



**University of Dundee**

## **Dundee Discussion Papers in Economics 102**

Morelli, Carlo J.

*Publication date:*  
2000

[Link to publication in Discovery Research Portal](#)

*Citation for published version (APA):*

Morelli, C. J. (2000). *Dundee Discussion Papers in Economics 102: Socialists and economic growth: the myth of employers and union connivance in explaining relative economic decline*. (Dundee Discussion Papers in Economics; No. 102). University of Dundee.

### **General rights**

Copyright and moral rights for the publications made accessible in Discovery Research Portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

### **Take down policy**

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.



University  
of  
Dundee

---

---

# Dundee Discussion Papers in Economics

---

---

Socialists and Economic Growth: The Myth  
of Employers and Union Connivance in  
Explaining Relative Economic Decline

Carlo J. Morelli

Department of  
Economic Studies,  
University of Dundee,  
Dundee.  
DD1 4HN

Working Paper  
No. 102  
April 2000  
ISSN:1473-236X

The Twentieth Century:  
A Century of Progress? What is the balance sheet

**Socialists and Economic Growth: The myth of employers and union connivance  
in explaining relative economic decline**

**Carlo Morelli**  
*University of Dundee*

The existence of a consensus between labour, capital and government has long been the focus of attention for those wishing to explain either the relative economic decline of the British economy or the success of European capitalism since 1945. Whether in academic or popular accounts, from the political Left or Right the degree to which a consensus emerged and was regulated remains a central theme.

For Larry Elliott and Dan Atkinson ‘connivance between management and unions’ protected old methods of working against more modern techniques with the result that British industry became characterised by low productivity, low capital investment and a lack of international competitiveness. Thus the film *‘I’m Alright Jack’* is suggested to symbolise this low productivity consensus in which a strong shop-stewards organisation, dominated by a Communist Party member played by Peter Sellers, colludes with a conservative management to prevent change.<sup>1</sup> In contrast Will Hutton’s influential *The State We’re In* identified the European model of collaboration and interdependence between labour, capital and government as the key to the success of Western European capitalism after 1945.<sup>2</sup> Labour’s integration within this consensus was of such importance that without it the process of convergence, described in the chapter by Mike Haynes in this volume, whereby economies such as the West German first caught up and subsequently overtook the British economy would have been in doubt. Thus for Hutton powerful ‘unions have been important agents in restructuring German industry, using their dominant position in works councils and their role on supervisory boards to legitimise often painful programmes of job cuts and wage reductions.’<sup>3</sup>

The connection between labour’s self-restraint and capitals commitment to high investment became the mechanism for high productivity growth. As Hobsbawm, one of

the most influential British socialist historians, points out the growth of the 1950s and 1960s across the industrialised world was a result of a political construct of the Left and the Right acceptable to all sides. The deal was 'based upon a tacit or explicit consensus between employers and labour organisations to keep labour demands within limits that did not eat into profits, and the future prospects of profits high enough to justify the huge investments without which the spectacular growth of Golden Age labour productivity could not have taken place.'<sup>4</sup>

The explanation for British failure and a comparatively poor post-war productivity record in this era lies in the inability to fully construct the successful productivity consensus which Hobsbawm points to. It is not that a consensus failed to emerge, rather that the consensus within Britain was growth restricting, short-termist and conservative. Employers and trade unions recognised each other but refused to trust each other or embrace change, which would deliver long-term benefits. This itself is explained as a result of a wider failure of the British state to create the mechanisms for modernisation. Thus for Booth, Melling and Dartmann 'to explain Britain's failure, perhaps the key lies in its liberal and reactive state tradition. An effective productivity coalition requires a proactive state to persuade, threaten, or coerce institutions [employers and workers] into a co-operative bargain and to develop the machinery of co-ordination that consolidates such bargains.'<sup>5</sup>

The link between labour and economic growth is thus made in a direct, causal relationship. However, such a direct link is not unproblematic for socialists and indeed leads many to conclusions which are not dis-similar to those of the Right. It is hardly surprising that socialist historians should exhibit a predisposition to demonstrating the importance of the working class to capitalism. A sympathy for working people, 'rescuing ... from the enormous condescension of posterity' the anonymous, men and women who in challenging the rule of capital made history, has been a project for generations of socialist historians.<sup>6</sup> Nevertheless presenting such an approach oversimplifies the production process within capitalism. All class societies have been based upon the exploitation of the many by the few. Hence relations of production are important issues to be addressed. However it is the dynamic of capital accumulation within capitalism that distinguishes capitalism from other class societies. Individual,

and national, capitalist accumulation derives not simply from the exploitation of a working class but also inter-capitalist rivalry and competition.<sup>7</sup>

Explanations of British economic performance based upon the consensus, or otherwise, between workers and employers assumes exploitation and accumulation are one and the same thing. Similarly it assumes that once a desirable consensus has been achieved capital accumulation is somehow automatic. It is the absence of an understanding of capitalist accumulation that results in the Left adopting a methodology of contracting and bargaining that also forms the basis of the neo-classical approach. In particular the role played by markets in allocating resources, the mechanisms within markets for contracting and the finally the emergence within markets for sectional interest groups are shared across the political spectrum. To understand the limitations of adopting these methodologies it is necessary to examine in more detail the neo-classical approach.

### Markets and Workers

Classical economics suggests that all individuals and firms meet in a market and freely bargain between one another before combining together, in a contract, to exchange the resources each has to offer.<sup>8</sup> So the firm offers wages while the individual offers their ability to work. In combining together both sides gain, the individual a wage to purchase goods and the firm labour power to produce goods which can then be sold in the market place to other individuals or firms. Starting from this simple assumption economists build elaborate models to explain why one side, or another, in this contract may not fully fulfil their obligations. Neither side can completely verify the others honesty prior to entering into the contract. Information is therefore said to be incomplete and a degree of risk is said to enter into the contract. The firm may not fully disclose the conditions of work endured while the labour power provided may be of insufficient intensity to complete the task. In the long-run, explained in economics as a series of repeated games, both parties to the contracts develop institutions which attempt to reduce the degree to which the other side can default on their obligations. So unions, employers organisations and indeed the state mediate contracts. Despite all the possible complexities introduced to explain the diversity of the real world neo-classical economics maintains that two fundamental assumptions still hold in this sea of

contracting and bargaining. First the decision to enter into a contract is a freely made decision by both parties and conversely both sides are equally free to refuse to enter into the contract and second both sides benefit from the contract, even if the benefit is not evenly shared.

Among socialists the assumption that workers are free to sell their labour power in a capitalist market is an obvious fallacy. In the absence of control over the means of production workers are free to starve rather than free to sell their labour power. Marx's expression that workers are in fact 'wage slaves' is a more accurate expression for the position workers find themselves in within a labour market under capitalism. Labour power is therefore extracted forcibly through exploitation in this relationship. Indeed neo-classical economics is forced to concede this point but suggests instead that this exploitation is actually at labour's request. Bosses are understood as the 'residual claimant' of surpluses once labour and capital have extracted their share. They are a necessary part of production, whose role is the monitoring of work to prevent shirking by one section of the labour force relative to another.<sup>9</sup> Shirking and wider opportunistic behaviour is thus introduced as part of human nature and the creation of coerced labour is understood to emerge as a solution to the deleterious effects of human nature. Thus Clark maintains that coerced labour under the factory system arose because workers 'were not able to discipline themselves... Whatever the workers themselves thought, they effectively hired the capitalists to discipline and coerce them.'<sup>10</sup> We therefore have the recognition that labour is not freely given but extracted once contracting is complete.

While the assumption that workers are free to sell their labour power may seem an obvious fallacy the assumption that this sale is undertaken within a bargaining environment may seem less so. Within the world of bargaining the demand for labour is assessed by capital within a market environment. The firm recognises its needs and according to the supply and quality of labour provided a price, or wage, is said to be agreed. The market for labour is understood in terms of an open market in which prices, or wages, are openly traded until the bargaining is complete and contracts are agreed. Casualised nineteenth and early twentieth century recruitment of dock-workers might be understood as the archetypal example of such a Walrasian market. Similarly

George Orwell's account in *Down and Out in Paris and London*, of the recruitment of casual sandwich board workers displays this point.

'We went at five to an alley-way behind some offices, but there was already a queue of thirty or forty men waiting, and after two hours we were told here was no work for us... they are engaged by the day, or sometimes for three days, never weekly, so they have to wait hours for their job every morning.'<sup>11</sup>

The important point to make about the bargain struck is not simply that labour is wage slavery and therefore the price is not freely arrived at but still more importantly the bargain struck is a bargain based upon an unequal access to the means of production. The firm not only controls the means of production but also, importantly, plays a specific intermediary role in realising the value created through labour. In other words workers who refuse to accept wage labour are prevented from establishing themselves as alternative non-exploitative firms for two reasons. First access to resources is removed from the worker. Capitalism's early development was inextricably linked to the physical theft of resources through enclosure, clearance and the redefining and enforcement of private property rights. The victory of market relationships was not simply an evolutionary victory over common rights and moral economy rather it involved violent overthrow and revolution.<sup>12</sup> For an individual worker to refuse to enter into a wage labour relationship they must gain exclusive access to the means of production and in so doing thus become a capitalist.

Second the results of workers labour is removed from them through the use of markets as a medium for exchange. The results of human labour becomes mere commodities valued simply in terms of their market price which itself is determined by the combination of rival capitalist firms ability to produce similar commodities and the ability to sell these commodities in the market. An understanding of goods value being related to the labour theory of value has no place in this approach. The position the capitalist then occupies, as intermediary, in the exchange process ensures they acquire specialist information unavailable to workers. This intermediary position ensures they develop the personal contacts, contracts and market information necessary to engage in trade. Once this is linked to the ownership of the means of production workers'

opportunity to freely bargain is removed. Clear evidence for this can be seen in industries which required low levels of capital investment and employed workers to undertake the role of co-ordinating exchange. Within the eighteenth century transatlantic shipping industry clerks were employed to locate trade opportunities between ports. Because this trade was irregular and involved establishing personal contacts, gaining specialist knowledge, it became common place for individual clerks to leave their employer and establish themselves as independent capitalist merchants competing with their previous employer. Transatlantic shipping was characterised by atomistic competition with bills of exchange providing credit for the purchase of goods and the combining of individuals into partnerships (typically of 64) to fund the voyage itself. Once the ship returned to port and the goods were sold the bills of exchange were settled, each partner received their share and the partnership dissolved. This atomistically competitive market was broken up when trade became regularised by the 1820s. Now transatlantic trade required a fleet of ships and hence large-scale capital investment, which emerged under the control of the emergent class of professional shipowners. Commercial information itself also became routinised and easily controlled by the larger firms involved through the employment of resident agents in distant ports. Specialist contracting under these conditions became the preserve of the individual capitalist, or their salaried managers, and competition itself was regulated through shipping conferences, which fixed rates and tonnage in cartel arrangements. Large shipping firms, including Cunard emerged under exactly these circumstances.<sup>13</sup>

The bargaining process is itself not independent. If wage labour is more accurately described as ‘wage slavery’ then the bargaining environment is one in which capital holds a gun to the head of labour during bargaining. Capital and labour come together in a conflicting relationship based upon exploitation and alienation rather than one based upon mutuality and consensus. Contracting in this framework is one in which ‘cheating’ is not only endemic rather it is a necessity if either capital or labour is to realise as much of the surplus as is possible from the results of the labour process.

### **Sclerotic Decline**

Neo-classical writers have adopted the bargaining framework to explain the alleged failure of the British economy since 1945. Most influentially Mancur Olson’s *Rise and*



*Decline of Nations* maintained that societies develop what he termed 'distributional coalitions' over time which essentially usurp surplus through collective action.<sup>14</sup> In Olson's view distributional coalitions include not simply trade unions and employers associations but any form of collective group which interferes with free markets including such groups as the Campaign for Real Ale or even the National Childbirth Trust! etc. Olson maintained that, in an important phrase, in the absence of 'defeat in war, military occupation or revolution' growth would slow as these interest groups emerged and grew resulting in what he termed sclerotic decline. For Olson then it is the liberation of the free market that ensures rapid economic growth. Within the British context this view, has been taken up by the supply-side reform school such as Bean, Broadberry & Crafts. They maintain that the economy became characterised by a lack of commitment and co-ordination such that employers, trade unions and government all pursued short-term goals at the expense of encouraging market mechanisms via supply-side reforms.<sup>15</sup> Management failed to grasp new technologies and new opportunities while trade unions conservatively protected their short-term interests in jobs and wages against prospects of longer-term economic growth and implicit prosperity. The solution presented by this supply-side approach was one of freeing up markets, removing distributional coalitions and introducing wider supply-side reforms. In so doing free market contracting would resolve commitment problems while the price mechanism would resolve co-ordination problems.

For the Left the centrality of exploitation rather than accumulation and the adoption of bargaining and contracting here again leads to similar conclusions, linking institutional stability with economic stagnation.

While Saville correctly argues that it was only in questioning Britain's great power status and defence commitments that an alternative economic strategy could have emerged after 1945 he maintains that it was the continuity of British institutions which acted to stifle new thinking in foreign policy. As Saville suggests the 'stability of the institutional framework at the top level of government worked [to encourage conservatism]. Alone among the major powers of Europe during the twentieth century, Britain never experienced either defeat in war or a major upheaval in administrative organisation.'<sup>16</sup> As seen above these distributional coalitions could well unite against

change leading to under-performance with an anti-technological bias. Hence Larry Elliott and Dan Atkinson 'connivance between management and unions' in the protection of old methods of working during the long boom.

In other areas too these narrow distributional coalitions could lead to under-performance within the British economy. So for Hutton the mind set of city investors and pension funds occurs because of the narrow concerns of the financial sector:

[the] argument is not that pension funds and insurance companies are intrinsically short-termist and greedy, bleeding British companies dry by their demand for high dividends... [r]ather it is that there is a complex interaction between the pattern of share ownership, the structure of taxation, the liquidity of the markets and the framework of company law in which every individual actor can behave rationally and even decently, but which still produces the perverse outcome of less investment and output growth than the optimum.<sup>17</sup>

The solution for increasing commitment and co-ordination between labour and capital within these approaches typically lies in the use of government and the state as independent arbitrator and moderniser in the regulation of private business and labour.

### **A New Post-war Economic History**

Challenging this consensus view of British post-war relative economic decline provides important insights into explaining the economic history of both reconversion from war to peace and the long boom.

The uniqueness of the success or failure of reconversion after 1945 has been the centre of debates over Britain's post-war economic record. The Attlee government, alone in Western Europe, is suggested to have allowed for the retrenchment of employer based sectional distributional coalitions, following the re-introduction of private cartel agreements and government sponsored trade associations, linked to the continuation of rationing. Similarly trade unions were allowed to defend over-manning and restrictive practices due to a resistance to the return of unemployment.<sup>18</sup> The failure to introduce supply-side reforms including stronger competition policy and challenge trade union influence is said to have had longer-term welfare implications. In contrast those

sympathetic to the Attlee government point to the macro-economic constraints, the existence of supply-side reform and government concern for productivity through the introduction of the Anglo-American Council of Productivity and support for modernisation from within the trade union movement.<sup>19</sup> The Attlee government is suggested to have proved highly successful operating as it was against a very difficult background.<sup>20</sup>

In contrast to these two views it is possible to suggest that the Attlee government far from being unique to those of Western Europe showed greater similarities than differences. The history of all early post-war Western Europe was one of stabilising conditions for capitalist development. It was not one of freeing up markets and the break-up of distributional coalitions, instead it is one of consolidation of employers organisations and agreements over competition in order to establish stability in the face of fear from domestic social unrest and by 1947 concerns over an emerging cold-war. At the heart of the Attlee government's concern to create economic stability was the necessity of restraining domestic consumption. Rationing not only continued after the war but was extended to foodstuffs, including bread and potatoes in 1946 and 1947 respectively.<sup>21</sup> While Cairncross, a writer sympathetic to the Attlee government's economic record, disputes the importance of the continuation of rationing even he admits that calorific intake remained below its pre-war level until 1950.<sup>22</sup> Economic policy was summed up under the phrase 'export or die'. Domestic consumption and living standards were held down in order to resolve the crisis derived from sterling balances held abroad. The British economy was financially bankrupt and only avoided crisis due to dollar loans from America and Canada and restrictions placed on Empire countries preventing exchange of sterling for dollars. Indeed it is Cairncross's contention that the most significant economic legacy was the holding down of living standards between 1945 and 1951. When decontrol was introduced into the economy it came to private industry first and consumers last, with food rationing finally abolished in 1954. In other areas too the Attlee government proved favourable to capital rather than labour. The nationalisation programme was not only understood by contemporaries as largely 'inevitable' but was also carried out with compensation of £2.6b, resulting in a series of capital injections into the private sector for further investment.<sup>23</sup> This compensation was paid out at a time when the British government's central difficulty in reconversion was an acknowledged shortage of finance.

Compensation for nationalisation far exceeded the American loan, negotiated by Keynes prior to his death, which imposed the conditions of accepting Bretton Woods and convertibility on Britain and was the origin of the establishment of a U.S. hegemony over Western Europe after 1945. By contrast the government took a much tougher line with trade unionists, using troops to break strikes on 18 occasions, introducing two States of Emergency and reviving the Supply and Transport Organisation whose origin lay in the breaking of the 1926 General Strike.<sup>24</sup> Government was also prepared to use legal prosecution of strike leaders and engage in anti-Communist witch-hunting of communists within the trade union movement in order to control the labour movement.<sup>25</sup>

A similar pattern of development can be seen across Europe at this time. Nationalisation programmes of industries from banking to railways, often requiring large scale capital investment and integration for national development can be seen throughout Europe. While neo-classical writers have pointed to de-nazification and deconcentration of West German industry as an example of removing distributional coalitions from business, they have failed to notice the abandonment of this project by 1947. In the face of an emerging cold-war allied policy switched from preventing economic recovery to ensuring West German economic development lay at the heart of plans for a prosperous Europe.<sup>26</sup> Creating economic stability required government intervention and nationalisation along with support for private business in the reconstruction of agreements and cartels limiting competition. Western European governments also sought to limit the impact of communist movements with Marshall Aid explicitly linked to the removal of communist influence within government, particularly in Italy.

Western European recovery from the Second World War was, as Milward has noted, a political rescue of the nation state in which the rescue of one was inter-dependant upon the rescue of all.<sup>27</sup> European integration became a political rather than simply an economic project in which all economies followed a relatively similar pattern.

## **The Long Boom**

While the importance of the similarities between Britain and other Western European economies in the years of reconversion might be disputed most accept that in the long boom that followed Britain, albeit less successfully, adopted the same consensus based pattern of economic development which emerged throughout West European capitalism. How then are we to explain the long-term relative decline of the British economy from 1951-73?

Here, by contrast with mainstream Keynesian and neo-classical approaches, the important features of the British experience are not the similarities with Western Europe but the differences. First, Britain still retained a unique legacy deriving from the fact that its economy was on the frontier of capitalist development at the turn of the Twentieth Century. Unlike all other nations it was unable to develop utilising the advantages of combined and uneven development and instead was tied to a range of technologies, which were suited to a world of trade and development, distinguished by early industrialisation. British capitalism was characterised by export led heavy industries of the first industrial revolution. Industrial restructuring out of the natural textiles, coal, shipbuilding and iron and steel industries and into those of the second industrial revolution such as artificial fibres, electrical engineering, cars and alloy metals was always going to be a slow and painful process.<sup>28</sup> The economy's long-term relative decline therefore derives from its early head-start as the first industrial nation and for the most part requires no explanation.<sup>29</sup>

After 1945 however there are two further factors which influenced British capitalism's development. First, Britain's legacy of Empire with its consequent importance as an orientation for British trade, combined with Britain's failure to recognise the importance of the emerging European market have been widely recognised. It was not simply that British firms focused upon slower growing markets but that firms were not

subject to the same competitive pressures. British exports remained in commodity sectors of decreasing importance to importing economies. As late as the 1950s the three largest commodity groups exported were non-electrical machinery, transport equipment and textiles.<sup>30</sup> From the mid 1950s as cartels gave way to mergers and rationalisation across Europe British capitalism failed to invest in the industries offering new opportunities in wider consumer mass markets. So firms such as General Electric Company abandoned consumer markets in television production in favour of prospects of safer returns from nuclear energy and armaments. In the car industry it is hardly surprising that BLMC (what became the nationalised company British Leyland in 1975) needed rescuing after almost 95% of its declared net profits between 1968 and 1974 were paid out as dividend payments to shareholders.<sup>31</sup>

Finally, this brings us to the second important and neglected aspect of this relative decline; the permanent arms economy.<sup>32</sup> To explain why British capitalism failed to recognise the importance of European markets and failed to recognise the importance of mass markets in consumer goods we need to understand that the British ruling class still accepted its role as a world power.<sup>33</sup> Although clearly subordinate to American capitalism by 1945 it still played a central role in creating and sustaining a pro-western hegemony in the Cold-War that followed. In accepting this role military expenditure inevitably had a major impact on domestic economic development. Of the major western economies only the United States spent more on defence, as a proportion of GDP, than Britain after 1945.<sup>34</sup> Although defence expenditure in Britain peaked in 1952, following the outbreak of the Korean War, and declined continually in real terms throughout the 1950s and 1960s, Britain remained a high spending nation. By 1962, ten years after real expenditure peaked, military orders accounted for around 70 per cent of the aircraft industry's output, 22 per cent of the electronics industry (including

at least 35 per cent from the industrial and radio communications sectors) and 23 per cent of shipbuilding.<sup>35</sup>

The inter-relation between the importance of public expenditure and the growth of the defence sector has led Edgerton to suggest that the post-war political consensus which emerged after 1945 was constructed around an industrial/military nexus based upon high technology and high defence expenditure.<sup>36</sup> Elsewhere, Freeman maintains that government research and development funding required a 'considerable reorientation' away from military and prestige projects in order to establish a framework conducive to establishing more competitive industries.<sup>37</sup> However, in general the impact of arms expenditure on the British economy and the stabilising effect on world capitalism of a permanent arms economy has largely been ignored among mainstream historians and economists.

## **Conclusion**

The existence of a consensus between labour and capital lies at the heart of the most influential Left wing writing on post-war economic growth. The importance and weakness of this consensus is also understood to be central to explanations of rapid economic growth throughout Western Europe and British relative economic decline respectively. The existence, importance and weakness of this consensus is also shared by those of the Right.

This chapter has maintained that to explain the relative failure of the British economy after 1945 on a cosy deal between workers, employers and government is flawed on two counts. First there is a systematic failure to recognise the role played by accumulation, rather than exploitation, as the dynamic of capitalist development. This itself may be due to the project of the Left being reform within the existing economic order as opposed to revolutionary change. A challenge to the particular form exploitation takes can be accommodated as long as the prospect is future dynamic growth, under the existing conditions for capital accumulation, is maintained.

However, a challenge to the process of capitalist accumulation itself leads inevitably to the presentation of an alternative method of economic development. For socialists economic growth itself is a prospect offering hope and liberation for the mass of the world's population, yet how can sustained, planned and crisis free economic growth be achieved without a revolutionary challenge to the mechanisms of capitalist accumulation? Inevitably an analysis of post-war economic growth which places questions of accumulation at the heart of its explanation leads to a view which recognises the need for revolutionary change.

The second reason for rejecting the consensus hypothesis lies in the fact that the historical record brings the very existence of a consensus into question. To demonstrate a consensus requires ignoring key aspects of the historical evidence. The Attlee government becomes a one sided monolith, depending upon the Left or Right view of the consensus hypothesis that is accepted. Either the Attlee government adopted modernising policies under difficult international circumstances and opposition from a domestic employing class, which was highly politicised. In which case the degree to which the Attlee government appeased employer opposition is under emphasised and the government's deeply hostile response to independent working class action is ignored entirely. Or alternatively, the Attlee government entrenched a conservative tripartism which prevented the market pressure supply-side reform would have brought, in which case the ready acceptance of reform and attempted modernisation is equally under emphasised while again government's hostility exhibited to independent working class activity is again ignored.

The historical record demonstrates a very different relationship existed between the Attlee government labour and capital. It sought to re-establish a stability and economic relationships that the depression had fractured and the Second World War tore apart. As Milward recognised the nation state required rescuing after 1945.<sup>38</sup> This was a rescue both from itself in reducing the tendency towards war inherent within capitalist accumulation and a rescue from alternatives to capitalist development deriving from the opposition of the working class to a return to the 1930s.

The importance of an analysis rooted in capitalist accumulation goes further than providing an alternative view of the Attlee government. It also provides a unifying theory of the long boom and its subsequent collapse through the recognition played by the permanent arms economy. The long boom was indeed predicated upon a tacit



consensus but one based upon cold-war imperialism and its resultant high arms expenditure.

---

<sup>1</sup> L. Elliott and D. Atkinson, The Age of Insecurity, (London 1998), p.36.

<sup>2</sup> W. Hutton, The State We're In, (London 1995), p.262-8.

<sup>3</sup> Ibid., p.265.

<sup>4</sup> E.J. Hobsbawm, Age of Extremes: the short Twentieth Century 1914-1991, (London 1994), p.282

<sup>5</sup> A. Booth, J. Melling and C. Dartmann, 'Institutions and economic growth: The politics of productivity in West Germany, Sweden and the United Kingdom 1945-55', Journal of Economic History, No.2, Vol.57, 1997, p.436.

<sup>6</sup> E.P. Thompson, The Making of the English Working Class, (Middlesex 1980), p.12.

<sup>7</sup> For a fuller discussion of capitalist accumulation see C. Harman, Explaining the Crisis, (London 1984) and C. Harman, Economics of the Madhouse: capitalism and the market today, (London 1995).

<sup>8</sup> Readers should be aware that a market in this context does not necessarily mean a physical meeting of the parties involved. Rather it is any environment where exchange can take place, including the postal, telephone or the internet systems.

<sup>9</sup> D.S. Landes, 'What do bosses really do?', Journal of Economic History, No.3, 1986 and A. Alchian and H. Demsetz, 'Production, information costs and economic organisation', American Economic Review, Vol.62, 1972.

<sup>10</sup> G. Clark, 'Factory discipline', Journal of Economic History, Vol.54, No.1, (1994), p.131

- 
- <sup>11</sup> George Orwell, Down and Out in Paris and London, (1974), p.159
- <sup>12</sup> Again this is conceded by neo-classical school, see D.C. North, Structure and Change in Economic History, (New York 1981), p.208-9.
- <sup>13</sup> G. Boyce, Information, Mediation and Institutional Development: the rise of large-scale enterprise in British shipping 1870-1919, (Manchester 1995).
- <sup>14</sup> M. Olson, The Rise and Decline of Nations, (New York 1982)
- <sup>15</sup> C. Bean and N. Crafts, 'British economic growth since 1945: relative economic decline... and renaissance?' in N.F.R. Crafts & G. Toniolo (ed.s), Economic Growth in Europe Since 1945, (Cambridge 1996), p.131-72 and S. N. Broadberry & N.F.R. Crafts, 'British economic policy and performance in the early post-war period', Business History, Vol.38 No.4, 1996, pp.65-91.
- <sup>16</sup> J. Saville, Politics of Continuity: British foreign policy and the Labour Government 1945-6, (1993), p.4 and pp.149-75
- <sup>17</sup> W. Hutton, The State to Come, (London 1997), p.44
- <sup>18</sup> See R.J. Flanagan, D.W. Soskice and L. Ulman, Unionism, Economic Stabilisation and Incomes Policy: The European experience, (Washington D.C. 1983) and S.N. Broadberry, 'Unemployment', in N.F.R. Crafts and N. Woodward (ed.s), The British Economy Since 1945, (Oxford 1991), p.212-35.
- <sup>19</sup> J. Tomlinson and N. Tiratsoo, Industrial Efficiency and State Intervention 1939-51, (London 1993).
- <sup>20</sup> A. Cairncross, The Years of Recovery: British economic policy 1945-51, (London 1985).
- <sup>21</sup> Ibid., pp.334-5.
- <sup>22</sup> Ibid., pp. 31-2.

---

<sup>23</sup> T. Gourvish, 'The rise and (fall?) of state-owned enterprise', in T. Gourvish and A. O'Day, Britain Since 1945, (Hampshire 1991), p.115 and Cairncross, op.cit., p.466.

<sup>24</sup> G. Ellen, 'Labour and strike breaking 1945-51', International Socialism Journal, Vol.2, No.24, 1984, pp. 45-73.

<sup>25</sup> J. D. Smith, The Attlee and Churchill Administrations and Industrial Unrest 1945-55: A study in consensus, (London 1990), pp9-32.

<sup>26</sup> See M.L. Djelic, Exporting the American Model: the post-war transformation of European business, (Oxford 1998), pp. 81-6.

<sup>27</sup> A. S. Milward, The European Rescue of the Nation State, (London 1992) and A.S. Milward, The Reconstruction of Western Europe 1945-51, (London 19984).

<sup>28</sup> See B.W.E. Alford, 'New for old? British industry between the wars', in R. Floud and D. McCloskey (ed.s), The Economic History of Britain since 1700, Volume 2: 1860 to the 1970s, (Cambridge 1981), pp.308-31.

<sup>29</sup> See B. Supple, 'Fear of failing: economic history and the decline of Britain', Economic History Review, Vol.XLVII, No.3, 1994, pp.441-58 and R. Pope, The British Economy since 1914: A study in decline?, (London 1998), p.15.

<sup>30</sup> J. Foreman-Peck, 'Trade and the Balance of Payments', in Crafts and Woodward (ed.s), op.cit., table 5.2.

<sup>31</sup> K. Williams, 'BMC/BLMC/BL - A misunderstood failure' in K. Williams, J. Williams and D. Thomas, Why are the British Bad at Manufacturing?, (London 1983). pp.248-9.

<sup>32</sup> The following discussion focuses upon the impact of the permanent arms economy on the British economy. See T. Cliff, State Capitalism in Russia, (1974) and P. Binns, 'The New Cold War', International Socialism Journal, No.19, (1983) for the

---

development of the ideas behind the permanent arms economy and Mike Haynes chapter in this volume for details of the general importance of the permanent arms economy to the long boom.

<sup>33</sup> Saville, op.cit., pp.10-80.

<sup>34</sup> R. Middleton, Government Versus the Market, (Cheltenham 1996), table 12.15.

<sup>35</sup> Economist Intelligence Unit, Economic Effects of Disarmament, (London 1963), p.49 and p.82 and C.J. Morelli, 'British government expenditure 1948-1963: What does a sectoral Input-Output analysis tell us?', University of Dundee, Economic Discussion Series, No.82, 1997.

<sup>36</sup> D.E.H. Edgerton, 'Liberal militarism and the British state', New Left Review, No.185, 1991.

<sup>37</sup> C. Freeman, 'Government policy', in E. Pavitt, (ed.), Technical Innovation and British Economic Performance, (London 1980), pp.310-35.

<sup>38</sup> Milward, European Rescue.