

# COMMANDING HEIGHTS

## Labor Nationalizes the Heights

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In 1918, the Labor Party had adopted a constitution containing what became the famous Clause IV, which, in language written by Sidney Webb, called for "common ownership of the means of production, distribution, and exchange." But what were these words to mean in practical terms? The answer came during World War II. One evening in 1944, a retired railway worker named Will Cannon, drawn back into the workforce to help in the marshaling yard, happened to drop by a local union meeting in Reading, not far from London. In the course of the meeting he decided to propose a motion calling for "nationalization," which was approved by the local. The motion won national attention, and the Labor Party ended up adopting it in December 1944. Will Cannon's motion would have a powerful global echo.

In July 1945, Labor came into power totally committed to nationalization and determined to conquer the "commanding heights" of the economy, having borrowed the term from Lenin by the mid-1930s. In their quest for control of the commanding heights after World War II, the Laborites nationalized the fragmented coal industry, which provided 90 percent of Britain's energy at the time. They did the same to iron and steel, railroads, utilities, and international telecommunications. There was some precedent for this even in the British system; after all, it was Winston Churchill himself who, as first lord of the Admiralty in 1911, had purchased a controlling government stake in what became British Petroleum in order to ensure oil supply for the Royal Navy. Churchill's rationale had been security, military power, and the Anglo-German naval race.

The premise of nationalization in the 1940s was quite different—that as private businesses, these industries had underinvested, been inefficient, and lacked scale. As nationalized firms, they would mobilize resources and adapt new technologies, they would be far more efficient, and they would ensure the achievement of the national objectives of economic development and growth, full employment, and justice and equality. They would be the engine of the overall economy, drawing it toward modernization and greater redistribution of income. These nationalizations were carried out quickly by the Labor minister Herbert Morrison, who in the

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1930s had honed his expertise by uniting the buses and Underground of London into one authority.

But exactly how was nationalization to be implemented? The British, after some debate, rejected the "Post Office Model"—nationalized enterprises as departments or adjuncts of government ministries. They opted instead for the "public corporation"—the model already used for the BBC—and what later became known around the world as the state-owned corporation. Government would appoint a board, which in turn would govern the corporation. Morrison explained: "These are going to be public corporations, business concerns; they will buy the necessary brains and technical skills and give them their heads." But how were the activities of the public corporations to be coordinated in order to fulfill the Labor agenda? The answer was a resounding appeal to "planning." The word had permeated Labor's 1945 election manifesto; and initially at least, Labor's drive to the commanding heights would rally around the concept of planning as the key to the potential promise of nationalization. And nationalization itself was the new grand strategy that, as Attlee put it, represented "the embodiment of our socialist principle of placing the welfare of the nation before any "section."

As it turned out, about 20 percent of the nation's workforce ended up employed in the newly nationalized industries. But these were the industries that for the most part made up the "strategic sectors" on which the nation's economy was built. There were limits, however, as to how far the government could or would go. Policy flexibility was limited at the war's end by the stark fact that Britain was, for all practical purposes, bankrupt. Its balance of payments was in desperate shape as the consequence of the government's having spent an enormous amount of the country's national wealth defeating the Axis, and of having lost so much of its invisible earnings from the forced liquidation of its overseas investments. The severity of Britain's penury became apparent in 1946, when a general economic crisis began. Bankruptcy was now compounded by a calamitous winter and the overall breakdown of international trade and payments. Even the elevators in the Treasury were not working, owing to electricity cuts.<sup>5</sup>

This crisis, accentuated by the emerging Cold War, effectively ended further campaigns to capture any more of the commanding heights. Labor's hands were tied. And thus much of the Laborite rhetoric was never implemented. Despite all the discussions about the grand objective of "planning," not a great deal was actually done, and in due course, it was

jettisoned. Ernest Bevin, who had helped direct Britain's wartime command economy, dismissed France's postwar commitment to planning with a wave of his hand: "We don't do things like that in our country; we don't have plans, we work things out practically." The shift was facilitated in 1947, when Attlee transferred the reins of control over the nationalized industries from Herbert Morrison to Sir Stafford Cripps. Though Cripps was a rather efficient, pragmatic manager, his self-righteousness earned him Churchill's growl that "there, but for the grace of God, goes God." Cripps was also a firm and vocal advocate of a more moderate approach, and his accession to the number-one position represented a clear abandonment of the attempt to centrally plan British industry.

Certainly, the travails continued. Food rationing remained until 1954. Babies were registered at birth as vegetarians so that their parents could get eggs for them; rabbit was the only meat that was not controlled. Even candy remained rationed until 1953. Yet despite hard times, the Attlee government had delivered the goods. The British people had acquired a welfare state, which gave them access to health care and better education and greater peace of mind in the face of the vicissitudes of illness, handicap, bad luck, and old age.

And the number-one giant—the one that, more than anything else, had called the Laborites to battle—was slain. Unemployment in Britain during the 1930s had run at 12 percent; in the late 1940s, it was as low as 1.3 percent. Britain had succeeded in replacing the gold standard, which had been the bedrock of orthodoxy and policy in the 1920s and 1930s, with a "full employment standard." The economy was to be judged not by how many troy ounces there were to the British pound but by the number of jobs it could deliver to a population willing to work.

Members of the Labor Party called themselves socialists. But it was a British brand of socialism that owed much more to the 19th-century utopian Robert Owen than to Karl Marx. On the eve of taking power, Attlee defined it thus: "a mixed economy developing toward socialism.... The doctrines of abundance, of full employment, and of social security require the transfer to public ownership of certain major economic forces and the planned control in the public interest of many other economic activities." And this "mixed economy," with its welfare state, became the basis of what has variously been called the postwar settlement and the Attlee

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Consensus. Whatever its name, it would have a profound impact around the world over the next four decades.

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