce a comprehensive system of housing subsidies payable to individual households, and based on a confidential and automatic review of personal income tax returns. The actual rent paid by any tenant, whether in the private or the 'public' sector, would be determined by his 'basic' rent minus the rebate.

6. There does remain the very complex problem of *specific subsidies on houses*. The present curious situation is that interwar houses, which were built cheaply, subsidise postwar housing which was built expensively. The average economic rent of a house built in 1927–36 is 9/6; that of a 1962 house 64/5. The actual average rents charged are 21/4 and 28/6.[1] At first sight it would appear that such cross-subsidisation should go, and that subsidies on individual houses should simply be abolished.[2] But there are arguments against this. There should be some relation between the rents of the public sector and the prices of the owner-occupied sector; and in the latter, prices of interwar houses do not reflect their low costs of construction, but current demand: there is a windfall gain to the man who bought cheap when the house was new, and now sells dear. Again, an authority may have large numbers of cheap interwar houses within its boundaries, and dear new overspill houses beyond them: it is not going to encourage overspill by renting the new houses dear. The policy considerations are very complex, and they may demand changes in subsidy policy from time to time. In general, though, it is probably right to say that a subsidy should be paid from central Government to local authority on houses where there is a discrepancy between the 'economic rent' (reflecting the cost of construction) and the rent formula based on the rateable value. There is not much case, given the policy here, for rate subsidies at all; each authority's housing account should balance.

REGIONAL POLICIES

The regional policies which the Labour Government initiated in 1945–7 were both positive and negative. On the one side, new

1. A. L. Strachan to Society of Housing Managers, Annual Conference 1963.
2. To abolish, or even amend these subsidies will be a difficult moral decision for any Government; they represent agreements entered into by earlier Governments.

factory location, and extensions, were subject to Board of Trade approval. On the other, various types of aid were made available within the unfortunate regions. There is statistical evidence that these policies had some effect, though this is hard to disentangle from the effects of full employment throughout the economy. The policies were still there in 1961–2 (though operated a little more laxly); they did not spare Tyneside and Scotland heavy unemployment.[1] The fact is that the negative policies, in particular, were both too much and not enough. They resulted in grievance on the part of industry that they were subject to bureaucratic strangulation; on the other hand they left most employment untouched. Mr A. G. Powell, a Ministry of Housing and Local Government official, has estimated that less than one-fifth of the growth of employment in the London conurbation in the 1950s was subject to Board of Trade control, and that most of this could not reasonably have been moved elsewhere.[2]

The time is ripe for new policies. On the negative side, there is a powerful argument for a payroll tax on all employment in the centres of the most congested urban regions. I have outlined a scheme for such a tax in the London region.[3] There is however some point where a tax must cease to operate, and that should be where it ceases to have justification. The case is strong in central London, rather less strong in the London suburbs, and decidedly weak in the London New Towns, where we are still trying to persuade London industry to go. The most important effect of such a tax is therefore likely to be more rapid decentralisation within the London region (or within the west midlands). The problem of the north-east and of Scotland has to be undertaken by more radical means.

In recent years important studies have been undertaken of development problems in the unfortunate regions, and of the actual costs involved in factory movement.[4] They point to certain conclusions about the logistics of regional development.

1. Average unemployment 1962: U.K. 2.2 per cent; Wales 3.1 per cent; Northern region 3.8 per cent; Scotland 3.8 per cent; Northern Ireland 7.5 per cent. The North-West, with 2.6 per cent, stood between these four regions and the other seven.

2. A. G. Powell, 'The Recent Development of Greater London', *Advancement of Science*, 17, 1960, 78.

3. *London 2000*, 1963, Chapter 3.

4. In particular: *Report on the Scottish Economy 1960–1*, Scottish Council (Development and Industry), Edinburgh 1961; W. F. Luttrell, *Factory Location and Industrial Movement*, National Institute of Economic and Social Research, 2 volumes, 1962.

1. There is hardly any evidence of continuing cost differences in operation between factories in the fortunate and unfortunate regions. But there are considerable transfer costs, both direct and indirect, within the first three to five years following a move. Government policy should aim to eliminate these. The costs would be relatively small in relation to the benefit.

2. The disadvantages of firms in the unfortunate regions are not so much tangible as psychological. They feel that they are cut off from the mainstream of technological research and innovation in their field; that foreign and Government buyers are very far away; that valuable opportunities for personal contact are lost; that bottlenecks in skilled labour will not easily be overcome in areas with no tradition in the sorts of skill needed. Intangible these may be, they may yet be real; for such disadvantages may finally affect the firms' ability to compete, and so affect profits, even if they do not affect costs in an obvious way. The conclusion for Government policy is that investments may be justified – for instance, in the transport infrastructure – which do not justify themselves on the strictest economic criteria. Economists may prove that an improved Great North Road is as good as a motorway for the traffic needs of the north-east; but Tyneside industrialists would feel closer to London with the motorway, and so would industrialists who might potentially move there from London.[1] Educationalists may claim that the north-east has excellent technological training facilities anyway; but if there were a completely new technological university, deliberately conceived as part of an ambitious New Town development, industrialists elsewhere might notice the fact. If the backlog of obsolescent housing in the 'unfortunate regions' is really a serious psychological barrier to the development of new industry, then its removal may be a much higher economic priority than would appear on a narrow consideration of social costs.

In the regeneration of these regions, therefore, there is no substitute for imagination. That means that as much liberty as possible must be allowed for trial – and, if necessary, error. But the fundamental elements of a plan seem to be these.

1. It is necessary not merely to attract isolated factories in the 'new' industries into these areas, but to start up a self-generating development of new industrial traditions. These traditions would be better for being born where they were to be bred. A Labour

1. In this particular instance, the end could be achieved by relatively minor investment and an amendment to the Special Roads Act, 1949.

Government should therefore not be frightened of diverting a really substantial proportion of national investment in higher technological education and research into these areas. It would create new institutions, deliberately conceived as showpieces, either in association with massive urban redevelopment in the cores of the old cities of these regions (Glasgow, Newcastle, Middlesbrough, Cardiff, Belfast), or in big New Town developments. In at least one of these areas it should establish a complete 'university town' round a technological campus.

2. These institutions would be encouraged, by deliberate Government policy in financing development, to specialise in certain expanding types of industry. Here an expert commission should advise the body responsible for planning higher education and research. Simultaneously, the Government would embark on planned public investment in these fields. New Government factories should be established; firms already in the field should be financed, and the Government should seek a partial or controlling interest in as many private firms as possible, while allowing them a large measure of freedom in commercial and development policies. As far as possible these firms would be encouraged to move to locations near appropriate research and educational establishments.

3. There will be a powerful case for the movement (or at least partial movement) of Government departments immediately concerned with these developments. Some Government – research – industrial complexes are so strongly rooted in southern England that they are probably immovable: for instance, the aircraft complex. But others are so young as to be relatively mobile. An obvious case is the manufacture of prefabricated components for industrialised building, which is likely to represent one of the major industrial revolutions of the next forty years. Another possibility is food technology, especially in the development of preservation and condensation techniques. A third is the development of new transportation techniques, especially monorails and the automatic control of road vehicles. In each case there is a powerful case for the removal of at least part of a Government department; for the establishment of a research centre or institute, parallel to that department; and for publicly-owned and semi-publicly-owned factories in close proximity.

4. These positive pieces of policy should be associated with a deliberate attack on the psychological barriers of distance. The social costs of subsidising trunk telephone calls and cheap, frequent airplane services between London and major provincial cities should

be reckoned against the social costs of unemployment. Government agencies and publicly-controlled undertakings should be subsidised to develop new methods of personal intercommunication, such as a completely personal, lightweight radio-telephone (and after that, a television-telephone) and a cheap, marketable device for televising and photo-copying of documents over a distance, which eliminate the need for personal contact. Not only would these be of direct importance to the 'unfortunate regions'; they are also the type of research and development which we should be encouraging there, since they are precisely those which are likely to be self-generating.

5. In the early stages the problem of the skilled worker is likely to be acute. There is evidence that at present the skilled worker is tending to emigrate out of the 'unfortunate regions' towards the south, where he takes up as much as half the jobs and housing space in the London New Towns. The Government should attack this problem in various ways. Growing factories in the chosen industries should be encouraged to move north wholesale, by a comprehensive technique of factory movement, involving the provision of a new factory and houses ready to occupy. Generous financial incentives should be paid to skilled workers to move, in the form of lump-sum gratuities. These factories and workers must be helped over the psychological barrier by concentrating the new developments in new centres, big enough to offer adequate and attractive shopping, cultural, recreational and educational facilities to the worker and his family. That means big New Towns, or developments associated with the removal of the major cities. There should be bold experiments in advertising; free airplane trips for prospective movers; special home buying terms. A Labour Government must not be afraid of small extravagances which may bring big returns.

OVERSPILL POLICY

Overspill policy in the last decade has been marred by two fundamental misconceptions. One is that the large problems involved can be tackled by agreement between local authorities. The other, which exacerbates the first, is the belief that overspill from the big urban regions can be dealt with by local authorities of the traditional English type – the county boroughs, boroughs and urban districts with which everyone is familiar. While the first mistake has been partially remedied in the last eighteen months, by the announcement of four New Towns in England and Wales, the second error is in

process of being perpetuated by the Local Government Commission.[1]

The Local Government Commission for England began its work early in 1959. Up to August 1962 it had delivered its final report on two major urban areas of England – the 'Special Review' areas of the West Midlands and Tyneside – and draft proposals for the West Riding 'Special Review' area. The general philosophy of the Commission emerges clearly enough from these first exercises, and an extraordinarily conservative philosophy it is. Instead of a fundamental examination of the functional problems of each conurbation, the Commission has clearly been dominated by the desire to offend all existing interests as little as possible. There were plenty of existing interests in London too, from the LCC downwards; the Herbert Commission on London Local Government listened to them all patiently and ignored them, preferring to take the advice of a group of academics from the London School of Economics. But the provincial conurbations do not have an LSE, and it is an extraordinary commentary on the apathy of our universities towards current social problems that the Commission could complain that it had not got enough disinterested research as a basis for its findings.[2] As it is, it has belatedly taken on to its staff professional Civil Service researchers, seconded from the Ministry of Housing and Local Government. These people are of excellent quality; but they should never have had to do the job which was properly the universities'.

Probably as a result, the Commission's reports make the least possible interference with a structure of local Government which was created before the word 'conurbation' had even entered the English language. The West Midlands offers massive problems of obsolescence (39,000 remaining slums in Birmingham alone at the end of 1962) and of overspill. The acute problems of traffic congestion will be further complicated by the meeting of two of the main arteries of the national motorway network, one of which has been planned (almost certainly mistakenly) to pass only two miles from the city centre of Birmingham. These flows on and off the motorways will affect not merely the trunk roads, which are a central Government responsibility, but the ordinary classified roads which make up the overwhelming majority of the mileage of main

1. For a full discussion of the work of the Commission – and of its failures – cf. L. J. Sharpe, 'Reshaping Local Boundaries', *New Society*, 15th August 1963, 8–10.

2. Local Government Commission for England, *Report and Proposals for the West Midlands Special Review Area*, HMSO 1961, paragraph 26.

roads in the conurbation, and for which the local authorities share responsibility.[1] Yet the Commission proposed no unitary control of development or traffic. It merely left Birmingham substantially unchanged, and grouped the other authorities into five big, and completely independent, county boroughs. It recommended a joint board of local authorities only in respect of overspill. Ironically, even this will not now come to pass, for the Minister has accepted the main proposals but rejected the overspill board. In the West Yorkshire Special Review Area, the draft proposals are even more inhibited. Virtually no fundamental change in the local Government pattern is suggested at all: the most important changes are the demotion of Wakefield from county borough status, and the amalgamation of the county borough of Dewsbury with some of the neighbouring authorities into a county borough with a population of 165,000. Modestly the report says: 'It would not be a rich authority and it would have great problems'.[2] This is possibly an understatement. The authority would inherit 5,600 houses defined as slums in 1955, remaining at the end of 1962 – nearly 10 per cent of the total housing stock.[3] The definition of slum used here was a very limited one in Batley, where 3,800 of these remaining slum houses are concentrated: 7–8,000 houses (some 50 per cent of the total) should be regarded as obsolescent on the basis of 1951 Census data.[4] Yet the resulting problems of development and overspill, in the Commission's philosophy, are left to the circumscribed local authority to solve.

It seems plain that either because of the limited terms of reference, or because of the lack of disinterested research, the recommendations of the Commission do not come near to meeting the problems of most of these areas. A Labour Government should not therefore feel bound by its recommendations; indeed, in cases where the Conservative minister has rejected some recommendations, as in the West Midlands, there is a clear moral responsibility to make a fresh start. At this point, another, larger question poses itself. At best, the Commission was empowered to impose a 'conurbation solution'. This it has done for Tyneside, where it proposes a continuous county

1. Some of the roads which will bear the heaviest load, such as the Walsall eastern by-pass, are Class II roads and do not even qualify for a 75 per cent Ministry grant.

2. Local Government Commission for England, *West Yorkshire Special Review Area, Statement of Draft Proposals*, July 1962, paragraph 43.

3. Calculation from Slum Clearance and Housing Return Appendix, *op. cit.*, plus *Census 1961 Preliminary Report*.

4. Cf. Burnett and Scott, *op. cit.*, 50.

covering the area of the conurbation, and for Tees-side where it proposes a single county borough with a population of some 400,000 people. Local Government experts have hailed these as the most radical proposals the Commission has so far made. But are they in fact sufficient? At Cramlington, Northumberland, the County Council are sponsoring a New Town in conjunction with private enterprise. It lies only eight miles north of the city centre of Newcastle upon Tyne. Yet it is excluded from the proposed 'continuous county'. The same anomaly occurs on a wider scale in the bigger conurbations. Two New Towns have been announced for Merseyside overspill and two for the West Midlands. Two of these four, Runcorn and Redditch, have been widely criticised for being, in effect, part of the conurbation areas with which they are associated. Yet neither is part of the Special Review Area with which it is associated. Still more remote from their Areas are Skelmersdale in Lancashire and Dawley in Shropshire, though the very decision to establish New Towns there brings them firmly within the sphere of influence of Liverpool and Birmingham respectively.

The fact is that the continued growth of population has already made a 'conurbation solution' a dead letter. The real urban unit of Britain in the 1960s – and still more of Britain in the 1980s – is a much wider urban region, of which the conurbation will form only the core. This region is defined in terms of the limits of the overspill population, for it cannot be expected that the migrants will sever all ties with the inner urban areas from which they have come. Even if their work is decentralised with their homes – and this must happen, as far as possible – a few will still commute daily back into the urban core; others will come to shops, to entertainments or to schools and colleges; many will come back to visit the relatives and friends they have left behind. The minimal functions, which must be planned as a whole over this region, are the preparation of a regional development plan; the phased execution of redevelopment and overspill schemes; and traffic planning, including responsibility for the main roads. These functions should be exercised by regional planning authorities, which should also, in the 'unfortunate regions', have responsibility (and financial power) for the job of regional regeneration.

If we accept the argument, difficult problems of execution remain. How big shall the new administrations be? Shall the north-east have one unified regional administration, or two, one centred on Tyne and the other on Tees? Shall Lancashire have one, or shall there be separate administrations centred on Liverpool and Man-

chester? The answer is probably that the problems of the north-east, or of the north-west, have to be conceived as a whole; boundary lines cannot be drawn across them. (The Local Government Commission is already finding this in the north-west, where it is having to examine the problems of Merseyside and south-east Lancashire in common.) But there should be separate offices for each major urban complex. An even larger question is: to whom shall the new administrations bear responsibility? Shall they be agencies of the central Government, of the existing Governments, or of a completely new regional Government? This needs closer examination than I can give here. Because effective regional administration should be a first priority of a Labour Government, I would suggest the following course.

1. *Regional planning and development authorities* should be set up as speedily as possible in each major urban region. First priority should go to the 'unfortunate' regions and to those with pressing administrative problems (e.g. the West Midlands). They should be organised in the first instance within the central Government; staffed by civil servants; and should be helped as far as possible in their basic research by local university departments, which would be suitably financed.

2. The authorities would be charged with the following *functions:*

a. The preparation of a regional development plan showing not detailed proposals for land use (which would still be the responsibility of local planning authorities) but the broad proposals for development, including comprehensive redevelopment, overspill and major developments in the infrastructure (main roads, shopping centres, higher education, hospitals).

b. Where appropriate, the preparation of recommendations on changes in local Government within the area. The authority would thus take over the functions of the Local Government Commission for its area.

c. Where appropriate, the prosecution of regional development policies with the aid of grants from the central Government. This financial limitation would ensure that some measure of control over regional development was left at the centre, where it belonged.

3. In order to obtain a measure of democratic control immediately, the plans prepared by these authorities should be submitted to committees of MPs representing the area concerned. They should also be submitted to existing local planning authorities for comment.

4. A Royal Commission on Local Government should be set up,

with the broadest possible terms of reference, to consider the suitable pattern of Government for Britain for the next fifty years. It would bear in mind the existence of regional authorities but would be free to change their area of operation, their responsibilities and their accountability. It would take evidence from all existing parties but it would in particular draw on the advice of the regional planning authorities and their university research bodies.

5. Finally, towards the end of the first term of a Labour Government, a measure should be passed consolidating and enacting the recommendations of the Commission.

This reform will speed up the process of finding the sites for overspill; it will not of itself build the houses – and the factories and offices, shops and schools – for the overspill populations. There are only two ways of doing this. One is to let private enterprise build the houses, not to bother about the jobs, and leave British Railways and the roads to deal with the resulting commuter problem. This is a solution which any Labour Government would reject out of hand. A second way is to strengthen the Town Development Act by writing in provision for subsidised factory development in the expanded towns; for the lack of industrial incentives has been the most serious weakness of the present Act.[1] Thirdly, we can build many more New Towns. We know from experience that this is by far the most satisfactory method of dealing with overspill, from the point of view of worker and employer alike. Further, the New Town method has the psychological advantage that an imaginative development may itself attract industry.

As soon as possible, therefore, Labour should announce an extended New Towns programme. The first priority should be in the 'unfortunate regions', in particular:

1. *South-East Lancashire.* Two New Towns. Possible sites are at Mobberley, and at Lymm in Cheshire.[2]

2. *Wales.* One New Town, probably near the Severn Bridge approach at Crick, Monmouthshire. A site farther west might prove acceptable if accompanied by the extension of the M4 beyond Cardiff.

3. *North-East England.* In addition to the extension of Cram-

1. In fact, there has been a direct clash between the Board of Trade, which has tried to attract industry into a congested area like Merseyside, and the Ministry of Housing, which has been trying to decentralise people out of it.

2. This is the site rejected by the Minister after an inquiry in 1958 on the grounds that the agricultural land was too valuable. This can hardly be sustained in view of the fact that Runcorn New Town will be sited on similar land and Skelmersdale, in part, on better (first class) land.

lington, one New Town in the Washington-Birtley area of County Durham, as recently proposed.[1]

4. *Clydeside.* A New Town in the upper Clyde Valley, close to the projected A74 motorway.

Under the policy of the 1945 Labour Government, embodied in the New Towns Act of 1946, the original New Towns were built by special development corporations, closely akin to the managements of the nationalised industries. They enjoyed a considerable degree of autonomy and of independence from the local authorities in their areas. Recently New Towns have been started by local authorities (the Northumberland New Towns of North Killingworth and Cramlington, and the LCC plan for Hook) and the idea of private enterprise New Towns has been mooted (Cramlington in fact is being built in association with a private undertaking). Experiment of this sort is to be encouraged.

But the problem remains that under a Labour Government a great deal of building will still inevitably be carried out by private enterprise in extensions of existing towns, especially in the growth areas of south-east England and the Midlands. It is not necessary here to rehearse the familiar arguments that this job is not being adequately done: that too often it produces houses of poor quality in inadequately planned layouts, and that the resources of local planning authorities are insufficient to ensure positive planning of private developments. Good detailed planning cannot be imposed; it has to be undertaken by the developer himself, and as things are it does not pay. The director of a private enterprise building firm has said:

> 'The semi-detached estate on a nice big open field is the obvious way if you are simply in business to build houses and sell them at a good profit and with least bother. Nice little chain-link defined plots, usual roads, concrete curbs, verges, set-backs, trees cut down because they get in the way of roads and their leaves are a nuisance anyway, no communal arrangements for maintenance or anything else. Straightforward and normal as they say. Right up the building societies' street. As soon as we move away from this the trouble starts.'[2]

This will only stop being 'straightforward and normal' when more development is undertaken by big concerns with a sense of

1. *The North-East*, Report to the Prime Minister by the Lord President and Minister for Science, HMSO 1963.

2. John Morton (director of Townmaker Ltd.) *in RIBA Housing Conference Report, 1962*, 52.

social responsibility. Some big private building firms, such as Span and Wates, are beginning to show this; but the revolution they bring about is likely to take a long time unless positive steps are taken.

A Labour Government should therefore establish a number of *regional development corporations* to develop housing schemes (including the provision of shopping and necessary communal services) both in communities attached to existing towns and where appropriate, in New Towns. The houses thus built would be sold or rented at economic rents. These corporations might employ outside building firms or build themselves. The Labour Party has already committed itself to state participation in industries where technological progress is needed, and the building industry is an obvious candidate. In practice the Government might acquire interest in several medium-sized building firms whose efficiency appeared to be low, and greatly expand and reinvigorate them. Each of these firms might then be associated directly with a regional development corporation; and it is supposed that producers of prefabricated components would also be brought directly in to the organisation. This type of association should be forged region by region, first of all in the under-privileged regions which suffer both from a cumulative backlog of obsolescent housing and from failure to develop new technological traditions to replace those of the industries faced with structural decline.

THE MACHINERY OF URBAN REDEVELOPMENT

Labour have an official policy for urban redevelopment; it was announced in *Signposts for the Sixties* in 1961. They would establish a Land Commission, which would buy the freehold of land on which building or rebuilding was to take place. In future, before the local planning authority gave permission to build or to rebuild, the Commission would normally buy the freehold of the land and then lease it to the intending developer. The Commission would pay the value of the land for its present use, plus an amount to cover contingent losses by the owner and to encourage willing sale. It would lease on terms which ensured that the community shared in the higher land values which arose over the years.

The policy has been criticised within the party, and certainly needs further definition. Its most important practical result has not been set out in the official apologia; it would be on compulsory purchase by local authorities, especially for comprehensive develop-

ment. Under Labour's Town and Country Planning Act, 1947, the price paid in these cases was the 'existing use' value of the land; it did not allow for any increase in value arising from development. That was quite logical then; for private developers too had to pay the difference between 'existing use' and 'development' value, in the form of a development charge, before they could get permission to develop. In 1953 the Conservative Government destroyed the logic, by abolishing the charge on private developers. Thenceforth there were two bases of valuation: one for voluntary private sales and one for compulsory purchase. Developers said this was unfair, and in 1959 the Conservative Government restored 'current market' value for compulsory purchase – that is the value (including development value) that the land would be assumed to have had if privately developed. The current Labour proposal would automatically restore 'existing use' value for compulsory purchase, but with an interesting modification. Because the Land Commission would be a semi-commercial nationalised enterprise, free from the financial inhibitions of local authorities, because it would be permanently in the market, it could deal freely with owners and developers. In an area of comprehensive development, or one that looked like being one soon, the private owner would have the most powerful incentive to sell out freely, rather than wait for the compulsory purchase axe to fall, in order to get the bonus for 'willing sale'. This bonus has not yet been defined, and perhaps never will: it may be left to the discretion, and the bargaining skill, of the Commission officials. Comprehensive development will become much easier financially for local authorities, because the Commission will hold land for them till it is ready for development, thus taking the crippling burden of loan charges off them. But it may also become administratively easier, because large blocks of obsolescent property may well be unloaded into the Commission's lap quite readily as the time for comprehensive development draws near.

Official proposals were criticised in *The Face of Britain*, prepared by a Socialist Commentary group in September 1961.[1] The group concluded that a scheme of total nationalisation of freehold land was to be preferred. This would achieve at least two objects that the official proposals did not:

1. It would allow a 'life' to be put on buildings, so that owners would have to recognise that they were not immortal, but arrived at a point when they were ripe for renewal.

1. *Socialist Commentary*, September 1961.

2. It would secure a part of all rises in land values for the community, not merely a part of those which followed development.

In *London 2000* I put forward an alternative scheme based upon temporary compulsory pooling of property, coupled with an obsolescence tax and a system whereby the community took a share of the rises in land values in money or land.

It would be possible to adapt certain features of these alternative schemes to fit into the framework of the official proposals, so as to give them extra teeth.

1. Earlier in this chapter I have advocated a compulsory insurance scheme for privately rented property. This will have the same broad effect as an obsolescence tax. It will speed up the rate of renewal; and will cheapen the purchase price of obsolescent property to the community. It is quite wrong that the community should have to pay even an existing use value of property which is based on the concept that property is immortal.

2. The rises in land values which arose in the lifetime of a development could be taxed, at least on a partial basis, by capital gains taxation. There are powerful reasons for supposing that the maximum rate of such a tax cannot be very high;[1] but even a maximum rate of 7s 6d in the £ would be better than nothing. As Dr Kaldor's group said so rightly in their Memorandum of Dissent to the Report of the Radcliffe Commission, 'there is no principle of equity which leads us to suppose that if something cannot or should not be taxed at 95 per cent it should be taxed at zero per cent'.[2] The most obvious basis for such a taxation would be regular reassessment for rating,[3] which was used for Schedule A property tax until its abolition, and which could equally well be applied to this purpose. There would however be important questions about the incidence of the tax. Should it be applied only when realised, i.e. at point of sale? Or should it be applied irrespective of realisation, as the Uthwatt Committee on Compensation and Betterment suggested in 1942?[4] Since this type of capital gain is likely to apply

1. See the full discussions in A. R. Prest, *Public Finance in Theory and Practice* 1960, and *Report of the Royal Commission on the Taxation of Profits and Income*, Cmnd. 9474, HMSO 1955.

2. Report Royal Commission on Taxation, *ibid.*, Memorandum of Dissent, paragraph 62.

3. I assume that regular reassessment will be the rule under a Labour Government. It would be a necessary basis, not merely for this tax but for the determination of controlled rents as suggested earlier.

4. *Final Report of the Expert Committee on Compensation and Betterment*, Cmd. 6386, HMSO 1942, paragraph 311.

to many small owners, many of whom have no intention of selling, and since the amounts involved are unlikely to be substantial in comparison with development gains, there is the strongest case for a tax levied only on realised gains, probably at a moderate flat rate, with appropriate provision for payment by instalment.

The arrival of effective machinery to ensure comprehensive development – given that the Land Commission achieves this – will throw a heavy burden of responsibility upon local authorities. It will no longer be sufficient for them to wait, as they have waited in recent years, for a private speculator to come along armed with a hastily-conceived 'comprehensive plan' for a 'shopping precinct'. It is not at all clear that most authorities are at present equipped for their responsibility. Not until 1961 did official advice come from the Ministry of Housing and Local Government on the planning and programming of comprehensive renewal in town centres.[1] The burden of the advice was that a non-statutory town map should be prepared and kept under constant review. It should show particular pieces of development in relation to a long-term objective, and parts of it would be transferred to the statutory development plan from time to time. But the planning was conceived in terms of a relatively small town where the amounts of traffic generated were very moderate. The method itself would hardly be adequate for even a medium-sized town, let alone a big provincial city centre or a part of London's West End, where fundamental reconstruction of the systems of pedestrian and vehicle circulation is necessary.

To provide specialised advice on these problems should be the function of a central planning Ministry – which under a Labour Government should immediately become a true Ministry of Planning and Development. New techniques are called for. In particular, sections of blight and obsolescence should be designated in advance as areas of early comprehensive development. This would represent advance notice to developers that development would take place, and would allow preliminary discussions between the local authority, the Land Commission and private developers about the form of development. At this stage a broad three-dimensional plan should be created. It would specify the systems of pedestrian and vehicle circulation, the broad massing of buildings and the functions they are to perform. It need not necessarily have statutory force, but would be constantly amended in detail as a result of consultation. Finally, when the area was designated for comprehensive

1. Ministry of Housing and Local Government and Ministry of Transport. *Town Centres: Approach to Renewal*, Planning Bulletin, No. 1, HMSO 1961

development, a statutory three-dimensional model would be prepared, supported by development plans for each level of the proposed development. These techniques will require research, considerable propaganda and technical help from the central Ministry, and even training skills – for the number of skilled model-makers at present is limited, and the techniques of scale model making for statutory plans are hardly developed.

PLANNING SKILLS

But we need more than model-makers. Planning demands the union, in teams, of a host of separate skills and disciplines – those of the geologist, the geographer, the economist, the valuer, the sociologist, the architect. None of these skills exists in adequate supply at present: some of them hardly exist at all. (One example of the latter: the technique of applying economic principles to urban redevelopment, so as to achieve the most economic disposal of functions at the lowest real cost to the community.) There are two reasons why. One is the pathetic inadequacy of our programme for higher education; the other is the failure, within the existing programme, to train in skills. Of the twenty-seven active universities in the United Kingdom in 1963, only four have town planning courses recognised by the Town Planning Institute. At the technical college level, the opportunities for training are negligible. If we are to have the cities we deserve by 1980, and beyond, the necessary expansion of the training programme has to start within the term of the next Labour Government. But the problem concerns far more than urban planning alone. I will take it up in the concluding chapter.

TOWNS FOR THE MOTOR AGE

I have written about machinery for redevelopment, but I have not suggested what the machinery should do. In the detailed replanning of our cities during the next twenty years, it is a journalistic commonplace that we shall be overwhelmingly concerned with the challenge of the motor vehicle. Sir Robert Hall's study group, which reported to the Minister of Transport early in 1963,[1] concluded on the basis of the best forecasts then available that the number of private cars might rise from 6½ million in 1962 to 12–13

1. *The transport Needs of Great Britain in the next Twenty Years*, HMSO, 1963.

million by 1970 and perhaps to 16–18 million by 1980. These increases – a doubling in eight years, a trebling in eighteen – make the Ministry of Transport's plans for '1,000 miles of motorway by the early 1970s' look singularly undramatic. But, as Ministry officials fully realise, the major problem will not be on the inter-urban motorways. It will be in the metropolitan areas where close on three-quarters of our population live.

It is customary to think that the United States of America provides a kind of social laboratory for this country, telling us fairly accurately what we can expect here a decade or so hence. If this were really the case our outlook would be gloomy. The Americans achieved our 1962 ratio of cars to population in the early 1920s; they achieved our expected 1970 ratio in 1939 – before the era of the urban freeway. Despite this lead their record in planning for the motor car is monumentally unimpressive. The miles of Los Angeles freeway, blocked by a flood of almost immobile vehicles in the rush hour, offer a salutary warning to us. The efforts of cities like San Francisco to regenerate their public transport systems, after years of neglect, offer another.

There is an excellent chance that by A.D. 2000, history will record that the effective answer to the challenge of the motor vehicle came in the early 1960s in Britain; which, if true, will be a striking tribute to our continued intellectual vitality at the time when economically we were at our most moribund. During 1963 and early 1964 tremendous debate ranged around two such sets of answers: the one contained in the Buchanan report on *Traffic in Towns*,[1] the other concerning possible ways of pricing the use of roadspace.[2] There is no need to rehearse this debate once again here. But there is need to stress their essential connexion.

The case for priority is essentially an argument for the use of the price mechanism to restrict the use of the present road system, in congested urban areas, for the benefit of all. The Buchanan report is essentially an argument for rebuilding many of our urban areas so as to accommodate more vehicles while preserving acceptable levels of freedom from noise, from fumes, from danger. But each hinges upon the other. The essential feature of the pricing argument is that the use of the roads is not to be restricted at any arbitrary level. The price mechanism is to be called to perform the job which only it can do efficiently: to ration a scarce resource

1. *Traffic in Towns*, HMSO, 1963.
2. Summarised in an article in *The Times*, 16th January, 1964.

in such a way that those who want it can obtain most of it. But the intellectual revolution contained in the idea consists in the discovery that pricing can be used not merely to determine priorities on the basis of private needs, but also on the basis of *social* needs. Pricing, which many Socialists have attacked on the grounds that it ignores social needs, now proves to be the device for measuring these very needs.

The use of pricing is not in itself enough. For the existing road space, in an increasingly motorised society, may simply not be enough. Under *laissez-faire* capitalism, if there are not enough bananas, the price of bananas goes up, more entrepreneurs enter the market and more acres are devoted to growing bananas. In a more complex way, the use of the price mechanism for roadspace should achieve the same ends. But the advocates of pricing say relatively little about the relation between pricing and investment. Indeed there is a difficulty: the roads authority which charged for the roads, whatever form it assumed, would be a pure monopolist, and the only result of extra investment and extra supply of space would be to diminish its revenue, since the amount of revenue automatically depends on the amount of congestion which exists. Probably this is a point of only theoretical importance: for public authorities do not in practice behave like that. London Transport did not oppose the construction of the Victoria Line because of the increased operating loss that would result. Nevertheless, this relation, between price and traffic flow and the right level of new investment, urgently needs clarification. For it is the critical link between the road pricing argument, and the Buchanan report.

The central criticism of the Buchanan report, indeed, is that it lacks such a base. It says that it will cost a lot of money to rebuild cities to hold a lot of vehicles, and less to hold less. It leaves open the critical question of the criteria on which we are to make the decision. There are only two answers: a purely bureaucratic one, in which a central planning authority makes purely arbitrary decisions, and a system based on the sum of individual needs – which can be expressed only through a pricing system.

In such a system, just as people elect to spend more of their income on buying cars, they may elect to spend more on the space to run them on. If we do not allow the logic to extend into both spheres, there is the gravest possible danger of disequilibrium between one and the other. There is of course a possible third solution – to regulate both the amount of roadspace and the number of vehicles by administrative rationing. That is essentially the

system the Communists use, and it is occasionally spoken of with approval by people who call themselves democratic socialists. They are prepared to countenance the idea of restricting car production, if only by imposing penal taxation on the purchase and use of motor cars with the deliberate aim of restricting their general use. It is fortunate that the great majority of people in the Labour Party regard this as not merely politically disastrous (which it is), but also as fundamentally incompatible with the principle of individual responsibility.

Many people who do not share the views of the extreme minority nevertheless have doubts about the place of a pricing system in a system of democratic planning. They fear that it will penalise the poor at the expense of the rich. In relation to the motor vehicle these fears are surely misplaced. Virtually all Socialists accept that the price system should not apply to the provision of basic social services, like education and medicine. Many, but not all, think that the price system should be modified in the provision of some basic consumer needs, such as foodstuffs. (Houseroom is a complex good which falls somewhere between these two categories.) But there is not much more reason for restricting consumer choice, as expressed through the price system, in the case of the motor car than there is in the case of television, or holidays, or clothes, or any one of a number of articles of consumer expenditure. If we think there are too many poor people, the answer is to be sought in the redistributive part of the taxation system. And the essential feature of a system of road pricing (which it is important not to misunderstand) is that it is not intended to work like a tax in this important respect. It is rather like a television licence, in that it is a device for making people pay for the services they receive. The point is clearer if we imagine that under a pricing system, there would be a basic vehicle licence, rather cheaper than now, and a residual fuel tax: these would be taxes in the traditional sense, and their proceeds would be diverted to other ends. The pricing system would apply only to congested urban roads, and it would be related directly to the true social cost of the roadspace: its proceeds could be earmarked directly for urban road improvements.

Some form of limitation is inevitable, if traffic in our cities is to continue to flow, if the lives of city dwellers are not to be blighted. That is a common theme of these two reports. The questions to be asked are: what system of limitation is most effective, in limiting flows in all areas and at all times? What system is most democratic, in allowing the road user the maximum degree of choice? What

system is the most efficient guide to the planner, who has to determine the amount of money that should be invested in the future to accommodate the motor vehicle? On the first two of these accounts it seems clear that the system of road pricing is the best method. On the third, the precise relationship between pricing, investment and planning urgently needs further research. The auguries are good that we shall soon possess a set of criteria for urban traffic planning which will allow the planner to create an urban environment shared around people's real needs. And that must remain the central objective of democratic planning.

6. Social Security

by Brian Abel-Smith

The Labour Party produced its policy statement *New Frontiers for Social Security* within a month of Lord Beveridge's death. The timing was fortuitous but appropriate. A comprehensive scheme on a wage-related basis is now proposed to cover not only provisions for widowhood and old age but also sickness and unemployment. The Beveridge system of flat rate benefits is to be buried with its author.

The campaign for a completely different type of social security scheme started soon after Labour lost power in 1951.[1] The Party produced in 1957 a revolutionary scheme for provision for old age in a booklet entitled 'National Superannuation'. The Government responded with a limited graduated pension scheme which came into effect in 1961. This scheme did not attempt to find a solution to the problem of poverty in old age. Indeed it did little more than secure that the rising costs of social security should fall not on general taxation, as had previously been planned, but on a heavily regressive system of social security contributions. It made it possible for the Government to continue its policy of reducing income tax and surtax, which fall more heavily on the well-to-do, and increasing the role of insurance contributions which fall more heavily on the lower paid.

While the Government have been cynically neglecting the needs of the poorest people in Britain, 'good' employers have been 'giving' more and more fringe benefits. Occupational pensions and possibly sick pay schemes as well cover more than a half of the male employees in Britain. The former have been substantially aided by generous tax concessions. For the highly paid, the tax free lump sums which are available on retirement run into tens of thousands of pounds, and there are also lump sum golden handshakes for redundant or incompetent managers. While retirement and unem-

1. Brian Abel-Smith, *The Reform of Social Security* (London 1952); Brian Abel-Smith and Peter Townsend, *New Pensions for the Old* (London 1955).

ployment become times of ever growing affluence for senior executives, the drop in earnings for the manual worker who is sick, unemployed or aged and gets no help from an employer's scheme is usually greater than before the war.

In the cruel winter of 1962–3, there were about three million people living on National Assistance and about a million more who would have been eligible had they applied.[1] A further three million people were not far from the level of living of those on National Assistance.[2] While over the last fifteen years the levels of living of the rest of the community have increased substantially, those who depend on National Assistance have fallen relatively behind.[3] As Britain gets richer, it can afford to give greater help to its poor. But the poor have been getting relatively less.

The level of benefit given by our national insurance scheme is on average substantially below that given in other advanced countries. In France a man with three children receives family allowances which double the basic wage. In the pension schemes of Luxembourg and Italy a pension will be paid of over two-thirds of pre-retirement income.[4] But in Britain a single man can never get more than £6 9s 6d a week. With male industrial earnings standing at over £16 per week, this is scandalous. Once it used to be said that Britain's Welfare State was the envy of the world. It is certainly not true today.

The case for much higher social security benefits is overwhelming. But this cannot be achieved without a drastic overhaul of the present financial framework. The problems of the present insurance fund are inescapable. Without any increase in benefits the cost of pensions is certain to go on increasing. One reason for this is that over the years there will be an increasing number of old people, though the *proportion* of aged in the total population is not now expected to increase as fast as was predicted only five years ago. The Government Actuary now assumes that the trend towards a higher birth rate will continue, with the result that there will be more people of working age who can help to pay the costs of the

1. See Dorothy Cole with J. E. G. Utting, *The Economic Circumstances of Old People*, Occasional Papers in Social Administration, 4, Welwyn 1962. This study covers only the aged. The same problem must exist among other categories of persons with financial needs.

2. Peter Townsend, 'The Meaning of Poverty', *The British Journal of Sociology*, 13, 1962, 210–227.

3. Tony Lynes, *National Assistance and National Prosperity*, Occasional Papers on Social Administration, 5, Welwyn, 1962.

4. *New Society*, 18th October, 1962, 31.

aged. A second reason for the increasing cost of pensions is that a higher proportion of old people is becoming entitled to retirement pensions. It is often forgotten that there are at present roughly a million old people who do not qualify for pensions because they were not in the insurance scheme before the Labour Party introduced universal coverage in 1948. As these old people die, their places among the aged are being taken by people who have won the right to a retirement pension.

It would in theory be possible to continue the present scheme on the basis of flat rate contributions and pay the extra cost of pensions out of general taxation. The present element of wage-related contribution applies only to earnings of between £9 and £18 a week. People earning more than £18 pay the maximum, however high their income. Below £9 all people have to pay the same minimum amount, however little they earn. But the minimum flat rate contributions are already a heavy burden on low paid workers – particularly women workers. They also discriminate heavily against the employment of part-time workers. And any plan for economic expansion makes it essential that those who can only work part time (particularly married women) should play as full a part in the economy as possible. The minimum flat rate contribution is a savage poll tax – or worse if account is taken of the fact that income tax payers can lay off part of their insurance contributions against the tax they pay. The survival of this highly regressive tax contradicts the whole principle of making people pay taxes according to their means. Thus the switch to wage-related contributions extending over all or nearly all income is an essential step towards social justice, whatever is done about benefits.

There may come a time when the whole system of contributions could be abolished: all benefits would then be paid out of general taxation. But people still like to think of social security as a system of insurance. While this attitude prevails, wage-related contributions are at the very least a great improvement upon flat rate contributions.

The principle of wage-related social security is not new to Britain. It has been accepted in the public services for centuries and is the growing practice in the private sector for sick pay, redundancy schemes and occupational pensions. Nor can these schemes really be called *voluntary* in contrast to the *compulsory* state scheme. It is almost impossible for salaried men in a wide variety of occupations to find a job which does *not* carry sick pay, pension and other fringe benefits. Yet despite this acceptance of wage-related social security in occupational arrangements, both public and private,

there are some people in the Labour movement who do not feel the principle should be applied compulsorily on a national basis. And it is still believed in some quarters that the state should guarantee a generous flat rate minimum of benefit and let people *choose* whether they wish to make any additional provision. Some of these critics think of occupational schemes as the exercise of such a choice. But few of such arrangements have been negotiated with a representative body of employees to which the individual may or may not belong. Surely these old-fashioned Liberals, as I believe they are, should be agitating for a law which would forbid the payment of any remuneration in the form of fringe benefits just as payment in kind was forbidden many years ago by the Truck Acts.

The case for an *element* of wage-related benefit is derived from facts about people's economic circumstances. It is absurd to accept or tolerate unequal earnings among those at work while imposing equal incomes upon the aged, the sick and the unemployed just because the means are at hand to do it. People with unequal earnings inevitably take on unequal long-term commitments such as hire purchase and house mortgages which they should not be suddenly forced to abandon when hit by adversity of some kind. They must be given time to readjust their arrangements to their new economic circumstances. There are certainly many people – particularly young people – who would not make much provision for their old age if not compelled by ICI or the Government. It is well recognised that people discount the future and discount risks. Nor is it surprising that people – particularly those with young families – prefer to spend a pound today rather than lay it aside for old age. But how much compulsory provision should be made? It is clear that wants will differ according to accustomed living standards. Whether one calls such minimum wants 'subsistence' or not depends solely on the meaning one wishes to give to words. It is at least clear that the measuring rods of 'poverty' developed by Booth, Rowntree and Bowley were always an absurd abstraction – useful to convince the comfortably off but of little real significance to those less favourably placed.

The proposals in the *New Frontiers* plan are in fact a compromise between wage-related and flat rate benefits. It is not proposed that any benefit should be paid as a strict proportion of earnings – as is the usual practice for civil servants or for executives in industry. All the proposed wage-related benefits include the existing flat rate benefit to which a wage-related supplement is added – the whole

paid for out of one combined wage-related contribution. Thus the new social security system will involve a larger element of redistribution than is going on in the present system. While about half the wage-related contribution is returned to the contributor in a strictly wage-related supplement, the other half goes to pay existing flat rate benefits. This second half is clearly redistributive – from each according to his means, to each according to his needs.

A benefit on this basis will be paid to the sick and the unemployed. Victims of industrial injuries and war service will 'continue to enjoy specially favourable treatment'.[1] The sick and unemployed are given one year of benefit on a wage-related basis. This gives them an opportunity to readjust their hire purchase commitments and housing arrangements, should this be necessary. After one year, benefits become again flat rate but on a more generous basis. 'In the case of a single person, this basic flat rate benefit will be one-third of average national earnings: in the case of a married couple, one-half.'[2] This might amount to a benefit of about £4 for a single person and £6 for a married couple. It would seem wrong for people with a similar problem to be treated permanently on a basis which varied according to what they earned before they were forced to abandon work.

Widows 'will receive a payment for six months after widowhood made up of the flat rate element and, subject to an upper limit, a graded element equal to one half the husband's normal earnings. This will be a transitional benefit designed to help the widow to adjust to the financial loss and also to her changed conditions of life'.[3] Widowed mothers and older widows will continue to get a pension on a wage-related basis. The present earnings rule will be abolished.

The superannuation benefit for the aged will also consist of a flat rate element and a wage-related element but the latter will vary according to the time during which wage-related contributions have been paid. Earnings later in life will count more towards pension than earnings earlier in life, so that those who have already reached their fifties when the scheme is introduced will receive a sizeable wage-related element. Moreover 'the dynamic principle' will be applied: when contributions are calculated, earnings earlier in life will be adjusted for changes in the standard of living occurring during the life-span.[4] Contracting out of this wage-related pension

1. The Labour Party, *New Frontiers for Social Security*, London 1963, 16.
2. *Ibid.*, 15.
3. *Ibid.*, 16.
4. See the Labour Party, *National Superannuation*, London 1957.

will be allowed 'along the lines already laid down in the Government's present graded pension scheme'.[1]

As the wage-related part of the pension depends upon the payment of contributions on a wage-related basis, it can do nothing to help those who have already retired and little to help those who are just about to retire. These old people cannot be left on the present inadequate pension while higher benefits are being paid to other social security beneficiaries. Nor can they be left as at present to have their needs met by supplements paid by the National Assistance Board. It is now established beyond any doubt that this system has for years failed to prevent stark poverty among old people. They don't apply despite evident need.[2]

It is hardly practicable to meet this problem by establishing a higher level of flat rate benefit for all pensioners. This would leave out the million old people mentioned earlier who are not entitled to retirement pensions. And a very high level of benefit would be required if the needs of the vast majority of pensioners are to be met. It would, moreover, be absurd to pay higher benefits to those pensioners who have substantial other sources of income.

The solution proposed in *New Frontiers* is to require people over pensionable age to make a declaration of means as for income tax purposes. From this return it will be possible to increase the incomes of those in need up to an adequate level. *New Frontiers* does not state a figure, but a reasonable minimum might be £4 10s for a single person and £7 for a couple. The system avoids the need to *apply* for help. Instead the Government will *offer* help on the basis of the income tax return. It also avoids home visits by assistance officers and detailed enquiries into personal circumstances. Neighbours need never know who is receiving this new income guarantee.

These proposals will not dispose of all need for extra assistance on an *ad hoc* basis but they will greatly reduce the scope of such aid. It is proposed that the National Assistance Board should be abolished and its remaining functions transferred to a new comprehensive Ministry of Social Security, which will give more generous treatment to those who need its help and greater individual attention of a welfare character.

New Frontiers did not give any figures for the cost of its proposals. I believe that a scheme of this kind could, on certain assumptions, be paid for by a contribution of 4 per cent payable by the employee and 8 per cent paid by the employer and an Exchequer supplement

1. *New Frontiers for Social Security*, 19.
2. See Dorothy Cole, *op. cit.*

at the rate of 2½ per cent of personal income. On this basis low paid workers would be paying less contribution than at present to receive much more generous benefits. The bulk of the cost would be paid by the employer as is the practice in the majority of countries with wage-related schemes. Initially this higher employers' contribution would lead to an increase in the price level. But contributions on the basis suggested would leave a surplus available for investment. This could help to stimulate growth and thus over the long term be an important ally in the battle against inflation.

As a whole the new proposals will lead to an enormous improvement in the levels of living of millions of the poorest people in Britain. They are long overdue. But the exact impact will depend upon detailed decisions on points where the policy statement is imprecise. In particular an enormous amount will depend upon the exact terms which are laid down for employees contracted out of the wage-related pension. Strict conditions would require employers to give pensions to those whom they contract out which are in every respect as good as those in the Government scheme. This would mean a 'dynamic' element in calculating pensions and a guarantee that pensions do not lose their value while they are in payment. It is hard to see how the Government can give a guarantee of this kind to those in the national scheme without seeing that something is done for those outside it. It is hardly possible to ignore completely the problems of contracted out employees if the employer remains ultimately responsible for deciding which scheme his employees are in. Similarly it is hard to see how private employers can in fact *guarantee* the pensions of their employees against inflation. The exact role of contracting out has still to be specified.[1]

The policy statement is also vague about industrial injuries and war pensions. When all social security benefits were inadequate, there may have been some case for giving preferential treatment to victims of war and work. With more adequate levels of benefit, the case for this is by no means self-evident. Moreover the attempt to differentiate between injuries and diseases which 'arise out of and in the course of employment' and those which do not produces a whole series of anomalies. While mild pneumoconiosis earns injury benefit, severe tuberculosis does not, as no one can prove how far working conditions contributed to the disease. In a recent case it was accepted that a man had been gradually injured by using a pneumatic drill over many years, but as this was 'injury by process'

1. This issue is discussed in detail by Tony Lynes in *Pension Rights and Wrongs*, Fabian Research Series, 236, 1963.

rather than 'injury by accident' he was given sickness benefit instead of the higher industrial injury benefit.[1] If injury by process had been accepted, the door would have been open to giving the higher level of benefit to millions of people whose work had hurried on the normal deterioration of physical function which comes with age. It is impossible with present medical knowledge to make meaningful distinctions between work-generated disability and home-generated disability and the attempt to do so causes thousands of people to have grudges against the whole social security system.

But the question of industrial injury cannot be considered without taking account also of the right to sue under the common law in cases where someone can be proved to have been negligent – particularly an employer or the driver of a motor vehicle. Here the system of getting compensation is extraordinarily primitive and inefficient. Compensation in such cases depends on whether you know the law, or whether you know how to get hold of a lawyer and legal aid or union aid if you need it, whether you can find the evidence to prove negligence, which judge hears the case and many other considerations. If all goes well, after months of delay an apparently enormous sum may be paid over to you, though there is never any redress if this lump sum should become heavily corroded by inflation.

Thus, if you can prove that you were injured unintentionally by some negligent person who is insured or relatively wealthy, you or your widow can get not only industrial injury benefit but a large sum which takes account of loss of faculty, loss of earning capacity, pain and suffering and much else.[2] If on the other hand you were injured not inadvertently but deliberately, it is very unlikely that you will receive anything more than sickness benefit. And if you are not at work, the National Assistance Board will be the only source of financial aid. There is as yet no system of compensation for victims of crimes of violence.

Before it was practicable to collect social security contributions and before a team of professional benefit assessors was developed, the use of general purpose judges to deal with such matters was a rough and ready solution to the needs of a simple society. But this slow-moving and arbitrary mechanism is nonsensical in the second half of the twentieth century. The system of using the person responsible for harming others as the source of financial aid to the disabled has obvious disadvantages. The ability to receive adequate

1. See *Hansard* (*Commons*) 27th May, 1963; Col. 893–4.
2. See H. Street, *Principles of the Law of Damages*, London, 1962.

support should not depend upon the wealth or insurance-mindedness of the person responsible for the injury. And the development of insurance has made the whole system of slight value even as a means of penalising careless people.

Fines undoubtedly have a part to play in forcing people, particularly drivers and employers, to be more safety-conscious. So also have prisons. But the whole question of meeting financial needs must be thought out separately and as a whole. This *New Frontiers* fails to do. The identification of the negligent should not be used as a means of raising money for disabled people.

But the greatest weakness of the policy statement is that it says so little about family allowances. It is stated that they will be 'reorganised and graduated according to the age of the child'.[1] The present allowances of 8s a week for the second child and 10s a week for subsequent children are clearly inadequate by any standard. While other benefits have eventually attained roughly the standard of living envisaged in the Beveridge plan, family allowances have been left to rot at less than half the level which Beveridge regarded as subsistence. If all the other proposals were implemented and family allowances were not substantially increased, large families with low incomes would remain as the largest single cause of poverty. It would be scandalous for a million or more children to be left behind in the general economic advance at levels of living which make it impossible for them to get an adequate diet. This is the lot of hundreds of thousands of children today.[2]

The inadequate level of family allowances makes it impossible to give unemployed people receiving national assistance the full amount which the assistance scales would require without their receiving more when unemployed than they could earn while at work. It is often imagined that the Assistance Board pays in all cases a subsistence level weekly grant. In these circumstances it does not. This 'wage stop' affected 25,000 people in December 1962.[3] In 3,000 of these the household was given over £2 *less* per week than they would have received had the full assistance been paid out.[4]

The principles governing the maintenance of children need, like

1. *New Frontiers for Social Security*, 15.
2. The evidence is presented by Royston Lambert in an Occasional Paper to be published by the Codicote Press.
3. *Report of the National Assistance Board for the Year ended December* 31. 1962, HMSO 1963, 39.
4. *Ibid.*

the problems of the disabled, to be thought out afresh and as a whole. The most costly help for parents today does not come from family allowances but from allowances for children in the income tax and surtax. In the highest income groups the birth of a child can increase family spending money by as much as two pounds a week. The tax allowance is available for *all* children including the first, it varies with the age of the child and it continues right through university. Indeed this weekly income supplement can even start three months before the child is conceived, as a full allowance is available for the whole of the tax year even though the child may be born right at the end of it. The family allowance excludes the first child, starts with the actual birth, stops at age eighteen and never exceeds 10s. whatever the age of the child.

Family allowances and tax allowances for children have clearly got to be dealt with together. And one needs to consider with them the question of maintenance allowances for children continuing at school beyond the compulsory school leaving age and for students at institutions of higher education. At the school level, maintenance allowances for children are subject to a savage means test and seldom do much more than double the family allowance. In comparison, the maintenance grants for higher education, with all their anomalies, are a bed of roses – a relatively lenient means test and a level of allowance which though low does provide a level of living higher than millions of old people endure without any hope of supplementary earnings.

A new comprehensive system of allowances for children should be paid in place of the existing tax allowances, dependents' benefits in national insurance, maintenance allowances as well as family allowances. Account obviously needs to be taken of the age of the child and account might also need to be taken of whether the mother does or can go out to work. A rate of £1 10s is the minimum which can be tolerated at present prices.

New Frontiers does not, therefore, resolve all the problems of financial need in Britain today though it makes an enormous advance towards this aim. The whole role of tax concessions in income tax allowances urgently needs reconsideration, not only in its provisions for children and their generous assistance to occupational pensions and life insurance but in their curious and anomalous provisions to assist people to keep housekeepers, nannies and domestic helps, to support impoverished relatives and to assist those aged people whose incomes are regarded as low by the relatively generous criteria used by the Inland Revenue. Secondly,

the whole system of compensation under the common law needs to be re-examined in the light of developments in state social security. Thirdly, family allowances need to be substantially recast to meet the distribution needs of large families both when the breadwinner is at work and when he is not. These are the further frontiers which remain for the next Labour Government to explore.

7. Britain and the World

by Peter Pulzer

1. THE BACKGROUND

The Left in Britain has always been generously involved in distant crusades: the unification of Italy, the risings of Greeks and Bulgarians, Abyssinian independence and Spanish democracy were all helped with words, money and lives. But these have been the enterprises of dedicated individuals: the Left as a movement has lacked a coherent philosophy of relations with the rest of the world. Too often, therefore, the common factors of its outlook during the last 150 years have been pacifism, Little Englandism and isolationism. This attitude has been based on the suspicion not only that most foreigners were immoral, but that those in Britain who dealt with them were equally immoral – and indeed it has been more difficult to subject diplomatists, generals and pro-consuls to democratic pressures than any other public servants. Hence John Bright's 'no foreign politics', John Morley's and John Burns' resignation from the Cabinet in August 1914, Labour's reluctance to approve the arms that would defeat Fascism. But it was reinforced by the world supremacy that Britain enjoyed, the assurance deep down that whatever we wanted done, could be done. So, protected by the Channel and the North Sea, by fog and iron-clads, John Stuart Mill elaborated the liberties of man and the early Fabians reconstructed society.

Those who did not simply ignore foreign affairs had the most innocent ideas on how they should be conducted. The Union of Democratic Control, founded in the middle of the First World War, held that the glare of publicity would avert wicked foreign policies; and Ernest Bevin, in a rare access of naïveté, thought at the end of the Second World War that 'Left could speak to Left'. Even today there is a fringe which believes, as Trotsky once did, that a Socialist Foreign Ministry need only 'issue a few proclamations and then shut up shop'.

To the Labour Party as a whole these strictures do not, in 1964,

apply. The reality of the nuclear danger, our experience of Communism and the intensity of all non-Europeans' desire for self-respect have made it pre-occupied with world affairs as no political party has been in British history. Indeed it was world affairs that caused Labour's gravest crisis – now surmounted – only three years ago. How should Labour now address the people of Britain on this all-important subject? As Harold Wilson has remarked, it may not be possible to win general elections on foreign policy, but it is possible to lose them. In our relations with other countries, as in the re-fashioning of our social and economic life, it will be the task of the Labour Government not merely to initiate and negotiate, but to educate.

Public opinion *does* count in Britain, and the public deserves to be told what our situation in the world is, how we got there and what we ought to do about it. It will be Labour's task to guide Britain delicately and sensitively through her shrinking pains – to lay bare, as starting points for new, constructive policies, where we have been going wrong.

2. THE PRESENT PROBLEM

That means, in turn, that it will be Labour's task to break the rather complacent consensus about the nature of post-war Britain which grew up in the 1950s. Cracks in this consensus have already appeared, of course. They have gone deeper on domestic issues, if only because we are more continuously aware of what is going on under our noses and bread-and-butter issues are more rewarding politically. But at any rate among a vocal élite the short-comings of our welfare state, the limitations of consumer affluence and the damage caused by our distrust of professional expertise have become commonplace. The very existence of a journal like *New Society* testifies to this. But where is *New Diplomacy?* Which British university outside London has heard of strategic studies? A Labour Government will, one hopes, make it as natural to question our *status quo* in foreign as in home affairs.

True, even in foreign affairs the questioning has begun. The most traumatic event in Britain's post-war history was Suez: it is from then that all re-thinking dates. The process has been aided by Cuba, the Common Market negotiations and the collapse of the 'independent deterrent'. All of them have taught us the same painful lesson: that we can no longer make a thing happen simply because we want it to. But Suez and the Common Market had the

added value of generating genuine public debates, even if the main ingredients of the first was emotion and the second was inconclusive, both major parties speaking with a divided voice.

3. THE STATUS OF BRITAIN

What *is* Britain's true power status today? The starting point of any Labour Government's policy, and any education of public opinion, must be a sober and realistic estimate, free from the cant of 'tasks for giants' or 'second-rate power'. It is common to talk of our 'gradual' decline from being a Great Power; in fact the decline, artificially delayed, has been very sudden and this has made the shrinking pains all the more agonising and acute. For three centuries Britain was in the unique position of combining world-wide with European interests: she was both the world's first maritime power and part of the continental balance of states, and she successfully beat off all European challenges – Dutch, French and German – to her world hegemony. The fatal threat to this hegemony came when powers *outside* Europe began to outstrip us militarily and economically, and rebel against us politically – it came in the first place from the USA and the Soviet Union (three-quarters of which lies in Asia), in the second from the Afro-Asian revolution. Logically, therefore, the decline of our Empire and world domination should have begun in 1919. But because both the USA and the Soviet Union, for different reasons, remained isolated until 1941, Britain, with France, was able to dominate the League of Nations and through it the world. (Apart from anything else, the isolation of America and Russia neutralised their anti-colonialism.)

Even after the end of the Second World War Britain's claim to be a Great Power was by no means bogus – we had made a valuable military contribution to victory, we had emerged as one of the three 'nuclear' powers and we still possessed an Empire. The distance between us and any continental European power (always excluding Russia) was emphasised by the devastation of war and the fact that they had all – in 1940–41 or 1945 – been defeated. It was in the light of this status, recognised by others as well as ourselves, that the Attlee Government embarked in 1949 on the policy of the 'independent deterrent'. The reason why this decision failed to mark the beginning of a new era is that it coincided with another major decision made by the same government: to help set up NATO and lend it full support. It is no criticism of NATO to say

that its creation – and the necessity for its creation – marked the true end of Britain's career as a Great Power. For it signified that Britain and Western Europe could not hope to repel the Soviet and Communist threat without help from outside Europe.

Thus we have had a mere fifteen years in which to adjust ourselves to a radically new situation. Such a task is difficult at the best of times. It has not been made easier by being presided over by a Conservative Government which, with Micawberish irresponsibility, has refused to read the signs. The period in which our readjustment should have taken place was neatly bisected by Suez, an event which illustrated, for anyone interested in learning, our dependence on America, the strength of the Afro-Asian revolution and the tactical help it might expect, in a crisis, from Communism. Yet the great political achievement of Mr Macmillan was to persuade not only the Conservative Party but also the country that Suez never happened: and with the Nassau agreement he presented us with a make-believe defence policy which ignored everything that has happened since 1949 to our power standing.

This is the situation the Labour Government will inherit. Its policies, and its presentation of them, will have to make up for the thirteen lost years. The job will be all the more difficult as the symptoms of decline, and the difficulties of interpreting them, have produced a plethora of false prophets.

4. FALSE POLICIES

A Labour Government, courageously prepared to face the facts, is doubly vulnerable to drawing erroneous conclusions from them.

a. The first of these is that the sources of Britain's weakness are mainly moral, that it can be remedied by a resurgence of national moral purpose at the expense of craven internationalist defeatism – perhaps when negotiating defence agreements with America, perhaps when re-appraising our relations with Europe, perhaps when faced with a sudden threat to our remaining overseas interests. Since the true home of such emotions is the Far Right it may be thought that a Labour Government would be immune from them. But in the first place the Left has always been open to, and defensive about, the charge that it is unpatriotic, and the temptation – in the face of hostile, mass-circulation headlines – may be to take the line of least resistance. In the second place chauvinism of different

kinds, particularly anti-Americanism and Hun-baiting, is not far below the surface in the Labour Party itself. And here again, dictates of 'party unity' may point temptingly to the line of least resistance.

b. It is, however, the emotional substitutes for imperial greatness, the non-bellicose formulas for recovering Britain's 'moral leadership', that have had more impact on sections of the party. Unilateralists and neutralists, though they appear to be further removed than any other group from the orthodoxies of British foreign and defence policy, in fact share many of the fallacies of the consensus – in particular the notion that Britain is still the navel of the world, and British interests focal to what happens in it. It is true that their views have now been decisively rejected as official Labour policy; that CND – and *a fortiori* the Committee of 100 – are getting further and further removed from the main body of the party: that constituency opinion, as conference votes have shown, is a good deal less 'left-wing' than either the Left or the Conservatives like to believe. Their fallacies nevertheless remain important, if only to illustrate the limits within which any British Government can determine policy.

c. Of the fallacies I have mentioned, the milder is Unilateralism. Its major crime, as its name implies, is the simple assumption that when Britain does something on her own the rest of the world must sit up and take note (let alone approve). In the first place it was argued that by removing militarily valuable targets Britain would be made safe from nuclear attack. At that stage of the argument the effect of such unilateral disarmament on NATO and the Western deterrent was not discussed; nor was the effect on British safety of a change in NATO strength. No one asked why eminently unaggressive states like Sweden and Switzerland were planning a nuclear deterrent, or whether the USA would tolerate the peaceful occupation of this country by an enemy because we preferred not to defend ourselves. But the logical conclusion of this narrow national egotism was a new vision of British world leadership, enshrined in neutralism.

d. Neutralism (in so far as we can define an outlook which means so many different things to its adherents) would replace morality for power as the basis of a new White Man's Burden. (It is significant that Britain alone of ex-imperial and NATO states has developed a sizeable unilateralist movement.) For all its ambiguity it has certain recognisable outlines. It assumes, without question or demonstration:

1. That all neutrality is basically the same and all 'unaligned' powers have interests in common. In fact there is no such thing as neutrality *tout court*: that of Finland differs wildly from that of Indonesia, as does that of Burma from Yugoslavia.

2. That neutrality is morally superior to membership of an alliance. In fact non-alignment corresponds with Egypt's or Switzerland's self-interest as much as membership of CENTO corresponds with Turkey's. (It is, of course, none the worse for that.)

3. That neutrality bestows greater freedom of action. What does India have that Pakistan does not? How much independence does Cuba's foreign policy have?

4. That the non-aligned world is breathlessly waiting for Britain's declaration of adherence and would willingly submit to the leadership of a power which had a larger overseas empire for longer than anyone else. In fact the non-aligned countries are mainly non-European and poor: the suspicions of non-European 'have-nots' of the motives of European 'haves' are so intense that they are threatening even to split the Communist bloc.

So much, then, for what we ought no longer to do. Fortunately the Labour Government's task will not be entirely destructive or negative. *It will have to find – as in our domestic economy – new and reliable sources of strength to compensate for the declining and out-of-date ones we have gone on admiring.* We remain, after all, by European standards a large and highly industrialised country, and we have inherited from the past invaluable political, cultural and economic contacts. As a mass society, largely living and working in huge conurbations, with an annual steel capacity of twenty-five to thirty million tons, dependent as almost no other country is on foreign trade, we cannot simply turn ourselves overnight into a European India or a larger (and slightly uglier) Sweden.

Harold Wilson's declaration that Britain under Labour would remain faithful to the Western alliance we may take as categorical. Nevertheless towards each of the major powers or groupings in the world – America, Western Europe, the Communist bloc and the 'under-developed world' a Labour Government will, if backed by understanding and goodwill in this country, be able to pursue beneficial policies.

5. FUTURE POLICY: THE USA

There is no nation with which our fate has been more intimately bound up than the USA, no power with whom it has been, or is,

less likely that we should ever find ourselves at war. This permanent intimacy has made our relations with America more complicated, more controversial and filled with more sentiment and resentments than those with anyone else. We may, for different reasons, admire or detest France, Germany, Italy or Russia; we may even feel indifferent towards them; but we do not consider their existence inseparable from ours, as we do America's. The truth of this has been intensified since 1949 by the existence of NATO, which means that any discussion of Anglo-American relations must also be a discussion of British defence policy (as unilateral disarmers clearly recognise). The problem, as it will face the Labour Government, may be reduced to three questions.

Is there a 'special relationship'? The special relationship, whatever it may be, has frequently been pronounced dead; yet in many curious ways it survives. The very method by which President Kennedy tried to end it at Nassau was a tribute to its tenacity. It survives because of ties of culture and kinship; because of a genuine similarity of political tradition, rooted in the Common Law, parliamentary methods and the liberty of the individual – and the last two are taken for granted as a method of ordering society at all levels in a way which is hardly true of the Continent; above all because America is in the process of taking over Britain's traditional position. She has become, *vis-à-vis* Europe, the off-shore power with world-wide commitments, to whom the continental balance is nevertheless vital although she can maintain it only with continental allies. She has become the world's chief source of credit and of advanced industrial goods. Indeed, it is this 'take-over bid' which has disorientated British attitudes to America.

But the special relationship exists also in the demonology of others. Britain's entry into the Common Market foundered because Britain was suspect as an American Trojan horse. To the extent that President de Gaulle believes in an Anglo-Saxon conspiracy, that conspiracy is forced to exist. Nevertheless, in the present rivalry for second place in the Western alliance, the special relationship of the past is the least reliable prop for a sound Anglo-American partnership. We have therefore to ask:

What is America's role in NATO? Two apprehensions about this have at various times made neutralism attractive to British opinion outside the professional Far Left. The first is the fear that America will consider Europe dispensable and refuse, in a crisis, to defend it with nuclear weapons. The other is the fear that the more nervous or intransigent of America's continental allies (principally West

Germany) might drag the whole of NATO into a crusading war. The prestige of West Germany in America's eyes lies precisely in the fact that she aspires to no follies of nuclear grandeur *à la* de Gaulle or Macmillan, but that she *does* produce twelve well-trained conventional divisions. Exasperation with Britain in Washington arises out of Duncan Sandys' disastrous attempt to duplicate America's power to 'retaliate massively', which we were unable to afford either financially or technically, but which deprived us of even the modest agreed minimum of conventional land forces.

Nothing undermines mutual confidence within NATO more than the proliferation of deterrents (and nothing makes the deterrent less credible). De Gaulle's *force de frappe* is clearly designed to frighten America more than the enemy; and the whole story of Skybolt and Polaris shows that we maintain our deterrents strictly on American licence. It is argued in favour of a British Polaris missile that it will enable us to resist aggression in places where we cannot count on automatic American support. But can one really envisage any circumstance in which Britain engages in nuclear war independently of the USA? And would the USA agree to sell us missiles if she thought there was the slightest risk of this? It is in the logic of the world's two alliance systems that any nuclear threat to any member or client of any 'Western' grouping (not merely NATO, CENTO or SEATO, but India or Brazil also) will involve the USA: this is certainly clearly understood by the USSR. Conversely any threat to a member or client of an 'Eastern' grouping will involve the USSR, a fact clearly understood by the USA.

The pretence by the Conservative Government that things are otherwise therefore performs a multiple disservice. In the first place it misleads British opinion about our standing in NATO and the world. In the second place it convinces the USA that our policies are inspired by decadent flippancy. In the third place it prevents a rationalisation of NATO's nuclear policy. The first duty of the Labour Government will be to implement its declared intention of abandoning the 'independent' deterrent, if only to enlighten British public opinion about the pretences on which it is based. (It should not be necessary to throw away the V-bomber force, which retains some years of useful life.) Such a step will not be 'neutralist', for we shall remain members of a nuclear alliance. It will not be 'unilateralist' for it clearly corresponds with the wishes of our partners in the alliance. It does not exaggerate our moral

influence, for while it is obviously fallacious that China or Egypt will be deterred from nuclear ambitions by our renunciation of them, it will become much easier to restrain others *within NATO* from them – Western Germany and even France, once (and this is a proviso for so much diplomatic crystal-gazing) the baneful influence of de Gaulle is removed. The way will then be clear for a unified NATO command, supra-national but supplied with US nuclear weapons. Britain, having abandoned her own attempts to rival the USA, will be better able to resist other attempts – in particular NATO deterrents *separate* from that of the USA, which could clearly be a Franco-German deterrent in disguise.

There remains, nevertheless, the final question in Anglo-American relations:

What influence can Britain still exert? In the post-Cuba world this can be a disturbing one. For in the Cuban crisis it became clear that what mattered most to President Kennedy was an exact definition of how hard he and Mr Khruschev might tread on each others' corns. This is strictly a matter for the Big Two: if they can agree, the rest of us may breathe; if they cannot, we are doomed. But Britain *has* been able to influence America in the past – over Dien Bien Phu, over the conduct of the Korean War, over Quemoy and Matsu, over aid to 'uncommitted' Commonwealth countries. Our advice will continue to be welcome on matters in which we possess genuine expertise, when our counsel is sensible and pressed with conviction. And if it is unrealistic for 'neutralists' to envisage Britain as a mediator between America and Russia (for we are not in a genuine mid-way position between the two), it does make sense for us to mediate between the USA and Europe, or the USA and parts of the Commonwealth.

6. FUTURE POLICY: WESTERN EUROPE

An argument frequently heard in favour of our joining 'Europe' (i.e. the Common Market) was that Britain was, and is, undeniably part of Europe anyway. This is a dubious assertion. When Britain was a Great Power she was primarily a maritime and colonial power. Her concern with Europe was fitful and could be actively expressed only with continental allies. Without such an ally (for instance, during the period of Prussian expansion in the 1860s) Britain was powerless in Europe. Nor were such allies always encouraged to rely on the permanence of British interest in them –

consider France after 1919. Continental influences on British literature, art and scholarship have been selective and irregular, while on the continent Britain is more often admired than imitated. Our emotionally strongest political and economic links are with that heterogeneous entity, the English-speaking world: nothing showed this more clearly than the bewilderment with which so many politically experienced people reacted to the prospect of our joining the Common Market. The average Labour politician has more in common with Mr Nehru than with M. Spaak; for every ten who have heard of Mr Tom Mboya or Sir Grantley Adams, hardly one could name the chairman of the West German TUC.

These are undeniable obstacles to a closer relationship between Britain and the Six. The main reason why we should associate more closely is not that this lies in the logic of our past, but that it is enforced by the altered present. It is because the world has shrunk, because, in particular, Europe is no longer the arbiter of the world's fortunes, because the other ex-colonial powers have successfully found new strength in a united Europe, because the Channel has ceased to be the most important moat in the world. Nothing in post-war Europe has been more impressive than the decline in national barriers, not merely in the matter of passport and customs routines, but people's – particularly young people's – minds. Even if the economic arguments for joining had been genuinely fifty-fifty, and the political advantages negligible, the moral benefits to be derived from recognising who our neighbours are, from joining in this breaking-down of barriers, from the stimulation of new ideas and new methods, would have been incalculable. It was significant that in Britain, too, it was the younger people, those who had travelled and those who were in the newer, expanding occupations, who favoured our joining.

All this is spilt milk. For the time being a resumption of the negotiations seems out of the question; when they are resumed they will be between a different Britain and a different 'Europe', with issues necessarily altered by the passing of time. Nevertheless, the door must be kept open. It would be fatal for a Labour Government to assume that because 'Europe doesn't want us' we can find substitutes for Europe elsewhere. Those who objected loudest to joining the Europe of Adenauer and de Gaulle chose to ignore that it was Adenauer and de Gaulle who least wanted us in; that it was the liberal and socialist forces in EEC who were disappointed most when our application failed. By the time the Labour Government

takes office Erhard will have been firmly in control for several months; and de Gaulle, as rumour has it, is not immortal.

The long-term reasons for closer association with W. Europe remain. The EEC continues to be the fastest-growing potential market for British exports and the world's most dynamic economic complex. (If Germany's boom shows signs of flattening out, that of France and Italy does not.) If Britain declines to take note of that, she will be unique in doing so: the US will not follow her example, nor will COMECON, nor will the under-developed countries. But a Labour Government willing to co-operate with Europe, and the democratic Left within it, can exert influence. It can provide a strong leavening of the Protestant-liberal political tradition; it can counteract tendencies towards European 'autonomism', it can work for tariff policies helpful to poorer countries. To forego such an opportunity is both wilful and pointless; to deny its existence an unfortunate reversion to self-righteous isolationism.

7. FUTURE POLICY: THE COMMUNIST WORLD

A movement as firmly wedded to the Western democratic tradition as British Labour can have few illusions at this stage about Communism. But it must remain aware that Communism, like the rest of the world, is changing, and it must seize any opportunity for reducing tension that these changes offer. Nothing has been more welcome in the last ten years than the way both major blocs are showing signs of loosening and becoming more varied. If one compares Poland with Albania, or Yugoslavia with Viet-Nam it really becomes very difficult to generalise about 'Communism' – quite apart from the differences between Russia and China which are a matter more for speculation than certainty. As long as one could believe in the 'roll-back' doctrine of anti-Communism, black-and-white thinking was a convenient propaganda device. The more tyrannical Communist régimes were, the more severe their economic disasters, the more intolerable they would become to their peoples and the sooner 'liberation' could begin. The fallacies of this line of thought are illustrated by East Germany. Here is a puppet régime, truly bankrupt morally, politically and economically – yet tangible help for its population is farther away than ever. They are unfortunate even by the standards of Hungary or Bulgaria.

That is why all reversions to Stalinism – whether its victims are abstract painters, Jews or heterodox journalists – though satisfying

to anyone convinced of the irredeemable depravity of Communism, are set-backs to civilised co-existence. They are worse, for an unfortunate concomitant of intolerance on the one side is an intensely aggressive suspicion, leading in extreme cases to McCarthy-ite witch-hunting, on the other. This is natural: when you are under siege you cannot give all suspects the benefit of the doubt. It is not because one has illusions about Communist idealism, or accepts its protestations at face value – on the contrary, it is because one is aware of its potential for evil, that one is bound to help it out of its isolation and uniformity. The pace of liberalisation is slow and uneven. It proceeds at the rate of two steps forward and one step back. The task of the Labour Government will be to encourage every positive symptom. Every Gomulka is a hostage to the Cold War: it is Communism in a panic which is dangerous Communism.

Pursuit of such a policy cannot lead to spectacular results. But there are two opportunities which, given the nature of East-West exchanges, lie in the hands of Governments. The first is cultural intercourse, the second is trade. The expansion of the first is largely a matter of steady dripping to wear away the stone; trade is a more complicated question. One does not want to exaggerate the immediate opportunities which the Communist bloc offers to British exporters; nor to forget the fates of countries like Yugoslavia or Albania which depended too heavily on Soviet trade; nor to forget that officially COMECON is still wedded to autarky. The fact remains that the entry of the Soviets into world trade will give them a bigger stake in co-existence than any they have now. And a long, hard look at the 'strategic embargo' list will do the Labour Government no harm.

Yet all these considerations of individual freedom, cultural interchange and trade are auxiliary to the central problems of East-West tension: the threat of nuclear war, the struggle for the allegiance of under-developed countries, disengagement in Europe. Experience shows that the Russians are unwilling to surrender any major position to the West without recompense, and that any major unilateral surrender by the West will not be reciprocated. More ominously, experience shows that – as in Laos – the Russians are by no means always able to control the satraps whom they speak for. But there are in Europe a number of issues on which the two sides could give each other satisfaction. The West must insist that West Berlin retain its political liberty and must urge the steady liberalisation of life East of the Iron Curtain. The Russians want security

for the Oder-Neisse line, some sort of recognition for East Germany and continued access to the economic resources of Eastern Europe. The permanence of Soviet interests in their present sphere could be worth further political relaxations – especially in East Germany; or the liberties of Berliners worth allaying Eastern fears (real or imagined) of West German révanche. The Labour Government could well undertake a constructive initiative, such as a general Western recognition of the present Eastern frontiers of Germany, which would be a betrayal of nobody and perfectly compatible with all our moral and contractual obligations. On conditions such as these bilateral withdrawals of forces could begin, and over-sensitive nerve-spots like the Berlin check-points entrusted to UN forces.

We would not thereby abolish the threat of war; we *would* diminish occasions for it. In the last resort only disarmament, however piecemeal, can achieve this and it may be that economic pressure on the Big Two will do what no other arguments have so far done. It would be foolish for a Labour Government to pretend that world peace is in the gift of any except the two major nuclear powers. We do not need nuclear weapons ourselves in order to contribute to disarmament; we do need to be whole-hearted members of the western alliance to retain influence on its disarmament proposals.

8. FUTURE POLICY: THE 'UNDER-DEVELOPED' WORLD

If the lines are fairly firmly set in Europe, the opposite is true of Africa, Asia and South America. Here, in the 'Balkans' of the mid-twentieth century, are the proletarian nations of the world. Roused by western political doctrines of emancipation (and Marxism is one of the West's gifts to the world), they have begun to aspire to a place in the sun. The struggle for their allegiance is the greatest single source of rivalry between the blocs (as well as within them). The Afro-Asian revolution has come to stay: a recognition of this must be the starting-point of the Labour Government's policy. This does not mean that we should turn a blind eye to tyranny practised by a new nation, which we would condemn if it happened in Spain or South Africa. It *does* mean, once and for all, an end to relying on corrupt cliques to keep down popular nationalist movements: to withhold recognition from the Yemeni Republic is a pathetic anachronism. It means, above all, a much more radical disassociation than ever before from the remaining attempts at white

supremacy – by the exercise of our own statutory responsibilities in Central Africa, through the United Nations in the case of Portugal or South Africa. Here a new Government really must mean a little less wind and a little more change.

It is also in the power-vacuums created by de-colonisation that the UN can play its most constructive part – compared, that is, with its impotence in direct inter-power relations. We have seen this in the Congo; we may have to see it again shortly when the Portuguese Empire goes the way of all flesh. Here, too, the Labour Government's obligation is clear: no more Katangas.

The new nations' greatest fear is that de-colonisation may be followed by 'neo-colonialism' – the continuation or intensification of economic exploitation although the district commissioner has gone. This problem is discussed in detail elsewhere in this book – but it is worth remarking here on one of the few moral advantages to be derived from being an ex-colonial power: a general acceptance of economic obligations to the ex-colonised world. Not only are the British – and even more the French – foreign aid programmes comparatively generous *per capita*, they arouse virtually no dissent, an experience very different from the USA or Germany, not to mention the East European countries of the Soviet bloc.

I have argued above that much of the talk about Britain giving a 'moral lead' to the uncommitted world is the continuation of the white man's burden by other means. But there are two, more modest, ways in which a British example *can* help. The first is simply the world-wide attention that a civilised, progressive social policy by the Labour Government will arouse (as that of 1945–51 did). It is again open to Britain to demonstrate, what is doubted in many parts of the world, that enough power-stations, day nurseries, hospitals and research institutes can be built without concentration camps or secret police. Secondly, there is the Commonwealth. This has not figured in our argument so far, for it is not a diplomatic, military or economic bloc, and any attempt to force it to become one will merely bring about its disintegration. What it is is a civilising force – an exercise in racial partnership and cultural exchange. It is a unique apparatus for enabling white, yellow, brown and black men to respect each other, and for demonstrating that the best achievements of Europe – parliamentary Government, the rule of law, the ideal of social justice – *are* 'transferable'.

9. CONCLUSION

The Labour Government, I have argued, will need in its foreign and defence policies not only a coherent theory of external relations but one attuned to the world as it exists today. This is a world in which two, and only two nuclear powers hold in their gift the lives and deaths of the rest of us. Both are new to the experience of world domination; both fortunately show signs of growing moderation and maturity in its exercise. The United States is currently seeing a determined and courageous attempt to subordinate the 'military-industrial complex' to responsible civilian control. The USSR is in process of changing from the secular arm of a millenarian ideology to being a conventionally ambitious territorial power. The sense of being an impotent spectator of these cathartic developments, plus impatience at the tedium of disarmament conferences, has led sections of British opinion to seek spectacular short-cut solutions. But when negotiations do achieve results they are worth having. The 'hot line' is better than a thousand Aldermaston marches, and the test-ban treaty outweighs all those backsides calloused by the flagstones of Whitehall. The only disarmament which increases our safety is multilateral disarmament. There are signs that this is being increasingly recognised, and it underlines the first lesson any Labour Government must follow: the avoidance of all diplomacy by gimmick, whether journeys to summits in spectacular headgear, unilateral renunciations of weapons or obligations, or seeking greatness through gestures.

The second lesson is interdependence, based on a thorough understanding of our relations with NATO and the USA, with Western Europe, the Commonwealth and UNO. Our obligations towards these are both contractual and moral; none of them is an alternative or substitute for any other. All have served us well: we are neither red nor dead, we have a cheap and well-laden breakfast table, we remain the respected friends of many non-European states and our advice and partnership is asked for on both sides of the Atlantic. We shall continue to derive these benefits as long as we do not try to hector, patronise or sulk.

The third lesson sounds like an old-fashioned liberal fallacy, but recent events have shown it to be more valid than the cynics thought. It is that we have an interest in the blossoming of liberty everywhere – inside and outside both major blocs. Panic and prestige remain the enemies of rational policies.

The British Left and the British public at large have lost their indifference to the world outside them. They are waiting for honest and intelligent guidance. It can come from the party which had the foresight and statesmanship to free India, and play a leading part in the founding of NATO and the establishment of the Marshall Plan.

8. Britain and Europe

by Roy Pryce

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Since the collapse of the Common Market negotiations, little has been heard in Britain about our future relations with the rest of Europe. It is generally assumed that since the General said no, the affair is finished. A few enthusiasts continue to urge us either to join or to stay out, but their words fall on deaf ears. Europe has been swept into a corner of our minds.

A future Labour Government will not, however, be able to turn a blind eye to the unresolved problems of Britain's relationship with the Community. It will find the world with which it has to deal vastly different from that of 1945–51. The first post-war Labour Government was able to take a series of unilateral measures to deal with the major problems of the British economy, and at the same time play a leading part on the international scene by virtue of the fact that Britain was one of the world's great powers, enjoying a position of special importance through its close relationship with the United States, its leadership of the Commonwealth, and its great prestige in Europe. But much has happened since then. Although there is still a great deal that a British Government can do by itself to regulate our internal economy, many fundamental problems can only be solved by co-operation with other countries. And at the same time the amount of influence that Britain, as an individual country, can exert on the United States, within the Commonwealth, and in Europe is much more severely limited. In all these spheres of policy a Labour Government will find that the attitude of the European Community is a factor of which it will have to take account.

In 1945 Europe was no more than a geographical expression, and a much battered one at that. Today it is both prosperous and economically powerful; the world's largest single importer and its

second largest exporter. The policies which it adopts will exert a decisive influence on the future course of world trade, and in particular on the developing countries. As yet it is not a politically coherent unit: it has no common foreign or defence policy and there is no immediate prospect that it will achieve effective political union. Nevertheless, the attitudes adopted by its members are of crucial importance in the development of Atlantic relationships and in the wider context of East-West relations. Much will depend therefore on what happens inside the Community in the coming years, and what sort of relationship Britain establishes with it.

To be more specific, there are three major areas of policy in which the Community's attitude will condition the ability of a Labour Government to realise its own objectives. The first concerns its central aim of restoring Britain's own economic position. During the Common Market negotiations one of the conditions laid down by the party was 'the right to plan our own economy'. But in fact the proposals that have subsequently been advanced by the party for the future of the British economy show an awareness that many central problems can only be solved in co-operation with other countries. This is especially the case for plans to stimulate and maintain a high rate of growth, which are central to the whole edifice of the party's programme. It is now generally accepted, for instance, that one of the factors that has held back the British economy in recent years is the slimness of our own currency reserves: as bankers to the sterling area we are peculiarly exposed to balance of payments crises. Both parties have pointed to the need for better international arrangements for world liquidity, and progress in this direction will be of particular concern to a Labour Government. It is difficult to see how these can be achieved without the participation of the Community, which has the necessary reserves which both we and the United States lack. A Labour Government, moreover, will have every interest in promoting a new system in which all the major advanced economies of the West could participate as a framework for the development of world trade. Similarly, with regard to trade negotiations themselves, the party has already made it clear that it places much importance on a lowering of tariffs in GATT, not least as a spur to greater efficiency in British industry. Reciprocal tariff reductions are also important for British exporters who trade with the Community and the United States. Here again the willingness of the Community to cut its external tariff will be a decisive factor in an important area of policy.

At the same time, the problems of specific sectors of the British economy can also only be resolved by agreements involving other countries. Agriculture is a case in point. As George Brown said at Swaffham on July 17, 1963, when he announced the party's new agricultural policy:

> 'Labour says that the essential background to the ultimate success of a home agricultural policy must be a world food plan . . . The next Labour Government will therefore present to the United Nations new proposals aimed at chanelling food surpluses to the deficit areas, and will conclude, wherever possible, international commodity agreements to stabilise foodstuff prices.'

The same approach has also been suggested for the problems of the textile industry. To quote Mr Brown again, this time speaking in Manchester on July 19, 1963:

> 'We must ensure that other advanced countries take their share of low cost textile imports, so that newly developing countries like India and Pakistan can sell abroad the products of their cotton textile industries which form an essential part of their plans to raise their living standards. To this end a Labour Government will reopen negotiations at GATT and seek to secure an early substantial liberalisation of the 1962 Arrangements.'

Such statements make it clear that many of our own national economic problems can only be solved by international agreements: and in each case Britain will find that the Common Market's participation in these is essential for their success.

Similarly – and this is the second area where the Community will impinge on the Government's programme – concerted action on an international scale will also be required to help the Commonwealth. Although Britain can and must take steps – as Harold Wilson has suggested – to increase its own imports of Commonwealth products, there are evident limits to the amount of New Zealand butter, Australian wheat and the like which we can consume. Nor can the basic problem of fluctuating commodity prices, which continue to have such a baneful effect on the economies of the developing Commonwealth countries, be solved exclusively in the context of Commonwealth agreements. The attempt to do so would in any case discriminate against other developing countries. The future of Commonwealth trade – which everyone agrees should be increased – cannot therefore be disassociated from the wider

problems of world trade as a whole. As the statement agreed at Brighton in September 1962 rightly said:

> 'The truth is that whether we join the Common Market or not it is imperative to move forward to a new system of international trade, payments, economic aid and world commodity agreements.'

A Labour Britain can do much to foster developments in this direction. But it cannot achieve these objectives single-handed. Nor can they be achieved without the participation of the Community. Our hopes of a better-ordered world economy are therefore conditioned by the attitudes and policies of our near neighbours on the other side of the Channel.

A rather different set of considerations – though they point in the same direction – apply to defence policy. Here the party's declared aim is to phase out the 'independent' British strategic nuclear force. Once this is done, we shall then become entirely dependent on the American deterrent. The dangers of this were pointed out by the National Executive of the party in 1955:

> 'Labour believes that it is undesirable that Britain should be dependent on another country for this vital weapon. If we were our influence for peace would be lessened in the counsels of the world.'

It is not yet clear how the party intends to meet this objection, or how it expects to be able in the future to exert influence within NATO once the deterrent has been abandoned. The plain fact, unpleasant though it may be, is that Britain without the bomb would count less than France, which has a bargaining counter with its *force de frappe*, or Germany which has far larger conventional forces committed to the alliance.

Evidently the bomb will not be abandoned, even by a Labour Government, without strenuous efforts to obtain a satisfactory *quid pro quo* in political terms. One superficially attractive idea would be to exchange the British deterrent for a return to the intimate type of relationship in defence matters that existed with the United States during the war. If this were possible, Britain would then be in a position to exercise a decisive voice in the employment of the US strategic force. But it is wishful thinking to believe that it is possible. Given the change in the power relationship between the two countries, Britain could not hope to be more than a very junior partner in the decision-making process. And if it is true, as

George Brown asserted in April 1957, that 'our vital interests are not always the same as America's vital interests' there would be evident risks in the situation. They would become particularly acute if, for instance, the present US Administration were followed by one presided over by Senator Goldwater.

It is in fact barely conceivable that a Labour Government would follow such a hazardous course. But how, then, would it remain true to its decision to abandon the deterrent without a serious loss of British influence on Western defence policy?

It could only do so if it followed the logic of the situation and took the lead on behalf of those European members of the alliance – who also wish to work with the United States, but are also deeply concerned by their lack of political influence on its major defence decisions – in seeking the creation of a genuine Atlantic partnership. Whatever form this might take, it would imply a determined attempt to find more common ground than has existed hitherto on defence issues with our continental neighbours: in other words, a search for joint action with the Common Market countries.

These are some of the major reasons – by no means the only ones – why a future Labour Government will not be able to put on one side the problem of its relations with the Community. For the same reasons, it cannot be indifferent to what happens in the Community itself. The outcome of the present struggle between the Gaullists and their opponents will determine what sort of political structure it will have, and what type of policies it will pursue with regard to world problems. It is no accident that the Left in the Community countries – with the exception of the Communists – is heavily committed to the process of integration and has come out strongly against the General's policy.

The social democrat parties and their allies in the six countries seek a Community that will be democratic in structure, wider in membership, and outward-looking in its policies towards the rest of the world. And at the same time they insist that its institutions should be used to plan economic development, control big business, and to follow an active and progressive social policy. They seek, in other words, the sort of Community which would be entirely consistent with the Labour Party's own aims, and a positive element on the world stage.

No one yet can forecast with certainty how the internal struggle in the Community will develop. Much will depend on political developments in the three major Community countries – the length

of de Gaulle's tenure of power in France; the outcome of the German elections in 1965; and the fate of the *apertura a sinistra* in Italy. But there can be no doubt where the sympathies of a Labour Britain should lie, and these should be made plain. A failure to do this would do great and irreparable harm to the international socialist movement, and isolate the Labour Party from all its friends and allies on the other side of the Channel.

One cannot ignore the fact, however, that the Party has been very ill at ease since the war in its relations not only with the developing Community, but also with the socialist parties of its member countries. There are many historical reasons for the suspicion and barely-concealed hostility with which many of the members of the party have viewed the Continent's efforts to unite. The fight against Nazi Germany and Fascist Italy has left a deep imprint on the Party's attitude to these countries; and its sympathy with the French resistance has been overshadowed by the memory of the collaborators and the personality and policies of de Gaulle. The weakness of the Left in these countries, and the predominant role played in the early stages of the Community by the Christian Democrat parties, has increased fears that it will merely be a tool in the hands of big business, and an inward-looking rich man's club. Added to this the abortive negotiations on British entry have reinforced suspicions about the Community and its intentions.

The fact that these were undertaken by a Conservative Government which made no attempt to obtain a bi-partisan approach to this momentous decision, and on the contrary sought to make Party capital out of it, put the Opposition in a false position. It could not but be suspicious of a policy that Tory leaders presented to their own followers as trump card for the next general election. Two consequences inevitably followed. The first was that the issue became inextricably intertwined with internal political considerations; the second was that the debate developed into a general exchange about the virtues and defects of the Community as such as well as about the desirability of entry. As the debate became more intense, even as coolly rational a politician as Hugh Gaitskell found himself carried along on a wave of deep emotion against joining. Although as it happened the Tories lost the game, the emotions that were aroused at Brighton about the Community will not easily be forgotten. And as long as they persist it will not be easy to evolve a constructive policy towards the rest of Europe.

There is also another legacy of the great Common Market debate that will weigh heavily with a future Labour Government. It is

that the issue divided the Party, and even threatened to split it. An influential minority, backed by an important section of the General Council of the TUC, was in favour of joining – and still remains so. Led by a number of the close friends of Gaitskell, who had taken an active part in the fight back on defence policy, the 'Europeans' were prepared, had the issue been put to a decisive vote in Parliament, to abstain from supporting the majority in the Party. On the other hand, there was an equally determined minority pledged to keep the country out of the Community. Had the Brighton congress not gone their way, there would undoubtedly have been another internal struggle at least as severe as that over unilateralism. In short, the manner in which the Common Market issue was raised in 1962 has left a legacy of deep emotion, which could easily come to the surface again to threaten the new-found unity of the Party.

A future Labour Government will therefore find itself confronted with a Community with which it is desirable – and necessary – to collaborate, but whose own future course is uncertain. And at the same time it will be conscious of the division of opinion within its own ranks about the relationship to be established with the Common Market. In such a situation there will be a great temptation to try and avoid the issue: to take no initiatives, and to wait and see what happens.

Such a policy – or lack of policy – would have serious consequences. It would dismay all those within the Community who have fought, and continue to fight, to keep open the possibility of an enlarged Community. At the same time it would be a serious blow to the hopes of the socialist parties of the Six who see in eventual British membership the possibility of a more healthy political balance within the Community; a reinforcement of its democratic and parliamentary institutions; a strengthening of its Left-wing elements; and a guarantee of an outward-looking policy towards the rest of the world. Moreover, it would inevitably mean that the possibility of eventual British membership would recede further away from the realm of practical politics. Under its own momentum the Community will advance in the coming years to full economic union; at the same time there will undoubtedly be growing pressure for further steps towards political union. If Britain stands aside and does nothing, the gap between the two sides will widen, and threaten to become permanent.

At this point it is worth recalling the stand taken by the Party on the issue of the Common Market at Brighton in September

1962. The policy statement agreed then began by declaring that 'The Labour Party regards the European Community as a great and imaginative concept . . . It is aware that the influence of this new Community on the world will grow.' The case for British membership lay fundamentally on the influence that Britain could exercise on it from within:

> 'If by joining the Common Market we could mobilise the economic resources of Europe to help the underdeveloped nations of the world and to promote the cause of world peace by ensuring more creative and liberal policies in Europe, then the case would indeed be strong.
>
> 'If on the other hand our membership were to weaken the Commonwealth and the trade of the underdeveloped nations, lessen the chance of East-West agreement and reduce the influence that Britain could exert in world affairs, then the case against entry would be decisive.
>
> 'The Labour Party has always looked upon the question of Britain's entry into the Common Market as a matter of balance, to be judged in the light of the long-term interests of the British people.'

Today the question of joining does not require an immediate answer. But it could well be answered in the negative by the next Government merely through inaction. If this were to happen it would be a tragedy both for Britain and Europe – for Britain because we should then have eliminated one of the possible courses of action which the party itself has said may be desirable; for Europe because it would be a major triumph for Gaullism, and a defeat for our friends, and their own hopes for the future of the Community. This would be a high price indeed to pay for indecision – especially at a time when forces are being mobilised within the Community which seek to make it into the sort of grouping for which the Labour Party has expressed its support.

It should therefore be a prime aim of a Labour Government to avoid such a needless tragedy; to shape its policies in such a way that the option of joining is kept open, and to sustain those forces inside the Six whose aim is a democratic and outward-looking Community.

How can this be done? As has already been explained, it cannot be done merely by sitting back and waiting for something to turn up. *What is needed is a deliberate policy of active collaboration with*

the Community. This should be sought at three different levels: in Britain's formal relations with the Community; in bilateral relations with its individual member countries; and in unofficial relations with the socialist parties and trade union organisations of the Six.

In each case the first concern of the Government should be to see that adequate machinery exists for sustaining contact. As far as direct relations with the Community are concerned, this presents no problem. There are already many diplomatic channels available. These include the quarterly consultations at ministerial level in Western European Union; the British Delegation to the Communities; the Council of Association with the European Coal and Steel Community and the Continuing Committee for Co-operation with Euratom. These should be set to work with three main objectives – the achievement wherever possible of common action; the formulation of agreed proposals on matters of mutual concern, and the initiation of joint studies.

In the immediate future both the Labour Party's own interest and other factors suggest that the most promising area for the development of such action lies in economic affairs. A reasonable starting point would be to take up the suggestions made by the President of the Commission of the European Economic Community, Walter Hallstein, shortly after the collapse of the negotiations. He then proposed that a new look be taken at the various problems thrown up in the negotiations to see if joint action might be taken to carry out the solutions which had then been suggested. These included comprehensive trade agreements with India, Pakistan and Ceylon; the GATT tariff negotiations; monetary co-ordination; agricultural policy in general and world commodity agreements in particular; and the whole field of development policy.

For those matters which would require the agreement of a wider circle of countries – for example, proposals for improved international monetary arrangements, commodity agreements, tariff reductions and food surplus disposal schemes – Anglo-Community discussions would serve as a useful preparatory stage. In these cases the aim should be the formulation of agreed proposals in the appropriate forum (the United Nations, the IMF, GATT, etc.). Such discussions would also provide a means by which the problems of Commonwealth trade with the Community could be kept in the forefront of its attention, for they have not ceased to exist merely because of the suspension of negotiations on British membership. Similarly, they would provide a forum for the discussion of British and Community agricultural policy. Even the most ardent

advocates of British membership were – and still are – very concerned about the effects of the Community's policy, and it would be to mutual advantage if the two sides could confront each other round the negotiating table rather than leave the problem as a matter of angry complaint. Both sides are committed to the protection of their farmers' interests; but both are anxious to find ways to deal with the problem of inefficient farmers, and to arrive at international agreements for major commodities. There is everything to be said for joint studies to see if some measure of common agreement can be reached on these areas of policy.

On some matters Britain and the Community could themselves take immediate action. A precedent has been established with the mutual suspension, agreed in 1963, of duties on tea and tropical woods. This should be followed by a search for concerted action in other spheres. Two immediately spring to mind: policy on manufactured imports from low-wage countries and development policy in Africa. In the latter case there is clearly much to be gained from close liaison between the Community's Development Fund and British aid activities, especially in West Africa where the existing frontiers of the associated African states on the one hand and Commonwealth countries on the other cut across natural economic areas. Joint action in this field would not only accustom the two sides to work together, but also be of material advantage to the developing countries concerned.

A more difficult task is that presented by the desirability of preventing new divergences of policy in those areas which will be affected by the Community's measures to achieve full economic union. Certain of them, involving a harmonisation of legislation within the Community on such matters as foodstuffs, pharmaceutical products, patents and company law, will impinge directly on British business interests trading in or with the member countries. Here there is a strong case for Britain to seek the closest possible consultation with the Commission at an early stage in its own work, and an effort to see that any new British legislation follows the new continental practice. Every opportunity should also be seized for co-operation in other fields. To give one example, the Commission is now busily engaged, as part of its Action Programme, in probing forward into the highly-delicate field of what in plain language is economic planning. Experiments are proceeding in new techniques of regional development; and an effort is being made to introduce Community planning of budgetary policy, and short and medium term economic planning. All this is highly relevant to

the Labour Party's own plans for the British economy. Collaboration in these fields – which might begin as a purely technical exercise – could lead not only to a far greater mutual understanding of each other's economic problems, but also point to areas where joint action could prove of mutual advantage.

Another theme to be explored is that of relations between the European Free Trade Association and the Community. As one of the main (though only tentatively explored) difficulties in the way of British membership during the abortive negotiations, this should be kept in the forefront of Britain's discussions with the Community. A Labour Government will inherit the pledges made to other members of the Association; an obligation to abolish tariffs on industrial goods traded with them by the end of 1966; and the unfulfilled hope that somehow a wider European market, embracing both Six and Seven, can be created. For the moment the two groups seemed destined to pursue their own separate courses. But there are a number of common problems – fishery policy, for instance – which it would be helpful to discuss round a table, rather than argue about in public. It is in no one's interest that the gap between the two should grow wider, and a dialogue between the two on specific subjects might help to prepare the way for a more general settlement at some future point.

As far as more purely political matters are concerned – notably foreign policy and defence – the immediate prospects for joint action between Britain and the Community do not appear very promising. As long as President de Gaulle remains in power it may well be that no concerted position with the Community as a whole on defence matters will prove possible. But this is no reason for failing in the meantime to prepare the foundations for a new system within the alliance that will give its European members as a whole a greater say in decisions, and lead to a genuine partnership with the United States. As the discussions about a multilateral force have shown, it is not going to be easy to find the technical means to put this into practice. They have in any case to be devised in a way that is consonant with the political objective of a reduction in tension between East and West in Europe. In the immediate future it may be that progress could best be made in the conventional field, where a British initiative for closer integration of effort, accompanied by an extension of joint production activities, could reassure our friends of our determination to maintain our defensive commitments and at the same time reduce the present heavy reliance on nuclear weapons for Europe's defence.

These attempts to work with the Community should not be judged solely by their immediate practical results, for they may prove to be meagre as long as the Community itself is divided on major issues of policy. But the important thing for Britain in the coming years is to show herself ready to co-operate with the Community: in doing so we can help to sustain those inside the Six who reject its Gaullist image.

A Labour Government should in any case also make a determined effort to foster relations with the individual member countries of the Community. In these bilateral contacts the Government should seek to eliminate any points of friction, and promote a much greater interchange of individuals at all levels of society. The activity of the bilateral committees that have recently either been revived or created should therefore be matched by a greatly expanded programme of cultural and educational exchanges. More parliamentary contacts should be encouraged, and help given to those bodies which aim to strengthen relations between this country and its European neighbours. Such action should certainly include France as well as the other Community countries. A Labour Government should, for instance, immediately start on the construction of a Channel link in co-operation with the French authorities.

At the same time this action should be matched by a no less determined effort to establish much closer and more effective links with the socialist parties of Western Europe. These are the spearhead to the opposition to a Gaullist Community, and much could be done to aid them in their fight. One step to improve relations could be achieved by a radical reform of the Socialist International which, in spite of the best efforts of its tiny staff, is woefully inadequate for its task. For many years there has been virtually no contact between the forward thinkers of the British Labour Party and those who are performing a similar function in the parties of the Continent; and only a small fraction of the parliamentary party has had any sustained contact with their opposite numbers in these same countries. This is all the more deplorable because it is precisely the Labour Party among the major British parties that should have least difficulty in finding common ground with its opposite numbers on the Continent. The lack of contact has seriously impoverished social democracy in Western Europe, and led to an increasing national fragmentation of a great international movement of ideas. This trend has now been reversed by the parties in the Community, who have established new organic links to meet the challenge of

the Community. They have made it clear that they would welcome fuller British participation in their discussions. The opportunity should be seized, and used to work out a common programme for socialists throughout Western Europe, as a basis for that eventual unity of action which an enlarged Community would bring.

It is indeed on this more positive goal that the attention of a Labour Government should be firmly fixed. What has been suggested so far represents no more than a minimum programme designed to permit a Labour Government to keep open the option of eventual membership during a period when this may still appear a distant prospect. But in a few years' time a very different Community may emerge: a Community no longer dominated by old men, but by the representatives of newer political forces with whom a Labour Britain would find much more in common. It is at that point at which the question of membership could arise again. It is unlikely that either side would wish to embark again on a prolonged negotiation: and a British Government would then have to make a final and irrevocable choice for the country: in or out.

The years that lie ahead should be regarded as a preparation for that choice. They should be used to develop an active collaboration wherever possible with the Community in seeking joint action on world problems, in preparing solutions for the unresolved problems posed by the abortive negotiations of 1961–63, and – above all – in paving the way, in harmony with the other socialists of Europe, for a democratic, enlarged, and outward-looking Community. If they are used in this way, I do not believe that a Labour Government would find it impossible, when faced by the choice, to give the answer for which all its friends on the Continent have long hoped.

9. Britain and the Under-developed World

by Claudio Veliz

'... the greatest treason,
To do the right deed for the wrong reason.'
T. S. ELIOT, *Murder in the Cathedral*

A begging hand symbolises in the minds of many people the so-called 'developing', 'under-developed', 'non-industrialised', or just plain backward, poor and hungry nations of the world. Once this symbol is accepted, the problem of the relationship between a wealthy, industrialised nation – Britain, for example – and these mendicant countries becomes a very simple one: Britain gives and they receive. Further elaboration has to do with how much Britain can spare, how well British aid or investment fit in the context of world politics and how pressing, embarrassing or heart-breaking are the needs of the potential recipients.

The beginning of wisdom in the relationship between the Labour Government and these under-developed countries is the absolute rejection of this mendicant philosophy and all it implies. It is not an easy task but it must be done if a meaningful new relationship is going to be established between Britain and the emerging nations of the world. Such a relationship can only be successful if the motivations on which it is based are not only impeccable but also very well known. It is essential that the abandonment of the mendicant philosophy be followed by a very clear explanation of the motives behind renewed interest and concern about the under-developed nations. It is not enough to say that the reasons are obvious because they are not. There are many wealthy industrial countries which do not feel the need or the inclination to have a systematic foreign aid policy and no one thinks the less of them because of this. Why should the Labour Government worry about these problems at all? It may be platitudinous to point this out, but one must remember that every penny which is given away, lent or invested abroad, is a penny less given, lent or invested in this country. A responsible Government should have a very clear idea

of the reasons which make it advisable to send resources abroad rather than use them at home.

Unless some excellent motives are put forward to justify a dynamic foreign aid policy with all the important allocations of human and material resources implied in any project of this type, the recipients will automatically assume that the principal factor behind this new policy is undiluted self-interest without a trace of enlightenment. This would most probably be an unfair conclusion but the Labour Government would have only itself to blame if whatever efforts are made in this direction are wasted because of such a misinterpretation.

More important is the fact that the policy, the aid and the relationship between Britain and the under-developed nations will bear the mark of the motives which inspired it. Self-interest may appear to many as an extremely efficient prime mover but in matters of this nature it has proved disastrous often enough. Egotism is a very transparent and sterile motivation and once detected – which is not difficult – it proves self-defeating. People will accept the help because they need it badly but they will also resent it and will feel humiliated by it.

Cheap motivations usually marry cheaper expedients and a nation which extends aid, advice and assistance for unworthy reasons will automatically tend to give the worst, the most expendable part of herself to the task. Nothing is cheaper from this point of view than money and outright money gifts, grants or loans have been the traditional way out of many an embarrassing situation. Somebody has even calculated that 'conscience money' for aid should represent 1 per cent of national income. But it is the best of a nation that must be given if a really dynamic and creative relationship is to be established. To mobilise the very best of man one must command the very best motivations.

Since the war it can fairly be said that most of the foreign aid which has crossed and recrossed frontiers has been granted in the sincere belief that it would help to stop the spread of communism in the recipient countries. The vast quagmires of corruption, dictatorship and chaos which are not difficult to find in parts of Asia and Latin America are – apparently – brutal evidence in favour of this policy. Communism has been stopped. Unfortunately the generous donors who – if one is to accept the most favourable view – succeeded in their purpose, are now partly responsible for the state of those countries. If lots of money kept the communists at bay what should be done to keep out dictatorship and corruption?

It is argued that with the communists out of the way the nationals of those countries can go ahead and solve their domestic problems as best they can. But this would exempt the donors from all political responsibility in the bringing about of any calamity with the notable exception of communism. If hunger under a corrupt dictatorship were a better type of hunger than the one experienced under a communist régime then this argument would be extremely forceful.

Political responsibility arising from the granting of massive foreign aid can become even more embarrassing. Governments which appeared quite friendly can turn nasty and intractable. What ought the generous donor to do then? According to a recent leader in *The Times* aid should be stopped in the hope of bringing the obnoxious régime to heel, or better still, sparking a people's revolt which will bring about the needed reforms. Foreign aid which prevents the 'natural' development of democratic institutions – whatever that is – should be reconsidered. To quote *The Times:*

> '. . . if the aid itself only delays the emergence of a capable government or insulates the government from the need for reform then aid is by any account self-defeating . . .'

So it may be, but where shall the limits of such sympathetic concern be found? What could possibly prevent a nation ready to withhold aid with the sole purpose of overthrowing a Government from establishing a blockade, sending troops or organising a sabotage? Under the pressing demands of political expediency the most sincere concern for the material welfare of a poverty stricken population will give way. In the end stability will become intimately dependent on the constant flow of financial aid, a considerable portion of which will necessarily go to the armed forces of the country concerned. It must be remembered that nothing is so conducive to internal stability as a well-paid military establishment and the problem of keeping vast numbers of admirals, generals and air commodores well-fed and contented in very poor countries is easily solved by outright foreign financial aid.

Any interpretation of international events during the last two decades will necessarily lead to the conclusion that political expediency affords a most fragile and morally vulnerable basis for the building of a worthy relationship between two sovereign nations, even if one happens to be poor and the other one wealthy.

Another popular justification for initiating foreign aid programmes is based on the belief that massive financial aid can solve the economic and social problems of the under-developed nations.

This is not true today and it has never been true. No amount of foreign money or investment can have much effect without the major part of the effort being made domestically. Foreign aid – though very welcome as a valuable time-saver – is in fact not essential to rapid economic growth. At least Great Britain, Japan, Germany, the United States and the USSR managed to get their industrial revolutions under way without significant amounts of outside financial assistance and in some cases in the face of foreign hostility. If our collective economic experience teaches anything at all – which is open to debate – it is that every nation must work out her own economic salvation independently. Every nation must raise internally the most important part of the capital needed for development. She must change fundamentally the habits and attitudes of pre-industrial society and must enter the industrial age moved by her own national ambitions, pursuing independently defined aspirations interpreted within the context of her own cultural awareness. No amount of foreign aid can bring this about if the people of a country are not prepared to do it themselves.

Very much on the contrary, indiscriminate or unconditional financial generosity can sometimes postpone needed action, act as a cushioning device against political and economic reality and even lull Governments into passivity. The Bolivian revolution of 1952 – according to some stern critics – was drowned in a flood of dollars and never recovered its original momentum. Learned observers have written convincingly suggesting that international financial generosity is directly to be blamed both for the survival in power of the Indonesian Government as well as for its remarkable incapacity to solve the country's economic problems.[1]

Corruption, inefficiency or straightforward waste of foreign financial aid added to the understandable though unjustified impatience of the donor nations has sometimes resulted in attempts to intervene – directly or indirectly, through the pressure of public opinion – into the final process of allocation and use of this aid. This has in turn led to friction and complaints of patronising interference in the domestic affairs of the recipient. Only a few weeks ago Mr David Bell, head of the United States foreign aid programme referred specifically to South Vietnam, Indonesia and the Dominican Republic as countries receiving United States aid where things were, to quote Mr Bell, 'not the way we should like to see them'.

1. Donald Hindley. *Pacific Affairs*, 'Foreign Aid to Indonesia and its Political Implications'. Vol. XXXVI No. 2, Summer 1963.

But the worst negative feature of this premise for a foreign aid policy is that it does not work. If it did, the Middle East would be a remarkable example of accelerated economic development: it certainly has received enough financial capital from all sources. Venezuela, Brazil, Colombia, Bolivia, Chile and most of South-east Asia should also show the symptoms of dynamic growth. They do not. In fact they show exactly the opposite. This does not mean that foreign financial aid has retarded growth but simply that the same factors which have prevented these nations from changing their institutional structure and from moving into a stage of accelerated economic development have also nullified whatever positive effects imported capital could have had. In the end foreign aid has been used to balance budgets, pay army salaries and erect a few expensive public buildings.

A third possible justification for a foreign aid policy is tacitly based on the ancient hispanic dictum of 'Long live my friends and death to my enemies'. This is simple and convincing philosophy and it is tempting, if a country like Britain is going to have a foreign aid policy at all, to make such a policy an effective instrument to reward friends and punish – by exclusion – enemies.

But then the very conditions under which such an aid scheme would operate, the motivations behind it and the purposes to which it was being directed would make a policy superfluous. Foreign aid in all its forms would simply be one more instrument in the arsenal which includes invitations to cocktail parties, granting of birthday honours, royal visits and the like. If this is the type of relationship Britain wants to establish with the under-developed world then all her policy problems are solved. Long live my friends and death to my enemies may appear a bit brutal but its stark simplicity hides many virtues.

Another possible premise for a dynamic foreign aid policy is the quest for prestige and influence. The philosophy of how to win friends and influence people applied on an international scale. Spain – under the present régime – has been desperately trying to use her scant resources in a bid to recapture her old influence in Latin America. The concept of an hispanic commonwealth of nations has been loudly advertised and a number of scholarships, publications and the like have been heavily subsidised by the Government. Of course the whole scheme has come to naught but it was not for lack of trying. Other countries are becoming increasingly worried about the type of 'image' they project abroad and are prepared to correlate the quality of this image to the success

or failure of their foreign policies. If such a correlation exists then naturally any major country should try and project as good an image as possible and – if need be – subordinate her foreign aid policy, if any, to the demands of such a perfect image. This is a task for a highly efficient public relations service and again makes a fully fledged policy entirely superfluous.

However it is the failure in practice of such an approach to foreign aid that should make the Labour Government hesitate before adopting it. No nation has poured as much aid of all types into Latin America as the United States and yet one of the most conspicuous characteristics of the Latin American political idiosyncrasy is its unambiguous and persistent anti-US feeling. In the Middle East similar feelings are entertained towards Britain in spite of the fact that this country all but invented that region. From Lawrence to Glubb through all the shades of romantic, strategic, financial and emotional commitment, British influence should have been paramount. It was not. In the end the Arab Legion, Suez Canal, Baghdad Pact and Shepheard's Hotel – all were part of the price which had to be paid for this valuable piece of experience.

None of these justifications will do for the Labour Government. Most of them are immoral; none has proved to be successful in practice; they appeal to the worst in man and society and exclude the best. If the Labour Government is going to have a truly creative, dynamic, rewarding and honourable relationship with the under-developed nations of the world, a new basis for policy must be found. Until now international aid has been allocated according to the vagaries of world politics. Yesterday the USSR was absolute evil, today it is evil less than absolute, tomorrow it may become the hope of Western civilisation. The usual Latin American generals are sometimes defenders of democracy and stability and as such qualify for substantial foreign aid and the expected handful of ancient tanks and destroyers. But some of them move to the right or to the left and become enemies of democracy overnight and aid is not forthcoming until the expected formal promises to hold free elections are uttered in public. Honour is thereby satisfied and aid continues to find its way through intricate channels into the redecoration of officer's clubs and salary rises for army, navy and air force.

The whole complicated mess of politically flavoured foreign aid thinly disguised behind the faintest ethical formalities may eventually qualify for an amusing footnote in the history of our epoch but

there is no good reason why the Labour Government should at this late date show any willingness to join the clowns.

The only plausible basis for a creative, dynamic and mutually beneficial relationship between Britain under a Labour Government and the under-developed world is an enlightened appreciation of national interests. The operative word here is 'enlightened', but given the philosophical premises of the British socialist movement such an enlightened understanding should not present excessive difficulties.

More than a technique, a method or even a programme of action, socialism is an attitude, an emotional habit of thought and action which places human life very high in any scale of values. Socialism aims at establishing a community of human beings; a brotherhood, prosperous, peaceful, civilised. Such attitudes, such emotional habits of thought and action, such general premises for the political arrangements of society are incompatible with hunger, poverty, ignorance and oppression.

This is the simple basis on which the Labour Government can build a strong, worthy and efficient policy. Distant from charity – as it should be – near to the best appreciation of what really constitutes national interests, this general premise is an apt one.

Aid to under-developed countries is then one more aspect of a way of life. It ceases to be an instrument of policy; a gimmick to project a better image or a graceful opening for new markets. Hunger is bad; infant mortality is bad; ignorance is bad; misery and deprivation are evils which must not be tolerated in London, Glasgow, Lagos or Potosi. Britain should offer the best in her to fight the worst evils of our time and this assistance should not be conditioned by colour, political affiliation or any such distinction but should reach as many human beings as possible who are in need of it. The help which Britain offers should result in an absolute minimum of interference of any kind in the domestic affairs of the recipient nations and finally, it should be aid of a vital, self-sufficient type which will effectively allow under-developed countries to solve their complex problems by themselves.

These conditions rule out most schemes for direct financial aid. Outright money gifts or grants are not the best help Britain can offer. Only a blindness to her own capacity, a criminal lack of imagination or complete inertia when confronted with other people's problems can bring a British Government to conclude that the only assistance it can offer is money. Financial aid has only one dimension: quantity. A nation can either have much or

little but not better or worse. Great Britain does not have much and that is all there is to it for the next few years. But this country has the highest municipal civilisation in the world, one of the most sophisticated cultural traditions ever developed in any nation and – most important of all – it is about to begin a scientific and educational revolution unparalleled in the modern world. These are the best things in Britain: these are the mainstays of this country's future development and it is these things, magnificent, far-reaching, imaginative and vital which Britain should offer. It is around these things that the new relationship between Britain and the under-developed countries must be constructed. Other countries can export money: this country can capture the imagination of the younger nations of the world with her scientific and educational revolution. The amount of money needed to finance enough scholarships and grants to bring to this country the best brains of a whole generation of future artists, engineers, economists and scientists would be insignificant if sent abroad in the form of direct aid. However, spent in education of this type, it would represent a revolution in habits, in attitudes and in expectations.

No new nation is in the mood to recapitulate the whole process of technological development undergone by the industrial countries. On the contrary, their first tendency is to move to the vanguard of technological advancement and to establish their new industries at that level. This policy, however dependent on emotional questions of prestige, is evidently a good one. Japan and Germany – to name only two of the better known examples – built advanced and important electrical industries before the turn of the century when electricity represented the technological frontier of the industrial world. One cannot expect the under-developed world to resign itself to the encouragement of domestic crafts when an immense horizon of scientific and industrial possibilities is opening before them. The new countries may not even want their own steel industries if they lack coal and iron ore but they certainly want to adopt the most advanced levels of industrial technology: they want to organise their new cities according to the best methods of urban planning; they want to arrange their systems of higher education according to the best precepts and enrich their own cultural stream with the best other cultures can offer. Britain is in an excellent position to satisfy this type of demand. If the scientific and educational revolution so brilliantly heralded by the Labour Party is not just one more clever electoral gimmick, then the Labour Government should have the courage and integrity of its conviction in this magnificent

experiment and offer an adventurous partnership to the under-developed world, to share the responsibilities and rewards of this British revolution.

Such an offer would lift the whole concept of foreign assistance from the mendicant and charitable depths to which it has fallen and could initiate a new era of dynamic co-operation between human beings. Science and education devoid of political undertones have none of the disadvantages of outright financial aid. They do not lead to political interference in the domestic affairs of the recipient country; they cannot possibly be diverted into corrupt uses; no tanks, planes or aircraft carriers can be bought with them. It is difficult to think how such scientific and educational aid can result in Government feather-bedding, public or private corruption or any of the other typical vices usually associated with international financial generosity. Most important: scientific and educational help of the type Britain can offer is dynamic aid: it will enable people to solve their own problems: it is not patronising and it does not humiliate but gives human beings the tools and the intellectual training to do the job themselves.

At the same time it enriches the donor nation. Young, curious, intellectually fresh minds will flock to Britain to learn and to challenge: to discover the best and worst in themselves and their environment. This stream of vital intelligence passing through British technical schools and universities will live, learn and grow together with the younger generation of Britain's future scientists, teachers and artists. It is difficult to imagine that such a process can go on without a mutual enrichment; a constant and rewarding discovery of new things; a permanent broadening of the definitive and better qualities of man.

A generous, imaginative policy with regard to scholarships, grants and the like is not enough. Britain is beginning the most important expansion of higher education facilities that has taken place in the world since the war. She should ask the younger countries to join in this unprecedented development. Colleges and faculties of the new universities should establish special relationships with colleges and faculties in universities of the under-developed countries. In this way the somewhat sporadic appearances of the occasional visiting scholar could be turned into a steady flow of students and lecturers. The expanding scientific departments of the new British universities could advise and help their sister universities in Africa, Asia or Latin America to develop similar research departments. The younger generations of the new countries are not

satisfied with learning how to do something: they want to learn how to find out for themselves. It is not enough to teach physics and medicine: Britain must also make sure that those who leave with their degrees will have, back in their countries, appropriate laboratory facilities to carry on high level research. Unless this aspect of the problem is given the importance it deserves, it is difficult to avoid a gradual tendency on the part of the younger nations to become intellectual and cultural dependencies of the host country. This is something which neither Britain nor the under-developed nations could possibly want.

But co-operation should go even further. The tone and intensity of development will probably be set by the levels reached through the higher education system, but unless academic knowledge can be put to work in the field, much of the impact of the technological revolution will be lost or delayed. The partnership which Britain will offer the under-developed world should include the establishment of experimental stations and research centres in the field. These could be administered directly by the university authorities of the country concerned with British advice. Such centres could be established in farming areas to experiment with new crops and methods of cultivation or in large urban centres to co-operate with the local Government in the solution of social problems. They could indicate or support extension and experimental work and thus become the practical counterpart of the advanced work being done at the universities.

There are thousands of primary and secondary schools in Great Britain. Surely an equal number of schools can be found in the map of the under-developed world with which each such institution in this country could establish a direct type of association. Their respective languages could be studied, scholarship students exchanged and a constant flow of information and educational material could be started. This type of relationship would make an association at higher levels all the easier and more rewarding and could lead to a revival of an idea which because of its political undertones has lost much of its attraction at present: the United States Peace Corps or the British Volunteers for Service Overseas justly or unjustly have become identified with an effort to combat communism at the grass roots. This has reduced considerably the practical results which such excellent initiatives could have had. However, if the Labour Government could reform the whole concept of service overseas for young people and associate it directly with this revolutionary partnership it could improve fundamentally

the methods and impact of youth organisations throughout the world. Instead of a camping trip in North Wales, young students could get a chance to help build a primary school in Ecuador, a small earth dam in Algeria or a road in Cuba. There must be hundreds of thousands of young people in Great Britain who would happily devote one year of their lives to help other human beings in this direct, rewarding way.

All the more prosaic aspects of a living relationship between Britain and the under-developed world are marginal to this central all-embracing, adventurous partnership in the British scientific and educational revolution; matters of trade and commercial advantage, of bank loans and the struggle for markets. Without the rich cultural ties, the dignity and respect which accompany such a relationship, even the most successful commercial transactions will have no echo. They will remain opaque matters of profit and loss, limited advantages and restricted horizons. But once such a revolutionary policy of partnership in science and education can be launched, then trade, commerce, industry, every aspect of economic life become eminently positive though marginal aspects of a greater phenomenon.

The old-fashioned type of safe investment abroad with regular dividends and guaranteed stability is defunct. There are here and there sincere and honest men who would like to return to that pattern of investment but such a wish is unrealistic in the modern world. This should not worry Britain excessively. This country has been traditionally an exporter of machinery and industrial equipment. Today a major part of the world is moving into an accelerated industrial revolution which will necessarily result in a tremendous growth of the demand for machine tools, industrial plant and the like. Britain should aim at being the principal supplier of these machines. She should address herself not to any particular ruling group in the under-developed countries, but to the young scientists, engineers and economists who in five or ten years will have to assume responsibility for the running of their countries's economic and political affairs. These are the people Britain must help to train so that when the new electricity generators, the new industrial plants, the new chemical industries are established in their countries, the equipment and the technical advice will be sought in Britain.

This is not a dubious commercial justification for foreign assistance: it is a marginal result, but a positive one. It is without any doubt a good thing for Britain to sell her machinery and industrial goods to under-developed countries. However, many of these

nations undergoing great structural reforms and having a vital need for advanced industrial equipment are not in a position – for obvious reasons – to pay cash or even to accept short-term loans for these purchases. The nature of their economic and political development is such that in most instances they could easily accumulate all the capital they need for accelerated growth in perhaps thirty years of hard work and considerable restrictions on consumption. However, both these countries and their potential industrial suppliers are interested in speeding up this process as much as possible and from this very practical point of view, Britain should certainly consider a more imaginative and courageous policy of extending long-term credit to under-developed nations to enable them to purchase specific industrial plant and equipment in this country. This should be done in close co-operation with the national development plans of the recipient countries in order to avoid uneconomic allocation of resources.

All these aspects of policy, educational, scientific and commercial, are in some way or another found today in operation in Britain. But their impact is almost insignificant. The agencies which organise and administer these aid programmes have scant resources, little or no idea of why they are doing what they are doing and no overall systematic plan of action. The decisions to go to this or that country with specific types of aid are taken haphazardly or – even worse – for contradictory reasons. Some of Britain's foreign aid is allocated for political reasons, some is sent abroad as a matter of loyalty to ex-colonial territories, some is allocated through technical agencies and some through the British Council.

However original, dynamic and well-intentioned the Labour Government's foreign aid policy turns out to be, it must have a rational administrative machinery to work with. The different aspects of policy – even including the provision of long-term industrial credit – must be centralised under one national institution. This organisation – whatever its name – should deal with all the different aspects of this revolutionary partnership. This is one way of ensuring that some countries do not end up with well-equipped laboratories and no research workers to occupy them or with hundreds of highly qualified research workers and no laboratories. It will also look after the genesis and development of industrial plans supported with long-term credit obtained through the partnership to ensure that an adequate supply of well-trained technicians and appropriate research facilities are provided with every such project.

Such a national institution should be as autonomous as possible, separate and distinct from the Foreign Office and in no way identified with Britain's political position abroad. This may sound excessive but it is absolutely necessary. The Cold War is moribund: by the time this partnership is launched, it will probably be dead. This could not be a better time to initiate such a revolutionary policy completely devoid of political undertones: with no references to alliances, communities, organisations defensive or offensive of any type but ready to offer Britain's help, imagination and intellectual courage to all the under-developed countries of the world.

10. The Long Term Objective: Investing in Skill

by Peter Hall

'Let's go with Labour – and we'll get things done.' That is the slogan that reflects the new image of the Labour Party. It is a technocratic image, conveying the notion of the Labour Party as the party of the new white-coated workers who employ scientific and technological skills in the service of the more dynamic sectors of our economy. These people, Labour suggests, are dissatisfied with the inefficiency and the sluggishness of the British economy today. They want to attack complacency and feather-bedding in every sphere of British life. They would like to see Government communicate to industry a spirit of ruthless rationality, a determination to solve problems by the cool application of scientific principles. The hypocrisy and the verbal evasion, by which interest groups in all sections of society defend their privileges and their refusal to change, will be exposed and swept away.

This is the image. Will Labour, in practice, live up to it? The answer is that in its first five-year term, it will have colossal difficulty in doing so, for a simple reason. There are not the people in the country capable of doing the job.

Let us take just one critical example. In the House of Commons, on April 30th, 1963, Harold Wilson intervened in the great debate on the Beeching Report. He said: 'Dr Beeching was given a job of surgery to do, and he has done it, deep, incisive, antiseptic . . . He was told to apply surgery in a situation where surgery was not the main or relevant answer, and, as was made clear from the Minister's speech yesterday, the surgery has preceded the diagnosis.'[1]

Dr Beeching, Wilson argued, ought to have been given a different brief. He should have surveyed the whole of inland transport, having regard to alternative services, economic development, social needs, the distribution of industry and the true social costs, as opposed to narrow private book-keeping transactions.

1. *Hansard, (Commons)*, 30th April, 1963, Col. 909.

Then, Wilson was convinced, a different report would result. This exercise would be the first priority in a Labour transport policy.

This is right. But who is actually to carry out this survey? Not presumably, the overworked Dr Beeching alone – however legendary his intellectual powers. He would need a staff, armed with techniques of analysis. The production of the Beeching report alone, a report based on 'inadequate traditional book-keeping techniques', took many months of all-out effort by the railway staffs. These staffs are needed to run the railways; they cannot be diverted *en masse* to consider all aspects of inland transport.

NEW TECHNIQUES OF ECONOMIC ADVANCE

Neither do the relevant techniques exist, ready to apply. True, in the last few years techniques have been evolved which in time could be applied widely to give results. We have begun to grope our way towards a practical concept of economic planning which may prove, in a few years' time, to be as revolutionary in its policy implications as was the Keynesian revolution in economics thirty years ago. It also originated, many years ago, with a Cambridge economist: Keynes' contemporary, Pigou.[1] It is the concept of social costs and benefits. Pigou pointed out that in a capitalist society, individual entrepreneurs consider only the items that feature in their own balance sheets. There are however, others, which society must reckon with, though the entrepreneur does not. If a factory owner's chimneys pollute the air, that is a social cost. If he builds a beautiful house for himself, and that improves the view, that is a social benefit. In both cases society is not responsible, but it feels the effect. This leads to the revolutionary concept that we can actually add up the social costs and benefits, in money terms, by asking what value people would themselves put on them. We can then express them as a rate of return on capital, as an ordinary capitalist would; and so determine our investment rationally, from the point of view of the community as a whole, just as the capitalist can now do from his private point of view.

This concept is not any more merely an economic abstraction, as it was when Pigou postulated it in 1920. It has been used to evaluate and justify actual investments in recent years, like the M1 and the Victoria Line in London. One of the contributors to this book, Christopher Foster, has helped to pioneer these practical

1. In *The Economics of Welfare*, London, 1920.

applications.[1] But these studies are just the beginning. No one pretends they are perfect; they need refining. But we should not be satisfied till this refinement takes place and until investment programmes and economic planning, including our broad strategy of regional development and the detailed planning of our cities, is checked and justified by these techniques. Only then will social and economic planning move out of the area of blind hunch and intuition, and into the sphere where the intellect operates. It is chastening to think precisely how primitive, at present, our techniques of social and economic control are. They are analogous to the state of technology in the era before the Industrial Revolution. And in this regard, no country, however 'advanced', is much ahead of any other. A tremendous prize awaits the country that pioneers in this field: a prize no less than the technical leadership of the world. Britain is as well-placed as many, at the present time, to win this race – this despite her deplorable backwardness in mass higher education and her failure to develop and shape research. Individual genius, on which we have always too heavily relied, has carried us this far: it needs now to be supplemented by conscious direction in order to apply what we know universally, and adapt it to different sets of circumstances as we go.

THE CHALLENGE IN EDUCATION

The critical example of Dr Beeching suggests the challenge to Labour in its first term of office. It is to make good the leeway in her systems of higher and secondary education, above all on the technological side. And it is to give the fullest encouragement to the development of *social and economic technology* – in fields like investment planning techniques, computer control, operational research – which promise to become the most important single factor in sustained economic advance in the developed countries in the next half-century.

This job clearly breaks itself down into two. First, original research needs to be greatly increased. This means stepping up the output of graduates in the fields where research is above all needed, and then supplying the research facilities. And here we immediately run into difficult issues of academic freedom. For research will continue to be the sphere of the universities, using that term in its

1. Cf. in particular C. D. Foster and M. E. Beesley, 'Estimating the Social Benefit of constructing an Underground Railway in London', *Journal of the Royal Statistical Society*, Series A, 126 (1963), 46–92.

wisest sense to include the many technological universities which must be created, or which must evolve, in the next two decades. How far has the community, through the Government, a right to determine the direction of research in the universities? How far is it justified in limiting the traditional right of the academic profession to follow their individual bent in the research they choose to do?

The dilemma is perhaps less real than it seems. The academics already tolerate sustained interference in their research in fact. This interference is maintained by the Government, through various official research-sponsoring bodies, through private industry which provides other sources of funds, through the personal predilections of heads of departments. All these things help to shape, powerfully, the broad direction of research. What is beyond all control, even in the most totalitarian of countries, is detailed interference in the day to day process of research, the mysterious process by which discoveries get made. Any overseeing body will interfere with this at its peril; and few ever try to. But the fact is that the Government must, and should, exert a broad influence on the way public funds are spent. It has to recognise limitations here: no one can predict the precise 'usefulness' of any particular line of scientific research. But certain assumptions may, and should, be made by Government. It is fair to assume, for instance, that to endow a chair for the study of theoretical physics may indirectly improve human material well-being, but that to endow a chair for the study of medieval Persian lyrics will not, even though it may bring the most intense spiritual pleasure to a few. And the Government's first duty is to the many.

Clearly the Government needs expert advice here. One of Labour's first priorities must be to re-shape the pattern by which public money is channelled into higher education. Reform is certain, but the form it will take is less certain. Lord Taylor's committee (of which I was a member) recommended[1] that the Ministry of Education should assume responsibility for all higher education; that the universities, the colleges of advanced technology and at least some teacher training colleges should progressively be welded into a common system; and that the Ministry should be advised by a National University Development Council, with expert research help, at the centre and by Regional University Grants Commissions with detailed knowledge of the circumstances of their local areas. These recommendations are not official Labour policy; and the Robbins Committee has pronounced in favour of the alternative

1. The Labour Party, *The Years of Crisis*, 1963.

of a separate Ministry of Arts and Science, in charge of higher education and research. But now that Harold Wilson has pronounced in favour of the Taylor Committee's recommendation it seems destined to form the basis of official Labour policy, with a special Minister of State, within the Ministry of Education, responsible for dealing with a reformed grants committee.

Whichever the case, the central Ministry is certain to conduct (following Lord Robbins' recommendations) detailed research on needs in higher education, bearing in mind both the needs of students coming up from the schools and the needs of the economy for those coming out of the higher educational system at the other end. Inevitably this means that expert commissions will have to be set up which will advise the central Ministry on the likely directions of technological advance. The Department of Scientific and Industrial Research (or any successor to it, following the recommendations of the Trend committee)[1] will form the basis of these Commissions; but its work must be greatly expanded and in particular it must immediately start to influence the pattern of expansion of higher education below graduate level. The close link that must exist here is indeed the most powerful single argument for associating higher education and research within one Ministry. But the links must be forged also down into the school system; the lack of effective linkage in the Robbins machinery has been much criticised, and it was chiefly for this reason that the Taylor committee favoured a single Ministry. A Labour Government, in determining the pattern of Government responsibility for higher education, must be careful to write adequate linkage in from the start, to ensure that the two Ministries do not pull in different directions.

To expand the work of the DSIR is however not enough. I have already argued the importance of work in the sphere of social technology, with which at present the DSIR is only very indirectly concerned.[2] It would be appropriate for each main division of social technology to have its own expert commission, just as each major branch of physical science and technology should. Where appropriate these Commissions should contain representatives of interested Government departments (Education, Town and Country Planning, Transport, Health, Labour), and of industry, as well as academic people. The work of the separate commissions should

1. *Report of the Committee on the organisation of Civil Science*, HMSO, 1963.

2. The connection exists almost fortuitously through (for instance) the Road Research Laboratory, which exists under the auspices of the DSIR and which has pioneered research into social cost/benefit analysis in transport problems.

then be evaluated and sifted by a top-level overseeing body – an enlarged DSIR – with direct responsibility to the Ministry responsible for higher education. The National University Development Council would then mainly be concerned with the expansion of undergraduate teaching.

This represents a programme for expansion at the top level. But that is not enough. We are just as grievously short of people who can apply the results of original research, both in the physical sciences and (even more grievously) in the social sciences. I will take one field which I know: urban planning. I have already tried to argue that our original research is insufficient here – for instance, in the economic justification for planning decisions. But suppose more theoretical work were done, who would apply it in planning offices up and down the country? Who has heard of a non-university trained economist? (It is true that almost all planning schools give a course in elementary economic principles, but that is not what is needed here.) Who has heard, for that matter, of a demographer trained in a technical college, or a sociologist-technician trained by the same means and capable of applying statistical techniques to a range of fairly standardised problems? Or of a skilled cartographer-technician, capable of turning raw statistical material readily into map form? Or, for that matter, of a skilled secretary capable of tackling a defined range of elementary research work in a specialised field on her own account? One might almost say that you can judge the degree of advancement of an economy by the range and quality of its technicians and secretaries. We stand low down.

The result of all this is that, in civil service parlance, the executive work gets done by the administrators and the clerical work by the executives. This means an extraordinarily low rate of productivity in most of the occupations and industries that must be in the van of our economic advance in the next half-century – the service industries which are among the fastest-growing sectors of the British economy. A first priority for the new Ministry of Higher Education should be a study of the needs of that ill-defined and heterogeneous group in the Ministry of Labour statistics, 'Professional and Scientific Services'. It includes the universities, the law, medicine, accountancy, and a host of services such as industrial consultancy which most people would hardly recognise as industries but which are the most significant growing points in the British economy today. What are the needs of these industries? Has an organisation and methods man ever passed through most of these offices? (Has one ever been seen inside our universities?) How far

are precious skills being wasted by lack of ancillary services? What are the immediate and long-term implications for our higher and secondary levels of education?

I have posed these questions merely for one group of industries – a group that needs emphasis because it is important, because it is still not what many people regard as industry and because it is so intimately related to decisions that are made within the central and local Government machine. But it is not merely enough to get more research done and to get more technicians capable of applying it: it is essential to familiarise the people who make the decisions with the techniques and their range of application. That means the managers in industry and the civil servants, both national and local. In Chapter 3 of this book Christopher Foster has discussed some of the problems involved in raising the quality of management in private industry, and has discussed ways of doing it. With the Civil Service, however, a Labour Government can take the initiative.

The strengths and weaknesses of the British Home Civil Service have been too often expounded, in innumerable newspaper articles, to need rehearsing once more here. Essentially the Civil Service represents the best traditions of mid-nineteenth century England, the period of the Northcote-Trevelyan reforms which created the modern administrative machine. The whole system, despite the incursion of occasional specialists into the Treasury and elsewhere, still depends to an unbelievable extent on the concept of the enlightened, fully-educated gentleman, who can turn his mind to any problem without recourse to expertise. No one wishes to deny that the system still has its virtues. The civil servant is schooled by tradition to be flexible, pragmatic, realistic. The arid legalistic tradition, which persists in many European Government machines, is refreshingly absent. But the outstanding weakness is evident in case after case. The machine is too often fighting a hand-to-hand struggle with events. It is too frequently taken by surprise. The rise in the demand for higher education is unforeseen, the increase in traffic in the cities is unforeseen, the drift to the south is unforeseen.

I have no wish to paint the picture blacker than it is. In the last few years, a spirit of reform has breathed through many Government departments: long-term planning and research departments have been created, dedicated to finding answers to future problems before they overwhelm us. The Ministry of Education created the Crowther, Robbins and Plowden committees, and have now a splendid statistical department. The Ministry of Transport sponsored the Buchanan committee, and have proved willing to listen to academic

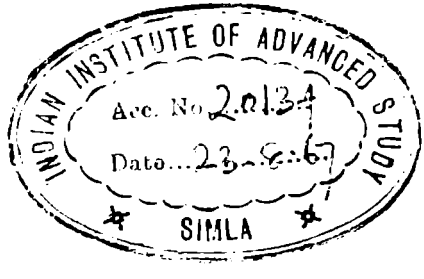
advice on all manner of subjects. The Ministry of Housing and Local Government's own planning staffs are hard at work on the preparation of regional plans, which will be based on careful analysis of expected trends. But much more could be done.[1]

There are two jobs. More research needs be done and the administrators need to be brought into constant touch with the researchers: they might, one dare say, tell them a thing or two. How can this be done? Both ends might be met through *Ministry-college linkages*. The colleges of advanced technology could provide a splendid opportunity here. They could and should each seek to develop a particular social technology, related to some great branch of administration. They should themselves have a permanent research and teaching staff, responsible for courses at various levels from the graduate to the technical. But they should also welcome, for various periods, outstanding researchers and teachers from elsewhere; and they should provide, at suitable times, liaison courses for central and local Government services. In other words, they would also function as specialised staff colleges for the Government service. We should look to the freest possible contact between the civil servants and the academics, developing into actual transfers of personnel from one field to the other for periods of years. The civil servants would come back refreshed from a period spent in research and teaching; the academics would be sharpened and toughened by experience in the welter of day-to-day administration.

One unexpected result of this development might well be a tremendous improvement in morale in the administrative civil service. The administrative class is still a mandarin class. It is drawn exclusively from the best academic intelligences in the universities. Hardly a civil servant, on entry into the profession, might not have gone the academic way; and vice versa. But once inside, the civil servant finds his vision increasingly circumscribed. He no longer (if he ever could at all) sees the relation between his particular 'parish' and the world around it. The result, as anyone who knows administrators can testify, is a very widespread frustration and dissatisfaction, and an increasingly mechanical and cynical attitude to the job itself. But if the administrator could look forward, at regular intervals, to the chance to reorient himself intellectually, the very nature of his job would be transformed. And it would be transformed without, let us stress, changing in any way the central virtues of the British civil service – the flexibility, the adaptability, the pragmatism.

1. There is even the beginning of a Civil Service Staff College.

I have concentrated on the social technologies and on administration. Similar examinations could and should be made throughout our whole economic system. Almost everywhere, the amount of research needs to be increased and the decision-makers need to be brought into much closer relation with it. To find ways of making these things happen must be the essential aim of long-term Labour thinking. Without them our economy will not achieve an adequate rate of sustained growth; and without that growth almost all Labour's plans for further social and economic growth will be brought in jeopardy. To create the machinery for this great liberation of the human intelligence, to find ways of applying that intelligence for the sake of human advancement, is a worthy central objective for the Labour Party in the second half of the twentieth century.



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