Industrial policy in Britain 1945–1951 is an archive-based study of the economic planning of the Attlee governments, in which the author seeks to analyse the interaction between the decisions of central planners and the micro-economic effects of those decisions. Throughout the book, Martin Chick pays particular attention to the level, pattern and quality of fixed capital investment. At the same time, there is a continuous concern with the struggle between politicians, economists and industrialists over the mix of pricing mechanisms and administrative orders which were to be used in this period. This struggle permeated all discussions of matters such as the organisation and structure of nationalised industries, the allocation of resources and the promotion of higher productivity. The author also asks what impact, if any, economic planning had on the productivity performance of the UK economy.
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More information
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Economic planning, nationalisation and
the Labour governments

Martin Chick
University of Edinburgh
Hatty’s book
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Preface

The Attlee governments of the period 1945–51 are popularly associated with the establishment of the National Health Service, the implementation of the Beveridge Report, and the nationalisation of major industries. What is generally less well known is that the Attlee governments also presided over a period of economic planning unique in British peacetime history. While the postwar rationing of food remains a keen memory for many, and is a staple of popular television and radio documentaries, there is less awareness of other aspects of postwar planning. The duller details of the operation of price controls, import controls, and building licences are understandably less memorable. Yet, at the end of World War II, the potential ability to combine these and other controls into an effective system of economic planning occasioned much excitement in political circles. Economic planning and nationalisation appeared to offer an opportunity to reconstruct and modernise an economy more efficiently and effectively than the free market could ever do.

This book examines the development and effectiveness of economic planning and nationalisation during the Attlee governments. The particular concern is with industrial policy and the impact of economic planning on industrial fixed capital investment. There is a slightly anachronistic ring to ‘industrial policy’, a term more common today than in the 1940s. Yet, a system of economic planning which forced government to make decisions concerning the allocation of resources, also forced government in practice, if not in theory, to develop what we would now recognise as an industrial policy. Of particular interest are the decisions concerning the allocation of resources to industrial investment. Investment is commonly seen as an important source of economic growth and increased productivity, and as a measure of an economy’s willingness to forego current consumption in the hope of enhanced consumption in the future. One of the most serious criticisms made of the Attlee governments has centred on the accusation that they failed to give sufficient priority to the needs of industrial investment,
preferring instead to squander resources on their ‘New Jerusalem’ health, housing, and social security programmes. Such criticisms are examined in this book, as are the factors which influenced the resource allocation between industries. If complaints about the cost of the welfare state have long been the standard fare of noisy pubs and genteel dinner parties alike, then so too have criticisms of the performance of the nationalised industries. With much of the Attlee governments’ nationalisation programme now unwound by privatisation, it is worth asking why anyone ever thought nationalisation was a good idea, and whether fundamental problems were inherent in the original structure and operating principles of the nationalised industries.

This book is organised into three sections. The first three chapters examine the early changes in the machinery of economic planning (chapter 1), the influence of economic planning on the level of industrial investment (chapter 2), and the criteria and factors which influenced the allocation of resources between competing industries (chapter 3). The second section of the book examines the nationalisation programme, in both its origins and structure (chapter 4) and the early arguments concerning the rules for pricing (chapter 5). This latter chapter proceeds from its initial concern with the specific arguments over marginal and average cost pricing in nationalised industries, to a wider discussion of the use made of pricing mechanisms in general. The purpose of this is to lead the discussion beyond the confines of central government, and out into the myriad of boardrooms and construction sites where economic planning and the market met.

In the third section of the book, the impact which economic planning had on the investment decisions made by industrialists is examined. Chapter 6 examines the plant choices made by managers in the nationalised electricity and railway industries, while chapter 7 examines the attempts of planners to promote rationalisation and modernisation in the textile and iron and steel industries. In both of these chapters, attention is paid to the interaction between the aspirations and exhortations of politicians and planners, and the information and signals sent to managers through the system of economic planning. The question posed is whether the incentives offered to managers were likely to encourage them to act as planners intended, or whether economic planning sent out a confusing set of signals in which increased output was bought at the expense of productivity improvements. The final chapter of the book examines the drift away from economic planning and the discussions within government of which controls a Labour government might wish to retain. The book closes by considering the effects of economic planning on the productivity and
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growth performance of the British economy, and nudges the reader to speculate on whether the British experience of economic planning had much in common with the more durable experience of much of eastern Europe.
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Abbreviations

BEA    British Electricity Authority
BISF   British Iron and Steel Federation
BKEA   Bank of England archive
BLPES  British Library of Political and Economic Science
BOAC   British Overseas Airways Corporation
BSA    British Steel archive
CEB    Central Electricity Board
CEPS   Central Economic Planning Staff
FBI    Federation of British Industries
GDFCF  Gross domestic fixed capital formation
GPO    General Post Office
IPC    Investment Programmes Committee
IWP    Investment Working Party
LNER   London and North Eastern Railway
LPA    Labour Party archive
NCB    National Coal Board
NHS    National Health Service
NIC    National Investment Council
NSHEB  North of Scotland Hydro-Electric Board
OEEC   Organisation for European Economic Co-operation
PRO    Public Records Office, Kew
TUC    Trades Union Congress
UGA    University of Glasgow archive