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THE CONSERVATIVE PARTY IN OPPOSITION (1964-1970):  
THE EFFECTS OF OPPOSITION STATUS UPON CERTAIN MAJOR PARTY  
POLICY POSITIONS

MARTIN STRUAN BURCH, B.A.

Submitted for the Degree of Ph.D.  
University of Glasgow  
Faculty of Arts

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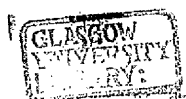




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ABBREVIATIONS USED IN THE TEXT

ACP	Advisory Committee on Policy
AEI	Associated Electrical Industries Limited
BEA	British European Airways
BEC	British Employers' Confederation
BMH	British Motor Holdings Limited
BOT	Board of Trade
BSC	British Steel Corporation
GBI	Confederation of British Industries
CCO	Conservative and Unionist Central Office
CEGB	Central Electricity Generating Board
CIM	Commission for Industry and Manpower
CPC	Conservative Political Centre
CRD	Conservative Research Department
CPSRU	Conservative Public Sector Research Unit
CSRC	Conservative Systems Research Centre
DEA	Department of Economic Affairs
DEP	Department of Employment and Productivity
EDCs	Economic Development Committees
FBI	Federation of British Industries
GEC	The General Electric Company Limited
H.C.Debs.	Hansard. House of Commons Debates
H.L.Debs.	Hansard. House of Lords Debates
ICI	Imperial Chemical Industries Limited
ICL	International Computers Limited
IDB	Industrial Development Board
IDCs	Industrial Development Certificates
IDE	Industrial Development Executive
IEA	Institute of Economic Affairs
IPC	International Publishing Corporation Limited
IRC	Industrial Reorganisation Corporation
MinTech	Ministry of Technology
NABM	National Association of British Manufacturers
NBPI	National Board for Prices and Incomes
NCP	Notes on Current Politics
NEDC	National Economic Development Council
NEDO	National Economic Development Office
NIC	National Incomes Commission
NIESR	National Institute for Economic and Social Research
NOP	National Opinion Polls
NUCUA	National Union of Conservative and Unionist Associations
ODPs	Office Development Permits
OECD	Organisation for Economic Co-operation and Development
PEP	Political and Economic Planning
PEST	Pressure for Economic and Social Toryism
PPSS	Parliamentary Private Secretaries
REP	Regional Employment Premium
RPM	Resale Price Maintenance
SET	Selective Employment Tax
TUC	Trades Union Congress
UCS	Upper Clyde Shipbuilders

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M.B.

April 1975



## SUMMARY

This study is concerned with the effects of Opposition status upon certain policy positions adopted by a major British political party. Initially five interconnected hypotheses about party policy-making in Opposition are extracted from the existing literature. These hypotheses cover such matters as the role of party opinions in policy formation, the maintenance of policy positions, the nature and presentation of policy content, and the implementation of policy once the party returns to power. In the remainder of the thesis the hypotheses are tested in relation to the policy-making activities of the 1964 to 1970 Conservative Opposition in four linked policy areas: national economic planning, prices and incomes policy, regional policy and policy for the structure of industry.

The subsequent analysis falls into four parts. In Parts One and Two the context of Conservative Party action during the 1964 to 1970 period is examined. In Part One five roles which have traditionally been attributed to constitutional Oppositions in the United Kingdom are identified, and their relevance to the policy-making activities of the 1964 to 1970 Conservative Opposition is assessed. In Part Two the policy-making process of the 1964 to 1970 Conservative Opposition is analysed. The various policy channels which had access to the Party's key policy-making centre are outlined and it is shown that, in contrast to periods when the Party was in Government, in Opposition the opportunities available to intra-party policy channels to influence the content of Conservative policy were extended, and, conversely, those available to extra-party channels declined. In addition, the nature of Conservative ideology and the opinions of Conservative partisans are considered. Two ideological tendencies are isolated (a dirigiste, liberal tendency and an etatiste, tory tendency), and it is argued that during the 1964 to 1970 period the balance of opinions amongst Conservative partisans was biased towards the liberal viewpoint.

Part Three contains a detailed analysis of the evolution of policy in the four selected areas during (i) the Conservatives' initial period as Government prior to 1964, (ii) their subsequent period as Opposition (1964-1970), and (iii) their period in office once returned to power (1970-1974). Particular attention is given to the influence of Conservative

Party opinion upon the formulation of policy, and the Conservative Opposition's responses to the development of the 1964 to 1970 Labour Government's programme. In addition, the differences between policies formulated by Conservatives as Opposition and those formulated by them as Government are noted.

In Part Four the preceding sections are drawn together. The original hypotheses are assessed and reformulated in the light of the evidence presented in Part Three. Three sets of possible explanations of the way policy stances altered and developed during the Conservatives 1964 to 1970 period as Opposition are considered. Initially factors relating to the personalities and beliefs of key policy-makers and the overall pattern of events are evaluated, and, while not denying the validity of these approaches, it is argued that Opposition status also has explanatory force and deserves consideration. Finally, the policy consequences of three features of the party as Opposition (its policy-making structure, its policy-making responsibilities and its goals) are analysed, and it is shown that taken together, these features are liable to produce forms of policy-making and types of policy outcomes which are significantly different from those pursued by the party as Government.

The study suggests, contrary to a widely held viewpoint, that party policy statements publicised in Opposition do not offer a reliable means of judging or predicting the policy behaviour of a political party when, and if, it returns to power. In addition, the evidence produced in the thesis implies that the apparent failure on the part of recent governing parties to fully implement their electoral programmes is to some extent a product of the institutional and political conditions which characterise British Opposition politics itself. Thus, the conclusion is drawn that the remedy for any lack of continuity between policies publicised in Opposition and policies implemented in Government lies, not only in strengthening Opposition parties vis-à-vis Governments or Ministers vis-à-vis civil servants, but also in the adoption by Opposition groups of more modest policy-making functions than has recently been the case.

## CHAPTER ONE

## INTRODUCTION

In recent years there has been a renewed interest in the notion of political opposition. The first major work concerned specifically with this concept was a cross national study published in 1966 under the editorship of R. A. Dahl<sup>1</sup>. At roughly the same time a quarterly journal of comparative politics entitled Government and Opposition was founded and this, in its early issues, served as a forum for studies based on the notion of opposition<sup>2</sup>. Two years later Ionescu and de Madariaga published their study of opposition which, they claimed, "attempted a survey of the development, the present role and the future possibilities" of the institution<sup>3</sup>. More recently two selections of articles from the journal of Government and Opposition have been issued under the editorships of Rodney Barker and Leonard Schapiro<sup>4</sup>. Finally, in 1973 Punnett's major study of the institutional aspects of Parliamentary Opposition in the United Kingdom became available<sup>5</sup>. All these studies have been of two kinds: either of a theoretical and evaluative nature, mainly concerned with the definition, classification or general history of opposition in its universal aspects<sup>6</sup>, or they have consisted of studies of the operation of particular oppositions in given political systems<sup>7</sup>. Of a slightly different nature, but nevertheless relevant, is Hoffman's analysis of the

- 
1. R. A. Dahl, (ed.), Political Oppositions in Western Democracies, New Haven 1966.
  2. In the Foreword to the first issue of this journal the editor stressed that "the extraordinary neglect of Opposition... both by historians and political scientists justifies such a forum of study". Government and Opposition, Vol.I, No.1, October 1965, p.1.
  3. Ghita Ionescu and Isabella de Madariaga, Opposition, London 1968, p.v.
  4. Rodney Barker (ed.), Studies in Opposition, London 1971; Leonard Schapiro (ed.), Political Opposition in One-Party States, London 1972. German and French scholars have shown some interest in the theoretical aspects of opposition. For a list of their work, see Ionescu and de Madariaga 1968, op.cit., footnote, p.2
  5. R. M. Punnett, Front-Bench Opposition, London 1973.
  6. For the definition and classification of oppositions see, R.A. Dahl 1966, op.cit., pp.xvi-xvii and pp.332-47; Rodney Barker 1971, op.cit., pp.5-9; and Giovanni Sartori, "Opposition and Control: Problems and Prospects", Government and Opposition, Vol.I, No.2, January 1966, pp.149-154.
  7. Dahl 1966, op.cit., chapters 1-10; Government and Opposition, Vols 1, 2, 3, 4 and 5, selections; Punnett 1973, op.cit.

1945 to 1951 Conservative Opposition<sup>8</sup>. Unlike the other works mentioned above, his study is mainly in the form of a straightforward historical account and is not anchored to the concept of opposition as such.

In this study I consider what consequences factors peculiar to the situation of being in Opposition may be said to have had upon the policy produced by a major British political party. Until recently little attention has been given to the policy-making aspect of British Opposition politics but the issue has been a matter of some debate in the press, amongst politicians and within academic circles, and a number of speculations have emerged. Within the space of the next few pages I attempt to review this 'conventional wisdom' and to extract from it certain propositions which may serve as hypotheses capable of investigation within the remainder of this study.

Some observers have suggested that a party as Opposition is, both in terms of its organisation and policy output, liable to be different from the same party as Government. This point was outlined by Saul Rose in 1956<sup>9</sup>, and has since been elaborated into the broader proposition that in Opposition political pressures from within the party are likely to predominate and policy content is, therefore, liable to conform to partisan norms and attitudes to a greater extent than in Government<sup>10</sup>. Others, such as Ionescu and Menzies, have suggested that Opposition parties will develop policies which are distinct from those being pursued by the governing party<sup>11</sup>, and the latter has argued that this cultivation of difference

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8. J. D. Hoffman, The Conservative Party in Opposition: 1945-1951, London 1964.
  9. Saul Rose, "Policy Decision in Opposition", Political Studies, Vol.4, No.2, 1956, p.128. See also, R. T. McKenzie, British Political Parties, Second Edition, London 1963, p.642.
  10. See, Punnett 1973, op.cit., pp.380-1 and p.389; Nigel Harris, Competition and the Corporate Society, London 1972, p.141; Max Beloff, "The Leader of the Opposition", Parliamentary Affairs, Vol.11, 1958, p.158; Richard Rose, "Parties, Factions and Tendencies in Britain", in Roy C. Macridis (ed.), Political Parties, New York 1967, pp. 103-4; R. K. Alderman, "Parliamentary Discipline in Opposition: the Parliamentary Labour Party, 1951-1964", Parliamentary Affairs, Vol.21, No.2, 1968, p.124-36.
  11. Ionescu and de Madariaga 1968, op.cit., p.87; Sir Robert Menzies, The Measure of the Years, London 1970, pp.13-20. See also, Editorial, The Times, 7 October 1965; and for a theoretical examination of the same point, see Anthony Downs, An Economic Theory of Democracy, New York 1957, pp.55 and 98.

should be the chief objective of the party as Opposition<sup>12</sup>.

An additional factor has been noted by Punnett who has suggested that, in Opposition, party leaders often avoid dealing with awkward or unpleasant issues<sup>13</sup>. So that there may be a tendency on the part of Opposition policy makers to shelve or gloss over matters considered to be controversial or divisive. Moreover, both Richard Rose and Hoffman have alluded to the apparent tendency of Opposition parties to produce policies of a non-explicit nature<sup>14</sup>, while Punnett has speculated that detailed policies formulated in Opposition may serve to limit the flexibility of party policy-makers once returned to office<sup>15</sup>.

Finally, it has been suggested that policies formulated in Opposition may prove impracticable or unpalatable once the party returns to power<sup>16</sup>. For example, a number of observers have claimed that the activities of both the 1964 to 1970 Labour and the 1970 to 1974 Conservative Governments reveal a wide disparity between intentions outlined in Opposition and actions carried out in power. Some of these observers have suggested that, in Powell's phrase, this "divorce of party from policy" has contributed to a widescale public disenchantment with the existing "two party" system as exhibited in voting patterns in recent by-elections and the 1970 and 1974 General Elections<sup>17</sup>. Others, most notably Richard Rose, have been led to question the party government model of British politics whereby parties, once elected to office, are assumed to control the apparatus of government

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12. Menzies 1970, op.cit., p.20
  13. Punnett 1973, op.cit., pp.228 and 291. See also, Hoffman 1964, op.cit., p.179.
  14. Richard Rose, "The Variability of Party Government", Political Studies, Vol. XVII, No.4, 1969, p.427; Hoffman 1964, op.cit., p.179.
  15. Punnett 1973, op.cit., p.210
  16. Samuel Brittan, "Some Thoughts on the Conservative Opposition", Political Quarterly, Vol.39, No.2, 1968, p.151; Punnett 1973, op.cit., p.210; Editorial, The Times, 7 October 1965.
  17. Enoch Powell, "Reducing Parliament to a Charade", The Times, 11 March 1974; see also, Powell's speech at Chester as reported in The Sunday Times, 7 April 1974; Peter Jenkins, "Who Can Fail the Least", The Guardian, 27 February 1974.

and to be capable of carrying through their electoral programmes<sup>18</sup>. These speculations have raised the issue of whether a party as Opposition can, or even should, formulate policies in preparation for future office<sup>19</sup>.

In the light of the preceding discussion it is possible to suggest five interconnected hypotheses relating to the policy-making activities of a British political party as Opposition. These will be investigated in the remainder of this study.

1. Policy-making in a party as Opposition will be different from policy-making in the same party as Government. In particular, policy-makers (party leaders) will be more attentive to party opinions and policy content will conform more closely both to these opinions and to the party's ideology.
2. As Opposition a party will attempt to make its policies appear distinctly different from those being pursued by the governing party.
3. As Opposition a party will forego or retreat from policy positions previously maintained by it as Government which (a) have been, or are liable to be, controversial in terms of party ideology, and which (b) are adopted and maintained by its successors in office.
4. After returning to Government policy positions previously adopted in Opposition will, in certain instances, prove either (a) impracticable or unpalatable or (b) limit the freedom of manoeuvre and flexibility of policy-makers.
5. Policy made in Opposition will generally be non-explicit in nature and party policy-makers will avoid, whenever possible, making precise commitments to future action.

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18. R. Rose, "The Variability of Party Government" 1969, op.cit.; Richard Rose and Harve Mossawir, "Voting and Elections: A Functional Analysis", Political Studies, Vol.XV, No.2, 1967, pp.198-199.
  19. The question as to whether a party should formulate policy in Opposition has been a matter of debate for a number of years, see Richard Crossman, Labour in the Affluent Society, Fabian Tract No.325, 1960; Bernard Crick, "Two Theories of Opposition", New Statesman, 18 June 1960.

In attempting to investigate these hypotheses the following steps appear to be indicated: first, I must choose as a primary focus of study the policy-making activities of a British party during a period as Opposition. Secondly, I must identify certain policy areas in which, when in Government, the party's policy-makers adopted and pursued policies which were (a) innovative in terms of policy development and controversial in terms of certain strands of party ideology, which (b) remained matters of political debate during their party's subsequent period as Opposition, and which were (c) adopted and maintained by policy-makers in the party which succeeded them in office. Finally, I must trace the evolution of policy in these areas during (i) the party's initial period as Government, (ii) its period as Opposition and (iii) its period in office once returned to power.

As far as the first step is concerned I have chosen to concentrate analysis upon the Conservative Party as Opposition during the 1964 to 1970 period. This has the advantage of not having previously been studied in detail, while the experience of these years directly contributed to some of the speculations contained in the 'conventional wisdom' outlined above.

In relation to the second step I propose to examine the management of the economy area with special reference to the emergence of what may be termed Tory Planning in the early 1960s. This I have broken down into a number of linked but separate policy areas: namely, national economic planning and the National Plans, prices and incomes policy, regional policy, and policy in relation to the structure of industry. I have chosen these areas, first, because they appear to be ones in which the 1959 to 1964 Conservative Government embarked upon long-term, discriminatory and interventionist programmes of action which might be regarded as having been at odds with some strands at least of Conservative thinking and beliefs<sup>20</sup>. Secondly, all the policy areas relate to issues which

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20. Conservative beliefs are discussed in Chapter 5, below.

appear to have remained matters of political debate during the 1964 to 1970 period of Conservative Opposition. Thirdly, in each of these policy areas there appears to have been some degree of continuity between the policies pursued by the Conservative Government and those supported by their Labour successors. For these reasons the four policy areas selected would appear to offer interesting and promising test cases for the hypotheses previously outlined.

Finally, although I am mainly concerned with the Conservatives' period as Opposition, I propose to consider policy development in each particular policy area during the years from around 1960 to 1974. This will enable me to examine the activities of the Conservative Party as Opposition and to compare and contrast them with its activities during its preceding and subsequent periods in office.

Before considering the development of policy in each of the four policy areas, however, I intend to examine the wider constitutional and political context of the Conservative Opposition's policy-making activities. As my main concern is with the effects of Opposition status some initial consideration should be given to this matter and I shall, <sup>therefore,</sup> tentatively assess what is implied in this term and what consequences the situation of being in Opposition may be said to have for party action. In addition, I propose to outline and examine factors peculiar to the particular Opposition party, such as its organisation and the shared attitudes and beliefs of its members. Both these matters would appear to be relevant to a discussion of policy-making in Opposition and may usefully be mapped out before more detailed aspects of policy formulation are considered.

There are obviously conceptual and practical problems involved in a study of this nature. In particular, isolating the influence of 'Opposition status' from that of other variables, such as the personalities and beliefs of policy-makers and the overall pattern of events, is liable to prove difficult. Clearly, for the purposes of both analysis and explanation, some consideration must be given to these other factors. The adoption of a case study approach may to some extent help to overcome this problem, since as Heclo has noted, such an approach is capable of taking into account changes over time and can bring to bear a "remarkable variety of factors".<sup>21</sup>

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21. H. Heclo, "Policy Analysis", British Journal of Political Science, Vol.2, No.1, January 1972, pp.93-4.



The contents of this study are divided into four parts. Part One considers the history and functions of constitutional Opposition in the United Kingdom and analyses the roles adopted and the goals pursued by the 1964 to 1970 Conservative Opposition. In Part Two the policy-making process of the Conservative Opposition is outlined and analysed, and this is followed in Part Three by a detailed investigation of policy developments within each of the four selected policy areas during the period from 1960 to February 1974. Finally, in Part Four, the points which have arisen in the course of the discussion are summarised and evaluated, their relevance to the hypotheses is examined and some explanations are provided.

The research has been based mainly on published sources, since the period studied is recent and hence few unpublished documents are available. Major sources which have been used include Conservative Party publications and press releases, national newspapers and periodicals, government publications, Parliamentary papers, Hansard and biographies and memoirs<sup>22</sup>. Most of the research, with the exception of Chapter Eleven, was carried out between March 1970 and March 1972. This archival research was supplemented by a series of nineteen open-ended, unattributable interviews with Conservative officials and Members of Parliament. These were conducted during the two months prior to June 1972 and were intended as a means of clarifying points of fact and interpretation which had previously arisen during the period of my earlier researches. I had originally contacted thirty-five persons for the purpose of interview. Of these, five did not reply, eight were unavailable, and in three cases it proved impossible to arrange a mutually convenient time. Most of those interviewed requested that their remarks should not be quoted directly and I have, therefore, found it necessary to adopt a coding system whereby interview sources are identified by a number in the footnote. The names of the persons thus noted will be made available to my examiners only. Of the nineteen who were interviewed, not all have been referred to in the thesis. In some cases their remarks were capable of being documented from other published sources, in others the interviews, although interesting, revealed nothing new or relevant.

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22. See the bibliography at the end of the thesis.

In adopting a case study approach I am aware that any generalisations which may be drawn from them may only have relevance to the particular issues, particular period and particular Opposition studied. However, each policy area has been chosen because it appears to offer a promising test case for the hypotheses previously outlined and these, it may be suggested, have a wider relevance. Thus, although the limitations of the approach should be borne in mind, some generalisations, if only tentative, may be justified. Moreover, it is not my purpose in this study to provide a detailed analysis of the history and institution of Opposition in the United Kingdom. Nor do I set out to provide a definitive outline of the policy-making process of the Conservative Party as Opposition. The material presented in Parts One and Two is intended as a background to and framework for the analysis of the case studies presented in Part Three. These form the focus of this study and the preceding discussion and the subsequent conclusions are centred upon them.

PART ONETHE ROLES AND GOALS OF OPPOSITION

In this section I consider factors relevant to the political context within which Conservative Party action took place during the 1964 to 1970 period. The analysis is divided into two chapters. In Chapter Two I examine the history of the Opposition in the United Kingdom and draw some conclusions about the roles which have been ascribed to the Opposition during the course of its development. In Chapter Three I assess which of these roles were adopted and pursued with the most persistence by the Conservative Opposition during the period under study, and I conclude by considering the relationship of the roles thus adopted to the Party's aims and objectives.

## CHAPTER TWO

THE ROLES OF OPPOSITION: THE DEVELOPMENT OF CONSTITUTIONAL OPPOSITION  
IN THE UNITED KINGDOM

A 'role' may be defined as a "pattern of expected behaviour"<sup>1</sup>. In its sociological context the term has usually been applied to individual actors so that each may be regarded as playing a variety of roles such as taxpayer, father, voter, worker and so forth<sup>2</sup>. In this study, however, the term is applied at the institutional level so that, seen as a collective entity, an opposition may be regarded as fulfilling a number of roles or of acting in accordance with certain patterns of prescribed behaviour<sup>3</sup>. These roles may be regarded as the product of historical factors peculiar to the particular political system under study<sup>4</sup>.

In Britain the term Opposition with a capital 'O' is generally understood to mean "constitutional" or "loyal" opposition<sup>5</sup>. It is so called because it does not contest the legitimacy or question the basis of the constitution of the state. In Britain what the Opposition opposes is the Government and not the political system as such<sup>6</sup>.

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1. Michael Banton, Roles, London 1965, p.19.
  2. See, S. F. Nadel, The Theory of Social Structure, London 1957, p.12; Hans Gerth, and C. Wright Mills, Character and Social Structure, London 1954, pp.22-3.
  3. See, Thomas A. Hockin, "The Roles of the Loyal Opposition in Britain's House of Commons: three historical paradigms", Parliamentary Affairs, Vol.25, No.1, 1971-72, pp.50-68, see especially footnote 4.
  4. The notion of convention as used in writings on the British constitution may appear to be close to the concept of role. It should be understood, however, that in this study the concept of role includes not only conventions but also statutory provisions, less formal rules of behaviour, and the attitudes and preconceptions of the actors involved. For a discussion of the nature of conventions see, Geoffrey Marshall and Graeme C. Moodie, Some Problems of the Constitution, London 1959, Part II; E.C.S. Wade and G. Godfrey Phillips, Constitutional Law, Sixth Edition, London 1960, pp.74-91.
  5. For a clarification of this distinction see, Allen Potter, "Great Britain: Opposition with a Capital 'O'", in R.A. Dahl (ed), Political Oppositions in Western Democracies, New Haven 1966, p.23.
  6. See Giovanni Sartori, "Opposition and Control: Problems and Prospects", Government and Opposition, Vol.1, No.2, January 1966, pp.149-154. For an application of this general point in relation to Italian politics see: Silvano Tosi, "Italy: Anti-system Opposition Within the System", Government and Opposition, Vol.2, No.1, October 1966 - January 1967, pp.49-62.

To date, as Professor Crick has noted, no comprehensive account of the development of constitutional Opposition in Great Britain has been undertaken<sup>7</sup>. It should be pointed out that it is not the intention to provide such an analysis in the course of this study. A history of the British Opposition would require a separate thesis in its own right and this task must, therefore, be left to others. Instead what is presented in the following pages is an outline of some of the major landmarks in the evolution of the institution. The objective will be to use this material so as to yield some conclusions about the various roles ascribed to Opposition during the course of its development.

For analytical and organisational reasons the following account of the development of 'constitutional' Opposition in the United Kingdom is divided into four chronological sections. I begin with the hundred years from 1730 to 1830. It was during this period that the main foundations of modern Opposition were laid and it is here that the origins of the institution are to be located. Next, in the period between the two great Reform Acts, from 1832 to 1867, the idea of Opposition as a principle of political action was consolidated, although its desirability and validity remained open to question. In the third phase, between 1867 and 1914, the development of political parties, and the idea of the Opposition as a single, organised political group was increasingly accepted. In the final period, from 1914 to the present day, the idea of the Opposition as a legitimate and important part of the constitution and British system of government was acknowledged and the word and the concept of Opposition became a part of the vocabulary of everyday political life. The analysis concludes with an outline and clarification of the roles which have been accredited to the Opposition during the course of its development.

#### 1730-1832: The Emergence of Opposition

As Barker notes, the existence and survival of constitutional Opposition depend upon at least two conditions. In the first place there must be a clear distinction between the person or persons symbolizing

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7. Bernard Crick, "On the Loyal Opposition", Government and Opposition, Vol.1, No.1, October 1965, pp.116-121.

authority and those exercising government. Secondly, political actors must be agreed upon the fundamentals of the political system, so that the political arrangements of the state and the constitutional rules within it are not a matter of political controversy<sup>8</sup>. In Britain prior to the Eighteenth century neither of these necessary conditions existed: the distinction between opposition and treason was tenuous and the monarch remained the centre of government<sup>8</sup>. Throughout the century these obstacles were progressively eroded and the preconditions assuring the development of Opposition emerged.

The decline in monarchical power really began after the Constitutional Settlement of 1689<sup>10</sup> but, according to Professor Foord, only after the Hanoverian succession of 1714 did the conditions which made possible the emergence of constitutional Opposition come into existence. The period from then until 1830, he claims, "constitutes the germinating period of the modern institution"<sup>11</sup>. Both Beattie and Foord are agreed that the first stage in this process was achieved by 1730, for by this date the recognition of the existence of Opposition was firmly established<sup>12</sup>. In part this reflected the decline of Jacobitism which meant that the question of the regime's legitimacy had ceased to be a matter of political controversy. Thus, according to Foord, from 1731 onwards, those who opposed the court party were referred to as the "Opposition" and took their seats opposite the Treasury benches<sup>13</sup>.

Although the existence of Opposition was recognised by 1730 it was not generally deemed to be either a desirable or permanent feature of the political system. In the first place political activity still centred upon the crown and the court; Opposition was thus concerned with the actions of the Crown and the Ministers of the Crown, and it was,

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8. Barker (ed), "Studies in Opposition" 1971, op.cit., pp.8-9
  9. See Ionescu and Madariaga 1968, op.cit., p.69.
  10. Sir David Lindsay Keir, The Constitutional History of Modern Britain: 1485-1951, London. 1953, pp.268-273.
  11. Archibald S. Foord, His Majesty's Opposition: 1714-1830, Oxford. 1964, p.11.
  12. Alan Beattie (ed.) English Party Politics, Vol.I, London 1970, p.7.
  13. Foord 1964, op.cit., pp.155-159

for this reason, generally considered unconstitutional<sup>14</sup>. In the second place the function of opposing the administration was not regarded as the prerogative of organised and persistent parliamentary factions but as the responsibility of the Commons as a whole<sup>15</sup>. Thus the idea of a permanent, organised Opposition was attacked both by the 'King's Friends' and the body of independent Parliamentarians as a limitation upon the rights of the monarch in the one case and upon the rights of Parliament in the other.

Even those, such as Bolingbroke and Burke, who attempted to justify Opposition did not advocate a form of politics which entailed the regular alternation in power of Parliamentary groups. Both conceived of Opposition only as an efficient instrument for curing temporary ills in the nation and not as a permanent element in the political process<sup>16</sup>. For example, although Burke perceived of the Rockingham Opposition as having a clear political role to pursue by using "every just method" by which to place "the men who hold their opinions into such a condition as may enable them to carry their plans into execution, with all the power and authority of the state"<sup>17</sup>, he did not accept that this should be an ongoing and persistent process. For him once the temporary ills had been removed, by the admission to office of the Rockingham group, the justification for Opposition ceased to exist<sup>18</sup>.

Towards the end of the Eighteenth Century the further development of Opposition as an acceptable and permanent part of the political system was closely related to the continued decline in monarchical influence.

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14. On the relationship between the Crown and politics in the latter half of the Eighteenth century see R. Pares, George III and the Politicians, Oxford 1953; and Herbert Butterfield, George III and the Historians, London 1957.
15. See Samuel H. Beer, Modern British Politics, London 1965, pp.22-25; and Beattie 1970, Vol. I, op.cit., p.7.
16. See Henry St. John (Viscount Bolingbroke), The Idea of a Patriot King, London 1742, pp.168-169; Edmund Burke, Thoughts on the Causes of the Present Discontents, F.G. Selby (ed.), Glasgow 1912, For an analysis of Bolingbroke and Burke the reader may be referred to H.C. Mansfield, Statesmanship and Party Government, Chicago 1965.
17. Edmund Burke, "Thoughts on", Selby (ed.), 1912, op.cit., p.81.
18. Frank O'Gorman, "Party and Burke: the Rockingham Whigs", Government and Opposition, Vol.3, No.1, Winter, 1968; pp.92-110.

It is difficult, if not impossible, to pinpoint the exact date when the Crown and the Court ceased to be the primary element in British political life, although Wiseman suggests Pitt's Ministry of 1784<sup>19</sup>. Whatever the precise date, however, most students of the period agree that by the beginning of the Nineteenth Century the monarchy had given up the attempt to rule<sup>20</sup>. Once the sovereign power and the function of government had been separated, the acceptance of Opposition as a permanent part of the political system was assured. So that, as Foord notes, by the mid 1820s the institution had become "an essential part of the state's political machinery"<sup>21</sup>.

In conclusion: by 1832 the existence of the institution of Opposition had been recognised and accepted as permanent, although not necessarily desirable<sup>22</sup>, feature of the British system of government. Moreover, as Mansfield claims, once Opposition had been accepted as a permanent element in Parliamentary life the idea that the alternation of governments was both desirable and constitutional became firmly established<sup>23</sup>. This did not mean, however, that the diffuse and continually changing alliance that was the Opposition attempted to present itself as a real alternative to the existing administration. Nor did it mean that a regulated system of alternating party governments was the norm. In the first place the absence of a simple two party system meant that when a Government fell the Opposition might not be able to take its place<sup>24</sup>. Secondly, the idea of the Opposition as an alternative administration with an alternative programme was totally unknown at this time.

What was increasingly accepted was the idea that it was legitimate

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19. H.V. Wiseman, Parliament and the Executive, London 1966, p.1.  
 20. See Sir Ivor Jennings, Party Politics, Vol.3, the Stuff of Politics, Cambridge 1962, p.177; H.J. Hanham, The Nineteenth Century Constitution: Documents and Commentary, Cambridge 1969, pp.24-30; A.J. Anthony Morris, Parliamentary Democracy in the Nineteenth Century, London 1967, pp.75-6; E. Neville Williams, The Eighteenth Century Constitution: 1688-1815, Cambridge 1960, pp.70-2.  
 21. Foord 1964, op.cit., p.470  
 22. See Barker (ed.) 1971, op.cit., p.12; E. Neville Williams 1960, op.cit., p.71.  
 23. H. C. Mansfield 1965, op.cit., p.16  
 24. See Allen Potter, "Great Britain: Opposition with a Capital 'O'", in Dahl 1966, op.cit., p.7.



for the Opposition to attempt to overthrow the Government by undermining its support on the floor of the House through the adoption of what might be termed a critical or negative role of Opposition. This was most clearly stated by George Tierney, a leading Whig of the period, who maintained that "the duty of an Opposition was very simple - it was to oppose everything and propose nothing".<sup>25</sup> In addition, in the process of its emergence the Opposition acquired some of the roles that had previously been the prerogative of the House as a whole. Most notably it increasingly became the responsibility of the Opposition to act both as a check upon the power of the administration and as a ventilator for the escape of irrepressible discontent<sup>26</sup>. These I shall term the constitutional and representative roles of Opposition.

#### 1832-1867: The Consolidation of Opposition

After 1832 the continued development of constitutional Opposition in the United Kingdom was closely related to the gradual emergence of the political party system. Tentative indications of a nascent party system had already emerged during the early decades of the Nineteenth Century. Mitchell notes that in the 1820s an increasing proportion of divisions in the House of Commons conformed to what he has described as "party questions";<sup>27</sup> while according to Beattie, from 1800 onwards the Opposition was often collectively described by the use of one of the two party labels<sup>28</sup>. These developments were extended and consolidated over the next thirty-five years.

Throughout the period, however, the process whereby party emerged and became more closely associated with Opposition followed an intermittent rather than a persistent and cumulative pattern of development. On the one hand, the limited party cohesion of the 1820s intermittently declined during the 1830s and the 1840s and the period has been described by some,

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25. Quoted in H.J. Hanham, "Opposition Techniques in British Politics: 1867-1914", Government and Opposition, Vol.2, No.1, October 1966-January 1967, p.35.

26. Foord 1964, op.cit., pp.448-451

27. A. Mitchell, The Whigs in Opposition: 1815-1830, Oxford 1967, pp.5-8.

28. Beattie 1970, Vol.1, op.cit., p.37

as the "golden age" of Parliament<sup>29</sup>. On the other hand, both Front-Benches continuously attempted to counteract this tendency by making spirited efforts to reassert party unity. By 1841, for example, Peel had managed to build up a majority which was shattered some five years later following the Repeal of the Corn Laws. In turn the remnants of this majority were carefully pieced together in the 1850s by Derby and Disraeli<sup>30</sup>. Much the same situation faced the 'Liberal' groupings who, after leaving office in 1841, underwent a period of internal dissension and intra-party cohesion was not reasserted until the 1850s<sup>31</sup>.

Despite these setbacks and false starts, however, I would agree with Beattie when he states that by 1867 party was "widely accepted as an established framework of action."<sup>32</sup> Moreover, with the establishment of a party system it began to be increasingly recognised that the phenomena of Opposition and party were closely related elements<sup>33</sup>.

As a consequence of the growing linkage between party and Opposition important alterations took place in both the structure and the scope of the Opposition. Structurally the most important change was the gradual emergence of a clear and distinct Opposition leadership in the form of a "Shadow Cabinet" or "late Cabinet". According to Keith the earliest example of this new form of Opposition leadership was Peel's attempt, in 1836, to call his ex-Cabinet together; although Turner suggests 1860 as a more reliable date for the emergence of the "Shadow Cabinet".<sup>34</sup> Whatever the precise date, however, we may agree with Turner's statement that by 1867 "a modified form of 'Shadow Cabinet' was in existence".<sup>35</sup>

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29. Ronald Butt, The Power of Parliament, 2nd edn., London 1969, p.69.

30. See Norman Gash, Reaction and Reconstruction in British Politics: 1832-1852, Oxford 1964, pp.184-6.

31. See John Vincent, The Formation of the British Liberal Party: 1857-1868, Middlesex 1972.

32. Beattie 1970, Vol.1, op.cit., p.87

33. For Sir Robert Peel's progressive views on this issue see ibid., p.81.

34. On the question of the "Shadow Cabinet", see: A.B. Keith, The British Cabinet System, London 1952, p.1457; D.R. Turner, The Shadow Cabinet in British Politics, London 1969, p.2; J.P. Mackintosh, The British Cabinet, London 1962, p.447; and R.M. Punnett, Front-Bench Opposition, London 1973, pp.74-109.

35. Turner 1969, op.cit., p.10.

To the extent that party and Opposition were increasingly related, the development of extra-parliamentary party organisations served to extend the scope of the Opposition beyond the bounds of the Parliamentary arena. This process began soon after the 1832 Reform Act when registration societies were established. Initially these tended to be on a local basis, but were later co-ordinated through informal contacts with the party 'headquarters' which operated from two political clubs: the Carlton for the Conservatives and the Reform for the liberals<sup>36</sup>. The next significant development in extra-parliamentary party organisation took place in 1861 when the Liberals established a national Liberal Registration Association in London and some two years later the Conservatives created a counterpart entitled the Conservative Registration Association<sup>37</sup>.

In conclusion: the most important development during the period spanning the first two Reform Acts was the gradual and tentative arrival of a coherent party system. This development effectively meant that the two concepts of party and Opposition became more and more closely associated. As a further consequence of the growth of party the nature, structure and scope of the Opposition were altered. It should be noted, however, that the emergence of party and the correlation between it and Opposition were developments which were latent rather than manifest and the full extent of their implications was not fully realised until the later years of the Nineteenth Century. For example, throughout the 1832 to 1867 period, the desirability and validity of Opposition, still remained open to question in some quarters at least<sup>38</sup>; while the link between Opposition and party, although increasingly close, was never absolute. Moreover, there were no significant additions to the roles of Opposition. The critical, constitutional and representative roles previously accredited were maintained but no new ones reached fruition. The period was thus mainly a transitional one in which certain trends, already developed during the previous century, were extended and consolidated while, at the same time, other newer trends emerged and crystallised.

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36. See Ivor Bulmer-Thomas, The Party System in Great Britain, London 1952, pp.12-17 and 213-4; Sir Ivor Jennings, Party Politics: Vol.2 The Growth of Parties, Cambridge 1961, p.94 and p.98 ff.

37. Bulmer-Thomas, ibid., p.18; R.T. McKenzie, British Political Parties 2nd (revised) edn., London 1964, p.262; and John Vincent 1972, op.cit. pp.120-125.

38. Barker (ed.) 1971, op.cit., pp.13-16.

1867-1914: Party and Opposition

The period from 1867 to 1914 has been covered by Hanham in an excellent article on Opposition techniques<sup>39</sup>. In his exposition Hanham adopts a framework focussing upon three aspects of the growth of party: the emergence of the party leader, the increase in party cohesion, and the development of party organisation. These, he claims, had a significant influence upon the development of Opposition. His schema is adopted in the following brief account.

According to Hanham the emergence of a single party leader and the consequent personalisation of politics during the Gladstone/Disraeli period gave a new impetus to the idea of a straight confrontation between Opposition and Government. The more significant contribution was made by Disraeli who was, says Hanham, "the first man to perfect the role of Opposition Leader."<sup>40</sup> His contribution lay in organising the Conservative Party into an effective Opposition capable of maintaining a persistent criticism of the Government<sup>41</sup>. Disraeli subscribed to the dictum that it was the first duty of an Opposition to oppose and he was, according to Blake, "perhaps the first statesman to systematically uphold the doctrine."<sup>42</sup> Disraeli's viewpoint brought a new degree of vigour and combat to the operation of the Opposition and heightened party feelings in the House and the country.

The development of a more vigorous style of Opposition politics was also assisted by the series of reforms in House of Commons' procedure which took place from 1882 onwards. These reforms effectively allocated the great majority of parliamentary time to government business. As Hanham notes, the effect was a general increase in the number of party divisions since, once a clear choice was given, these were intensified<sup>43</sup>. This added momentum to the already developing process of party cohesion so that by 1914, on this dimension at least, the parties closely resembled

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39. H. J. Hanham 1966/67, op.cit., pp.35-48

40. Ibid., p.37

41. See Robert Blake, The Conservative Party from Peel to Churchill, London 1970, p.118.

42. Robert Blake, Disraeli, London 1969, p.355.

43. Hanham 1966/67, op.cit., pp.41-2.

their modern counterparts<sup>44</sup>. The increase in party cohesion inevitably meant a tightening of the link between party and Opposition.

In addition to changes in party leadership and party cohesion, the extra-parliamentary party organisations were refined and extended during this period. Soon after the Reform Act of 1867 both Liberals and Conservatives set out to establish a network of local party organisations. To co-ordinate and control these efforts national mass party organisations were founded: the Conservative National Union in 1867 and the National Liberal Federation in 1874<sup>45</sup>. At about the same time the parties' central bureaucracies were reorganised. In 1870 the Conservative Registration Association became Conservative Central Office and by 1874 the Liberal Registration Association had been renamed the Liberal Central Association<sup>46</sup>. Developments in party organisation continued throughout the period and, taken together, they provided Party Leaders with machinery through which appeals could be made directly to the electorate and through which support and assistance could be recruited. The effect was to further extend the scope of the national political debate beyond Parliament and to produce a permanent Government versus Opposition situation in the localities.

In conclusion: the changes in the leadership, cohesion and extra-parliamentary organisation of the parties during the period 1867-1914, represented a consolidation of the trends which had emerged during the 1850s and early 1860s. The effect of these developments upon the nature of Opposition politics was twofold. First, the concepts of party and Opposition became inextricably bound together. Moreover, the right to oppose a government was, by 1914, overwhelmingly accepted and was regarded as mainly the responsibility of party rather than Parliament as a whole<sup>47</sup>. Secondly, the scope of Opposition was further extended beyond Parliament and the dichotomy between Opposition party and Government party was brought

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44. For the analysis and tabulation of the increasing party cohesion during the period see Beer 1965, *op.cit.*, p.257. See also Hugh Berrington, "Partisanship and Dissidence in the Nineteenth Century House of Commons", *Parliamentary Affairs*, Vol. XXI, No. 4, 1968, pp. 338-74
45. For details on the growth of the mass parties see H.J. Hanham, *Elections and Party Management: Politics in the Time of Disraeli and Gladstone*, London 1959.
46. Jennings 1961, *op.cit.*, pp.131-32 and p.136.
47. See, for example, Sidney Low, *The Governance of England*, London 1904, p.123.

into existence at the grass roots as well as at the centre. Both these developments brought about a significant alteration in the Opposition's field of action. In particular the increasing cohesion of party voting limited an Opposition's chance of defeating a government in Parliament. Thus an Opposition's prospects of returning to power became more dependent upon gaining support amongst the electorate at periodic General Elections. The consequences of this for the roles of Opposition, however, were not drawn out during this period. Despite the fact that some advances were made in party policy-making and propaganda<sup>48</sup>, the idea of Opposition as an alternative government, offering the electorate a choice of men and measures, was not widely popularised. Instead the Disraelian conception that an Opposition's role was to oppose remained the orthodox view.

#### 1914-1970: Opposition and the Constitution

The inter-relationship between Opposition and party and the extension in the scope of Opposition beyond the Parliamentary arena formed the twin bases for the further development of the institution in the Twentieth Century. Most significantly two further concepts of the role of Opposition were formulated and popularised. These I will label the legislative and alternative government roles of Opposition. In addition the constitutional role was reassessed and extended.

In order to understand the nature and development of the legislative role of Opposition it will be necessary to outline the Parliamentary conventions and rules governing the operation of the Opposition in Britain. Following the procedural reforms of the 1880s, Parliamentary time was allocated between the two major parties, and gradually the practice grew whereby the Opposition was consulted as to the length of time required for the discussion of the various stages of government measures. By the beginning of the Twentieth Century it was generally accepted that the Opposition had the right to choose the subjects being debated on the days allotted to the consideration of the Estimates and the Bills by which they were finally authorised<sup>49</sup>. This has meant that the Opposition was,

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48. See Geoffrey D. M. Block, "Party Manifestoes", in the same author's, A Source Book of Conservatism, CPC.305, London 1964, p.70.

49. Lord Campion (ed.), British Government Since 1918, London 1950, pp.20-21.

and still is, allotted a generous share of Parliamentary time; somewhere between 25 and 30 per cent of the total or about thirty-two days in each session<sup>50</sup>. In addition the Government is morally bound to grant a day for the discussion of any vote of censure which the Opposition may wish to move. Opposition leaders also have the right to choose the subjects to be debated on certain items of business such as the address in reply to the Queen's speech, motions for the adjournment of the House, and certain stages of the Budget<sup>51</sup>.

As a consequence of the allocation of Parliamentary time and duties to the Opposition the non-governing party was afforded an opportunity to fulfill a more positive function than that outlined by Tierney and Disraeli. Specifically the Opposition could, through a judicious use of its time and Parliamentary rights, effect the nature and content of public legislation.

One of the earliest exponents of the legislative role of Opposition was Ramsay Macdonald. In an article published during Labour's first term as the second largest party in the House of Commons, the Party Leader argued that the Opposition had a legislative role and a duty to "examine and criticise" and not simply to oppose for the sake of it<sup>52</sup>. More recently the theory of the legislative role of Opposition has been supported by Ronald Butt, and he has expanded Macdonald's analysis by arguing that the modern Opposition's influence on public policy is not limited solely to the Parliamentary context. In particular, he has noted that the Opposition, in addition to amending legislation, can influence government policy in three ways: first, it can help to condition the contemporary climate of opinion through which the Government itself is influenced; secondly, in formulating policy the Government will take into account their opponents' case if only to limit the Opposition's freedom of attack<sup>53</sup>; and finally,

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50. Ronald Butt 1969, op.cit., p.324.

51. Campion 1950, op.cit., p.21; see also Lord Campion (ed.), Parliament: A Survey, London 1952, pp.29-31.

52. J. Ramsay Macdonald, "The Purpose of an Opposition" reproduced in, Beattie 1970, Vol.2, op.cit., p.345. Macdonald later condemned the view that it was an Opposition's duty to oppose as "a crime against the state". Minutes of Evidence, Select Committee on Procedure, HC 161: 1931, extracts from evidence of J. Ramsay Macdonald, MP, the Prime Minister, Para.29.

53. Butt 1969, op.cit., pp.316-17.

Opposition policy can reveal areas in which Government policy is lacking<sup>54</sup>.

The generous allocation of Parliamentary time and duties to the Opposition indicates that by the early decades of the Twentieth Century the institution was accepted as an integral part of the British Constitution. In the Ministers of the Crown Act 1937, it was accorded statutory recognition for the first time<sup>55</sup>. The legislation provided for the payment of a salary from public funds to the Leader of the Opposition who, in the provisions of the Act, was defined as:

that member of the House of Commons who is for the time being the Leader in that House of the party in opposition to his Majesty's Government having the greatest numerical strength in that House.<sup>56</sup>

The statutory recognition of the Opposition was complemented by the further development of the constitutional role of Opposition. Like earlier constitutional theories it was mainly concerned with the Opposition's role as a check upon the Executive and was, in part, a restatement of ideas which had been prevalent since the Eighteenth Century. For example, in works published in the late 1940s and early 1950s, Campion, Jennings and Amery maintained that the Opposition had become the major constraint on the power of the executive<sup>57</sup>.

In addition to the legislative and constitutional roles, an alternative government role of Opposition also came into prominence during the Twentieth Century. Advocates of this view have held that it is the primary duty of an Opposition to prepare itself for future office. This may best be achieved, it has been argued, by the Opposition party presenting itself as a real, responsible and viable alternative to the existing administration, offering an alternative programme and an alternative team to the electorate.

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54. Ibid., p.318

55. 1 Edw. 8 and 1 Geo. 6, C.38, Part I, Section 5.

56. Ibid., Part 3, 10(1).

57. Campion (ed.) 1952, op.cit., pp.29-31; L.S. Amery, Thoughts on the Constitution, Oxford 1947, pp.10-11 and p.31. Sir Ivor Jennings, Cabinet Government, Cambridge, 2nd edn., 1951, p.439.



The alternative government role of Opposition is of comparatively recent origin. Although indicated in the 1937 payment of the Leader of the Opposition, it did not become prominent until after the Second World War. One of its earliest exponents was R. A. Butler. Soon after his Party's defeat in the 1945 Election he outlined the major task facing the Conservative Opposition as the need to offer "a positive alternative to Socialism."<sup>58</sup> The series of "Charters" and policy statements which were produced under his guidance in the immediate post-war years provide convincing and practical evidence of his commitment to the alternative government thesis<sup>59</sup>. In the 1950s and early 1960s, with the Labour Party in Opposition, the alternative government concept was endorsed by all three Labour Leaders: Attlee, Gaitskell and Wilson<sup>60</sup>; while Anthony Crosland, and others, argued in its favour<sup>61</sup>. The growing acceptance of the alternative government role has led Professor Crick to argue that it has in recent years come to replace the view that it is the Opposition's role to oppose as the orthodox view of the constitution<sup>62</sup>.

The increasing acceptance of the alternative government role of Opposition in the post-war period may be regarded as a consequence of at least four developments in the nature of contemporary British politics.

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58. See R. A. Butler, The Art of the Possible, London 1971, p.133. See also Rt. Hon. Earl Winterton, Orders of the Day, London 1952, pp.210-11.
59. J.D. Hoffman, The Conservative Party in Opposition, 1945-1951, London 1964, pp.207-220.
60. See D. E. Butler, The British General Election of 1955, London 1955, pp. 23-29; D.E. Butler and Richard Rose, The British General Election of 1959, London 1960, pp.17-34; D.E. Butler and Anthony King, The British General Election of 1964, London 1965, pp.57-76; Signposts for the Sixties, Labour Party statement of Policy accepted by the Annual Conference, London October 1961; Harold Wilson, Purpose in Politics: Selected Speeches, London 1964. For a clear and interesting outline of the tasks facing an Opposition leader and the application of an alternative government role see: Sir Robert Menzies, The Measure of the Years, London 1970, pp.16-17.
61. See: C.A.R. Crosland, Can Labour Win?, Fabian Tract No.324, 1960; the same author's The Future of Socialism, London 1964; and M. Abrams, Richard Rose and R. Hinden, Must Labour Lose?, London 1960. For a contrary point of view see: R.H.S. Crossman, Labour in the Affluent Society, Fabian Tract No.325, 1960.
62. Bernard Crick, "Two Theories of Opposition", New Statesman, 18 June 1960.

First, as mentioned in the previous section, the gradual development of a coherent two party system effectively limited an Opposition's chances of defeating a government in Parliament. This, coupled with the growth of the franchise, resulted in the replacement of Parliament by the electorate as the major forum for the determination of the complexion of governments. Thus increasingly, as Jennings has noted, the real appeal of Opposition personnel was not to the members on the benches opposite but to public opinion outside<sup>63</sup>.

As well as alterations in the party system, changes in the nature of the parties themselves influenced the growing acceptance of an alternative government role. In particular the emergence of the Labour Party which, after 1918<sup>64</sup>, offered to the electorate a distinctive alternative programme tended to persuade the other political parties of the need to distinguish not only between men but also measures. Thus the Labour Party's example may have encouraged the practice by which parties in Opposition issued a set of alternative policies to the electorate in the form of a centrally printed manifesto: a practice taken up by the Liberals in 1923<sup>65</sup> and by the Conservatives in 1935<sup>66</sup>. At much the same time machinery for the presentation and formulation of policy was established by the Conservatives who, in 1929, founded the Conservative Research Department<sup>67</sup>. Internal dissension and lack of finance precluded the Liberals from undertaking a similar venture until after 1946<sup>68</sup>.

Thirdly, the development of an alternative government role and its increasing acceptance in recent years may be regarded as a consequence of the modern Opposition's inability to fulfill effectively either a legislative or a constitutional role. This is a charge generally made by

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63. Sir Ivor Jennings, "The Technique of Opposition", Political Quarterly, Vol.VI, No.2, April 1935, pp.211-212.
64. At the Labour Party Conference in 1918 a mildly socialist constitution was adopted. For the background to this see Beer 1965, op.cit., pp.126-152. See also F.W.S. Craig, British General Election Manifestoes: 1918-1966, Chichester 1970, p.xi and pp.5-6.
65. Craig 1970, op.cit., pp.24-27, in which the full text is reproduced.
66. Block 1964, op.cit., p.72
67. McKenzie 1964, op.cit., pp.284-286.
68. Jorgen Scott Rasmussen, The Liberal Party: a Study in Retrenchment and Revival, London 1965, pp.55-58.

those who believe that in recent decades the power of the executive has increased at the expense of other elements in the constitutional pattern, most notably Parliament. Crossman, for example, has argued that as long as a government maintains its majority in the House of Commons an Opposition cannot check the executive or influence the nature of public policy against the Government's wishes<sup>69</sup>. Others have suggested a decline in the status of Parliament as a major forum for policy-making and its subordination in the legislative process to other, extra-parliamentary, channels, such as the interplay between the administration and organised interests<sup>70</sup>. If the main points of this argument are accepted then one may conclude that, as Parliament provides the Opposition with its main opportunity to affect the nature of public policy, the decline in Parliament's legislative status has led to a dilution in the Opposition's opportunities to participate in the legislative process. Thus, to the extent that the Opposition's ability to fulfill both legislative and constitutional roles has declined, the alternative government role has emerged to replace them.

Finally, the wide-scale development of mass communications media has had the effect of undermining the Opposition's role as a primary source of criticism and has decreased its importance as a major channel for the expression of opinions and the ventilation of discontent. The competition of other arenas has thus tended to undermine the importance of the Opposition's critical role<sup>71</sup>. Conversely, the development of popular newspapers, mass literacy and, later, radio and television has tended to highlight the alternative government role of Opposition. For at least since the Second World War, the resources have been available

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69. R. H. S. Crossman, "Introduction", to Walter Bagehot, The English Constitution, Fontana edn., London 1963, pp.42-3. See also, Lord Morrison of Lambeth, Government and Parliament, Oxford 1954, pp.96-8.

70. See Andrew Hill and Anthony Wichelow, What's Wrong with Parliament?, Middlesex 1964. There are many books dealing with the decline of Parliament. For a general outline of the main points in the debate, see Bernard Crick, The Reform of Parliament, London, second edition, 1968, pp.1-16.

71. A point made by Ionescu and Madariaga 1968, op.cit., pp.102-121.

by which an Opposition may make a direct appeal to the national electorate<sup>72</sup>.

In conclusion: during the period from 1914 to the present day the Opposition has been granted statutory recognition and accorded significant legislative rights and duties. These developments have resulted in the formulation and general acceptance of both a legislative role and a constitutional role of Opposition. These roles have more recently been further extended to include an alternative government concept which has become increasingly prominent in the post Second World War period. This new development is in part a result of four important changes in the nature of British politics: the final evolution of a two-party system, the emergence of the Labour Party, the "decline" in the status of Parliament, and the development of mass communications media. In general, throughout the period, the idea of the Opposition as a legitimate and important part of the constitution and British system of government has been increasingly acknowledged and the word and the concept of Opposition have become a part of the vocabulary of everyday political life.

### Conclusion

As Potter has noted, the course of Opposition history since the Eighteenth Century may be viewed as the transition from an institutional (i.e. parliamentary) to a party view of Opposition<sup>73</sup>. During the same period ideas about the role of Opposition have developed from an opposition to particular men or measures conducted by Parliament as a whole to an opposition in the form of an organised group offering an alternative government. During the course of its evolution other theories have emerged and, in the contemporary British context, the political party as Opposition may be expected to fulfill any, or all, of the following five roles:

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72. No comprehensive account of the role of the mass media in politics has yet been published. A seminal work is J. T. Klapper, The Effects of Mass Communications, New York, 1960. For the British context see J. Trenaman and D. McQuail, Television and the Political Image, (a study of two Leeds constituencies during the 1959 Election campaign), London 1961; R. Rose, Influencing Voters, London 1967; Lord Windelsham, Communication and Political Power, London 1966.

73. See Potter, in Dahl (ed.), op.cit., 1966, p.6.

1. A constitutional role: whereby the Opposition acts as a check upon executive power and "provides against corruption and defective administration".<sup>74</sup>
2. A representative role: whereby the Opposition may serve as a channel for the expression of minority opinions and for the ventilation of grievances.
3. A legislative role: whereby the Opposition may affect the nature and content of public policy.
4. A critical role: whereby the Opposition's primary duty is simply to oppose.
5. An alternative government role: whereby the Opposition conducts its activities in a responsible and constructive manner with the aim of presenting itself as a real and viable alternative to the existing administration.

The first three roles mainly relate to the Opposition in Parliament, while the last two have a wider application: A political party during a term in Opposition may fulfill all these roles or only some of them.

An initial concern in this study is to determine which role or roles were adopted by the Conservatives during their period in Opposition from 1964 to 1970. Thus in the next chapter an outline of the conduct of that Opposition is provided, and an attempt is made to answer two questions: First, which role, or combination of roles, was given primacy; and secondly, what was the nature of the goals pursued by the 1964 to 1970 Conservative Opposition?

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74. Jennings 1951, op.cit., p.465.

## CHAPTER THREE

THE ROLES AND GOALS OF OPPOSITION: THE CONSERVATIVES AS OPPOSITION  
1964 TO 1970

R. T. McKenzie has argued that one of the most striking features of the Conservative Party is "the enormous power which appears to be concentrated in the hands of the Leader."<sup>1</sup> If one accepts McKenzie's analysis then it is clear that the selection of the role, or roles, adopted by the Conservative Party as Opposition will greatly depend upon the Party Leader's preferences and attitudes. He performs the function of the grand strategist, although, as McKenzie adds: "The vast powers of the Leader... are exercised only with the consent of his followers."<sup>2</sup> Thus in practice the Party Leader is, at the very least, dependent upon the support of his closest colleagues and must consider their advice. Moreover, he cannot persistently ignore the feelings of those within the Parliamentary and Mass sections of the Party.

McKenzie's analysis would seem to imply that any study of roles adopted and goals pursued by a Conservative Opposition should contain a consideration and assessment of the views of the Party Leader. In addition, the opinions of actors at other levels within the Party should be taken into account. However, to the extent that the opinions of these actors may differ amongst themselves and with those of their Leader, the actual roles adopted and goals pursued may not conform absolutely to any stated viewpoint. Thus an analysis of the actors' opinions may usefully be complemented by an analysis of the Opposition's behaviour. Taken together, these two dimensions - opinions and behaviour - appear to offer the best prospect of worthwhile conclusions.

In the light of the considerations outlined above the remainder of this chapter is divided into four sections. The first contains an analysis of the views about the roles and goals of Opposition held by

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1. R. T. McKenzie, British Political Parties, Second edn., London 1964, p.21.
  2. Ibid., p.67.

the two men who led the Conservative Party during the years from 1964 to 1970: Sir Alec Douglas-Home and Edward Heath. Their opinions are then compared and contrasted with those held by their immediate colleagues within the Party Leadership, which, for the purposes of this study, comprised the members of the Leader's Consultative Committee or, as it was more popularly termed, the Shadow Cabinet. In the third section an outline is given of the Conservative Opposition's behaviour and account is taken of back-bench and mass party influence in shaping this. Finally, the chapter concludes with an assessment of the preceding outlines of attitudes and behaviour in terms of what they reveal about the roles fulfilled and the goals pursued by the Conservative Party as Opposition from 1964 to 1970.

### The Party Leaders

Following their election defeat in October 1964 the Conservative Party formed the Opposition for the first time in thirteen years. Sir Alec Douglas-Home has since recalled that the Party was totally unaccustomed to its new situation and quite unprepared for its new task<sup>3</sup>. However, many Conservatives, including Sir Alec, had experienced Opposition during the 1945-1951 period, and this experience provided them with some precedents on which to base their actions.

The experiences gained during the 1945 to 1951 period offered at least two possible guidelines. First, there was the view generally associated with Churchill who, like Disraeli, maintained that an Opposition should mainly fulfill a critical role, opposing for opposition's sake<sup>4</sup>. Moreover, Churchill thought it unnecessary and dangerous to run a system of sharply defined "shadow ministries", preferring instead to command a Front-Bench with loosely defined or even undefined responsibilities<sup>5</sup>. The second model was most strongly supported by R. A. Butler who, as we have seen, favoured a strategy based mainly upon the alternative government role of Opposition involving the formulation of a

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3. Kenneth Young, Sir Alec Douglas-Home, London 1970, p.222
  4. J. D. Hoffman, The Conservative Party in Opposition 1945-1951, London 1964, pp.135-36.
  5. Lord Kilmuir, Political Adventure, London 1962, pp.148-9.

'positive policy' which offered a distinct alternative to the Labour Government<sup>6</sup>.

As Opposition Leader in 1964 Sir Alec showed a marked preference for Butler's view point. He considered that an Opposition's success was in part a result of a Government's failures, and in part the product of "the general impact of an Opposition in suggesting itself as a competent alternative."<sup>7</sup> Consequently Sir Alec rejected opposition for opposition's sake, doubting whether the country really wanted "ding-dong parliamentary battles."<sup>8</sup> At a meeting of Conservative backbenchers, held shortly after the 1964 Election, Sir Alec outlined his concept of a "constructive" and "responsible" Opposition:

I want to make it clear that it is not our intention so to exploit the Parliamentary situation that good government is made difficult... That is not the function of an Opposition. We shall judge each proposal as it comes... and the test we shall apply in every case is whether or not the matter proposed is in the best interests of the nation .<sup>9</sup>

Later, in his July 1965 resignation speech to the 1922 Committee, Sir Alec emphasised that the object of all his work as Opposition Leader had been to turn public opinion back to the Conservatives so that they would be in a position to win a General Election<sup>10</sup>.

As well as showing a marked preference for the alternative government approach, Sir Alec was concerned that such an objective should be pursued in an "effective" manner. To be "effective", he believed that the Opposition had to remain united since nothing would harm a party's support more than disunity<sup>11</sup>. Consequently one of Sir Alec's major concerns as Opposition Leader was to develop a closer degree of co-ordination between the Front and back benches of the Parliamentary Party and between them

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6. Lord Butler, The Art of the Possible, London 1971, p.133 and p.135.
  7. Young 1970, op.cit., p.234.
  8. Ibid., p.239.
  9. The Times, 28 October 1964.
  10. The Times, 23 July 1965; and Interview 9.
  11. Robert Rhodes James, Ambitions and Realities, London 1972, p.116.



and Conservative Central Office (CCO)<sup>12</sup>. Moreover, his emphasis upon party cohesion and co-ordination was reflected in his attitude towards the appointment and responsibilities of Opposition personnel. Soon after entering Opposition, for example, he appointed a sixty strong team of Front-Benchers, including a "Shadow Cabinet" of nineteen members, twelve other Front-Bench spokesmen and twenty nine junior spokesmen. Each member of this large team was given a specific brief and a specific area of responsibility<sup>13</sup>.

In general, Sir Alec's attitude towards Opposition conformed closely to the alternative government concept. In both organisational and tactical terms he did not follow Churchill's example. Yet, in addition to purely tactical considerations, Sir Alec's approach was shaped by more personal desires and inclinations. As his biographer has noted, Sir Alec was politically too detached to get fully involved in the business of Opposition: "he disliked personalising issues and shied away from the competitive cut and thrust which appealed to politicians such as Macleod and Wilson."<sup>14</sup> Rather he felt that Opposition behaviour should conform to certain standards and rules which demarcated what was and what was not acceptable: "like fighting in a cricket match to score more runs than the other team."<sup>15</sup> For such a man the critical role of Opposition was not appealing.

Sir Alec's successor as Party Leader, Edward Heath, continued his predecessor's emphasis upon the alternative government role. According to Rhodes James, Heath regarded it as his main task "to build up an alternative government which was a credible alternative."<sup>16</sup> Further evidence for this conclusion is to be found in the statement made by Mr. Quintin Hogg, following the Leadership Election in July 1965, in which he claimed that Heath's function was to "raise the status of the

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12. See article by The Times 'political correspondent', "Tory Tactics will be to Play it Cool", 26 October 1964; and Rhodes James 1972, op.cit., p.126.
  13. In February 1965 the team of Opposition spokesmen was increased to 66. For details of changes in front bench personnel, see R.M. Punnett, Front-Bench Opposition, London 1973, Appendix D.
  14. Young 1970, op.cit., p.232.
  15. Ibid., p.232.
  16. Rhodes James 1972, op.cit., p.140

Opposition to that of an alternative government".<sup>17</sup> Moreover as Conservative policy chief during Sir Alec's tenure as Leader, Heath had already demonstrated his commitment to the re-assessment of party policy involving the formulation of a distinctive alternative programme<sup>18</sup>.

Heath did not, however, share his predecessor's personal reservations about the cut and thrust of Opposition and was more willing to accept such tactics as a necessary part of the situation in which the Party found itself. For instance, prior to his election as Leader, Heath, in his management of the highly successful Conservative attack upon the Labour Government's 1965 Finance Bill, demonstrated that he saw some merit in adopting both the critical and the legislative roles of Opposition<sup>19</sup>. At the 1966 Conservative Party Conference he made it clear that, although his main aim was "to show the country that we are the alternative government ready to take over", this did not rule out the need for an Opposition which, though acting responsibly, would "oppose vigorously."<sup>20</sup> The strategy by which Heath hoped to return his party to power thus contained two dimensions: first and most importantly, the formulation and presentation of a credible alternative aimed at increasing Conservative support; secondly, responsible yet vigorous opposition aimed at exploiting the Government's weaknesses and undermining its support. The real problem with such a strategy lay in its balance and timing; in deciding just when to attack, just when to publicise the Party's alternative, and what degree of emphasis should be placed on each aspect at any given time.

The manner in which Heath fulfilled his task as Opposition Leader provided an indication of his awareness of the problems of balance and timing involved in the adoption of a two dimensional strategy. His approach to Opposition Leadership may be divided into two periods: from July 1965 to the General Election in March 1966 and from then until June 1970. In the first period the Conservative Party most closely resembled

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17. Sunday Express article quoted in, George Hutchinson, Edward Heath: a Personal and Political Biography, London 1970, p.172.
  18. See Chapter Six below.
  19. For details of this campaign see: Margaret Laing: Edward Heath: Prime Minister, London 1972, p.165.
  20. NUCUA 84th Annual Conference Report, 1966, NUCUA London, 1966, pp.34-36.

a "government in exile" rather than a party in Opposition<sup>21</sup>. Faced by a Labour Government with a majority of six it was a reasonable expectation that a General Election might take place at any moment. In this situation it appears that Heath's major concern was to project his party as a viable and credible alternative government<sup>22</sup>. Thus he emphasised the reformulation of party policy which was taking place at the time and a great deal of publicity and attention was given to the major policy statement published in October 1965<sup>23</sup>.

After March 1966 the emphasis changed. The Labour Government had returned to power with a majority of 110, thus making it virtually certain that the Conservatives faced a long period in Opposition. In this new situation Heath, in consultation with his closest colleagues in the "Shadow Cabinet" and leading members of Party Organisation decided that, over the next two years, resources would be mainly concentrated on revitalising the party machine and holding the party together<sup>24</sup>. This was to be a period of low key Opposition but thereafter, from late 1968, the Opposition would prepare itself for the polls by publicising its alternative policies and alternative team, and by concentrating upon attacking its opponents<sup>25</sup>.

Like his predecessor, Heath placed strong emphasis upon the need for a united Opposition since, as he saw it, the public had little time for an Opposition divided within itself<sup>26</sup>. A divided Opposition could neither attack the Government vigorously nor present itself as a viable and credible alternative. To do both these things effectively the Opposition needed to act as a united team, supporting a consistent and well articulated programme.

Heath's concern with unity was reflected both in the organisation

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21. Interview 16.
  22. Interview 9.
  23. Putting Britain Right Ahead, CCO, London, October 1965.
  24. Interview 5.
  25. See speech by Edward Heath to the 1968 Party Conference, NUCUA 86th Annual Conference Report, NUCUA, London, October 1968, pp.125-126. This was also confirmed by Interviews 9, 5 and 6.
  26. Ian Trethowan, "Tory Leadership Face a Long Term Trial", The Times, 25 April 1968.

of the Opposition and in his attitude to more independently minded colleagues. Organisationally Heath followed Sir Alec's example. He rejected Macmillan's advice to "do what Winston did" and preserve flexibility<sup>27</sup>, and instead appointed a team of seventy two Opposition spokesmen each with clearly defined responsibilities and duties. The only exceptions were Maudling as Deputy Leader and Hogg who was "without departmental responsibilities."<sup>28</sup> Moreover, Heath divided his spokesmen into specialist groups on each of the major subjects, such as Overseas Affairs with nine spokesmen under Sir Alec, Defence with five spokesmen under Powell, and Treasury, Economic Affairs and Trade with six spokesmen under Macleod.<sup>29</sup> Following the 1966 General Election the idea of specialist subject teams was dropped and the number of Opposition spokesmen was cut down to 37, although all remained responsible for a specific policy area<sup>30</sup>.

Heath's approach to the organisation of his Front-Bench may have resulted in at least two members - Maude and Powell - feeling circumscribed by the lack of flexibility allowed them<sup>31</sup>. Both attempted to take an independent line and were sharply rebuked by their Party Leader for attempting to do so.

On 14 January 1966, the Front-Bench spokesman on Commonwealth Affairs, Angus Maude, published an article in The Spectator in which he argued that the Conservative Party had become a "meaningless irrelevance" and had "completely lost the political initiative."<sup>32</sup> Heath reacted by applying the doctrine of collective responsibility to his Shadow Cabinet, insisting that members should not engage in public feuding on party and policy issues. The Times commented that this reflected the Opposition Leader's belief that disagreement within the Leadership would undermine

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27. Hutchinson 1970, op.cit., pp.172-173.  
 28. See Punnett 1973, op.cit., Appendix D and p.164.  
 29. These figures include the Party Whips of which there were ten in 1965.  
 30. Including ten party Whips. The figure of 37 Front-benchers remained constant until the latter part of 1967 when a gradual recruitment began in preparation for the General Election, so that by late 1969 Heath commanded a team of 54 subject spokesmen. For further details see Punnett 1973, op.cit.  
 31. For views on Heath's organisation of his Front-Bench team see Hutchinson 1970, op.cit., p.172 and 174; Punnett 1973, op.cit., pp.168, 356.  
 32. Angus Maude, "Winter of Tory Discontent", The Spectator, 14 January 1966.

Conservative support, a particularly disturbing possibility in what seemed likely to be an election year<sup>33</sup>. After a meeting with the Party Leader, some four days later, Maude resigned from the Opposition Front-Bench. In response Heath made clear his determination to prevent the Conservative Party from tearing itself apart in public and he recalled the consequences of the ideological divisions which had wracked the Labour Party in the late 1950s<sup>34</sup>.

In comparison to Maude, Powell was a more persistent offender. He frequently spoke in public on topics outside the scope of his Defence brief, and very often without prior consultation with the relevant Front-Bench spokesman or the Party Leader<sup>35</sup>. In April 1966, following a speech by Powell on Opposition strategy, Heath reminded him that members of the Shadow Cabinet must follow a common line and present agreed policies in the House and in the country<sup>36</sup>. At the time Powell accepted the Party Leader's doctrine and thus remained a member of the Front-Bench team, but he continued to maintain an independent position. After his Birmingham speech, in April 1968, Heath demanded his resignation and Powell left the Opposition Front-Bench<sup>37</sup>.

In sum, Heath's concept of Opposition was a combination of the alternative government and critical roles, with a slight preference for the former. Throughout his period as Opposition leader, Heath never publicly advocated the adoption of an opposition for opposition's sake posture, preferring instead vigorous opposition conducted in a constructive and responsible manner<sup>38</sup>. The goal of the Opposition was to win back power and this mainly depended upon the gradual accumulation of support among the electorate. Thus the fixed point in the strategy was the next General Election. During the period of Opposition the Party's primary tasks were

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33. The Times, 15 January 1966. On 'collective responsibility' in Opposition, see Punnett 1973, op.cit., pp.288-301.
34. T.V. interview with Heath quoted in The Times, 19 January 1966.
35. Andrew Roth, Enoch Powell: Tory Tribune, London 1970, p.332.
36. The Times, 18 April 1966.
37. For background see: Andrew Roth, Heath and the Heathmen, London 1972, p.204.
38. Report of a speech by Heath at Keith, Banffshire, in The Times, 11 September 1968.

to influence public opinion by attacking the Government's weaknesses in a responsible manner and by presenting themselves as a viable and credible alternative with a distinctive programme and a well publicised team ready to take office. Central to his thesis was the idea that neither of these tasks could be fulfilled unless party cohesion was maintained and disunity avoided<sup>39</sup>.

### The Party Leadership

As previously noted, among Heath's senior colleagues in the Shadow Cabinet the main publicly expressed disagreements with his viewpoint were articulated by Maude and Powell. The latter's views were particularly noteworthy because he was one of the few Conservative politicians to outline a clear and concise concept of Opposition which differed substantially from the view held by the Party Leader.

There were three main points of disagreement between Heath and Powell. In the first place, as Butler and Pinto-Duschinsky note, Powell's concept of Opposition conformed more closely to the Nineteenth Century idea of "men in opposition" allowing for a high degree of flexibility and a free play of ideas<sup>40</sup>. This was totally contrary to the Party Leader's view that an Opposition should be united behind a clear set of policies capable of serving as an election programme. Secondly, Powell rejected Heath's notion of responsible Opposition and advocated a more negative style "designed to demolish, to shake confidence, to hold up to ridicule".<sup>41</sup> Finally, Powell proposed that the Opposition should offer a radical alternative, unhindered by the need to hold the middle ground of electoral support in the interests of electoral prudence<sup>42</sup>.

With the exceptions of Powell and Maude, all members of the

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39. Interviews 1, 2, and 6. See also D. E. Butler and Michael Pinto-Duschinsky, The British General Election of 1970, London 1971, p.92; and Rhodes James 1972, op.cit., p.116.
40. Butler and Pinto-Duschinsky 1971, op.cit., p.77.
41. The Times, 14 April 1966.
42. The Times, Leader, 15 January 1966. See also the speech delivered by Powell on 6 April 1966, The Times, 14 April 1966.

Shadow Cabinet who made public their views on Opposition supported the Party Leader, and often defended his tactics against demands articulated by members of the Parliamentary and mass sections of the Party for a rougher and tougher style of Opposition. Maudling, Douglas-Home, Barber, Hogg and Selwyn Lloyd served at various times throughout the Opposition period as defenders and supporters of the Leader's approach<sup>43</sup>.

Other prominent Conservatives appeared to prefer a marginally different emphasis. Macleod, for example, at one point came close to the Churchillian concept when he described his notion of Opposition as "guerilla raids" including concentrated assaults on weak ministers and occasional carefully planned set piece attacks on the Labour Party in general and Wilson in particular<sup>44</sup>. In contrast Boyle preferred what The Times called a "consensus view" of Opposition, placing greater emphasis upon the Conservative alternative rather than partisan attack<sup>45</sup>. These variations were marginal, however, and the strategy articulated by Heath appeared to enjoy the support of the overwhelming majority of his closest colleagues.

#### The Behaviour of the Conservatives in Opposition

As previously noted, the roles adopted by the Conservative Party in Opposition, although strongly influenced by the attitudes of the Party Leaders cannot be said to have depended solely upon them. The part played by other sections of the Party in determining which roles were pursued must also be considered. In attempting to do this the following analysis takes the form of an outline of the operation of the Opposition in three

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43. See speeches by Maudling and Barber to the 1966 Party Conference, in NUCUA 84th Annual Conference Report, NUCUA, London 1966, p.126 and p. 27, respectively; Selwyn Lloyd, NUCUA 86th Annual Conference Report, NUCUA, London 1968, p.20; Douglas-Home and Hogg, The Times, 5 October 1968 and 7 October 1968.
44. Iain Macleod, "In Opposition", Crossbow, January to March 1965; although contrast this with his speech to the 1966 Party Conference in which he outlined a concept in line with Heath's strategic preferences; NUCUA 1966, op.cit., pp.96-8. For further discussion of Macleod's views see Nigel Fisher, Iain Macleod, London 1973, p.284-85.
45. The Times, Leader, 15 January 1966.

chronological sections: from October 1964 to the 1966 General Election, from March 1966 to June 1968, and from then until June 1970. Particular attention is given throughout to the influence upon the application of the Leadership's approach of opinions within the Parliamentary and Mass sections of the party.

The first phase began with what may be termed a honeymoon period, during which the Labour Government was allowed to settle into office and the Conservatives adapted to their new role as Opposition. The low-key approach that this entailed soon aroused demands from sections within both the Parliamentary Party and amongst the rank and file for a more militant style of Opposition<sup>46</sup>. Party Leaders responded in March 1965 by launching a renewed and "earnest" Parliamentary struggle against the Labour Government and by calling upon the constituency associations to move on to the offensive<sup>47</sup>. This move, and the ever present prospect of a snap General Election apparently sufficed to placate the critics and to keep the Party united.

By November 1965, however, opinion polls were showing a Labour lead of between five and eighteen per cent and in the new year signs of growing disunity within the Party began to emerge<sup>48</sup>. Powell and Maudling conducted a public argument about Conservatism and incomes policy<sup>49</sup>, Maude made his views on the conduct of the Opposition known, and other sections of the Party echoed his opinion<sup>50</sup>. Faced with the threat of a sharp decline in party discipline Heath and Macleod launched attacks upon the

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46. See "Tories in a New World", The Times, 12 November 1964; ibid., 28 December 1964; and motions numbers 30, 32, 33 in, NUCUA Central Council: Agenda and Handbook, March 1965, NUCUA, London.
47. See: announcement by Whitelaw to the 1922 Committee as reported in The Times, 5 March 1965; speech by Douglas-Home, ibid., 18 March 1965; announcement by du Cann, ibid., 5 March 1965.
48. See NOP Bulletin, December 1965, p.3; Gallup Political Index, No.69 January 1966, p.4.
49. For details, see pp. 155 below.
50. See: speech by Paul Williams, Chairman of the Monday Club, and speeches by Macleod and Edward Taylor, M.P. supporting Heath, The Times, 15 January 1966. See also, editorial by Michael Wolff, "A Party Trying to find its Voice", in Crossbow, January to March 1966 edition.



Labour Government's price control policy<sup>51</sup>. These attacks marked the beginning of a more militant phase in the conduct of the Opposition which was sustained up until the 1966 General Election.

In the second phase, from March 1966 to June 1968, intra-party attacks upon the Opposition's performance began early in the new session<sup>52</sup>, while the Parliamentary Party became deeply divided over the Labour Government's prices and incomes policy<sup>53</sup>. By October 1966 criticisms of Heath in particular and the Opposition's performance in general were being widely articulated<sup>54</sup>. Against this background of growing intra-party dissent, in January 1967, The Times reported that, as a result of a top level decision, there was to be a shift in Opposition tactics away from the responsible approach previously pursued. The new departure was to be launched by Heath and was to take the form of "a long-term strategy of attrition" with Wilson as its principal target<sup>55</sup>. In response to back-bench criticism this campaign was later shelved<sup>56</sup>, although intra-party complaints about the Opposition's performance persisted and the Party Leader's popularity continued to decline<sup>57</sup>.

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51. The Times, 31 January 1966, and 17 January 1966.
52. See article by the 'Political Correspondent' in The Times, 1 July 1966; editorial in Crossbow, July to September 1966 edition; both of which articulated the demands for a more aggressive and effective Opposition. See also, Roth 1972, op.cit., p.201.
53. For details, see pp. 158-59 below.
54. In the debate on "Conservative Policy in Opposition" at the 1966 Party Conference, six of the eleven speakers from the floor were critical of the Opposition's lack of vigour; NUCUA 1966 Conference Report, op.cit., pp.27-34. These critics reflected the views of a large minority amongst the rank and file as indicated in the motions submitted for the debate. Out of 50 motions submitted on "Conservative Policy in Opposition", 16 demanded a more militant Opposition pursuing more negative tactics while 16 called for a clearer statement of the Conservative alternative; the remaining 14 were more general in nature, NUCUA Conference Handbook and Programme of Proceedings 1966, NUCUA, London, motions numbers 85-135, pp.15-22.
55. The Times, 16 January 1967. The first indications of this new campaign were contained in The Newsletter, 14 January 1967, CCO, London.
56. The Times, 20 January 1967.
57. In January 1967 the Gallup Poll revealed that Heath's popularity rating had dropped to 29 per cent. Gallup Political Index, Report No. 81, p.6. See also the motions submitted for the Central Council Meeting in March 1967, NUCUA Central Council, Handbook and Agenda, March 1967, NUCUA, London, motions numbers 3-9.

In the Autumn of 1967 doubts about Heath's future as Party Leader were being publicly expressed. Sir Gerald Nabarro in his self-appointed capacity as what The Times called the Party Leader's "candid friend", questioned Heath's success as Party Leader<sup>58</sup>. Other Conservatives were critical of the Party's lack of impact and tended to blame either the Party Leader, the Party's publicity machine or the nature of Conservative policies<sup>59</sup>. At the 1967 Party Conference the platform attempted to silence these critics, and Barber, Maudling and Selwyn Lloyd urged the party faithful to guard against the danger of stampeding their leaders into adopting opposition for opposition's sake tactics<sup>60</sup>. The situation failed to improve, however, and by the late Spring of 1968 the decline in unanimity reached a new peak as the Party split over defence, Rhodesia, immigration, and prices and incomes policy<sup>61</sup>. It was at this point that Powell delivered his Birmingham speech on immigration, and, as a consequence, the Party Leader demanded, and received, his resignation from the Front-Bench<sup>62</sup>. This incident represented a watershed in the life of the Opposition. Heath's assertion of authority over the Powell affair was to mark the beginning of a gradual process of party re-unification.

Overall, the second, mid-term phase proved the most difficult for the Party Leaders. Faced with the prospect of up to five years in Opposition, the probability of a sharp decrease in party discipline and party

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58. The Times, 25 September 1967; and ibid., 20 October 1967; Sir Gerald Nabarro, NAB 1: Portrait of a Politician, Oxford 1969, p.63 and p.71.
59. See The Times, 16 October 1967; article by Ian Trethowan, The Times, 12 October 1967.
60. NUCUA 85th Annual Conference Report, 1967, NUCUA London, p.27 and pp.121-127.
61. On the state of opinion within the Conservative Party in the early part of 1968 see: David Wood, "Tories Pressing for All-Out Attack", The Times, 5 February 1968; and Ian Trethowan, "Tories Planning New Policy Moves", The Times, 22 February 1968.
62. See: Roth 1970, op.cit., pp.339-361. For full text of Powell's speech, see Enoch Powell, Freedom and Reality, London 1969, pp.213-219.

morale was heightened<sup>63</sup>. Moreover, the Party Leader's popularity underwent a progressive decline during the two year period and as a consequence his authority weakened and his hold upon the Party loosened. Throughout this phase, Party Leaders were under continual pressure from sections of the Parliamentary Party and the rank and file to adopt more militant Opposition tactics. In the face of this pressure the Leadership pursued a strategy which mainly emphasised the critical role of Opposition, as indicated in the Opposition's attack upon the Labour Government's prices and incomes legislation<sup>64</sup>, the adoption of a campaign of attrition in January 1967, Heath's critique of the Labour Government's industrial restructuring programme, and the adoption of a general charge of "interventionism."<sup>65</sup>

In the final phase, from June 1968 to June 1970, the Opposition's actions conformed more closely to the Party Leader's blueprint. In June and July 1968 Heath delivered four speeches in which, for the first time, he placed emphasis upon the economic situation which would be facing a future Conservative Government and attacked both Wilson and the Labour Government's record<sup>66</sup>. In October, a "mid-term" manifesto containing the Party's alternative policies was published<sup>67</sup>, and in the same month at the Party Conference Heath announced that the final stage in the Party's preparation for the next General Election was to begin<sup>68</sup>. The Times commented that at this Conference the Conservative Leaders had, for the first time, attempted to present themselves as the next Government<sup>69</sup>, and from there on, the final phase in the two-fold plan outlined by the Party Leader following the 1966 Election was sustained until June 1970. Moreover, criticisms of the Party Leadership and the Opposition's performance declined throughout the latter part of 1968 and the early part of 1969. No motion critical of the Opposition's lack of vigour, for example, was submitted

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63. On party discipline in Opposition see R.K. Alderman, "Parliamentary party discipline in Opposition: the Parliamentary Labour Party 1951-1964", Parliamentary Affairs, Vol.21, No.2, Spring 1968, pp.124-136.
64. See below, pp.159-61.
65. See below, pp.263-64 and 277-78.
66. See The Times, 26 June 1968, 27 June 1968, 5 July 1968, 17 July 1968.
67. Make Life Better, CCO, London, October 1968.
68. NUCUA 1968 Conference Report, op.cit., pp.125-126.
69. The Times, 9 October 1968.

for either the 1968 or 1969 Party Conferences, and the latter was the first since 1963 at which the issues of party purpose and party strategy were not debated<sup>70</sup>.

#### The Roles Adopted by the Conservative Opposition

In sum, the roles adopted by the Conservative Party in Opposition, although strongly influenced by the attitudes and preferences of the Party Leaders, did not solely depend upon them. In practice Party Leaders were forced to reconcile their preferences with, first, pressures from their followers for more militant and vigorous tactics and, secondly, their own desire to maintain party unity. The outcome, particularly during the second phase of opposition, was that more emphasis than the Leadership had originally allowed for was placed upon the critical role of Opposition. Thus in practice the Conservative Opposition mainly adopted and pursued a combination of the alternative government and the critical roles in about equal proportion<sup>71</sup>.

The conclusion outlined in the preceding paragraph should not be taken to mean that the Party did not fulfill other roles of Opposition. There is ample evidence that it did. In opposing the manner in which Section IV of the 1966 Prices and Incomes Bill was introduced, for example, the Opposition fulfilled a constitutional role<sup>72</sup>. Equally, in their approach to the Companies Bill, particularly during the Committee stage, the Conservatives fulfilled a representative role<sup>73</sup>. While, finally, through the Party's handling of the 1965 Finance Bill (to which they tabled 680 amendments, defeated the Government in three out of 108 divisions, and thereby achieved the first government defeat on a Finance Bill since 1924) the Opposition fulfilled a legislative role<sup>74</sup>. None of these roles, however, was fulfilled with the same persistence and consistency as were their critical and alternative government counterparts.

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70. See NUCUA Conference Handbook and Programme of Proceedings, 1968, NUCUA, London 1968; and ibid., 1969.

71. For a discussion and assessment of the relative merits of these roles, see Punnett 1973, op.cit., pp.196-205.

72. See below, pp.160-61.

73. See speech by Michael Shaw H.C. Debs., Vol.750, Cols.227-29, 19 July 1967; another example might be the 1968 Transport Bill, H.C.Debs., Vol.765, Cols. 2069-74, 30 May 1965.

74. See speech by Heath, H.C. Debs., Vol.716, Cols. 805-12, 15 July 1965.

The Dominant and Persistent Goal of the Conservative Opposition

Towards what end did the Conservatives adopt the two roles outlined above? Punnett has argued that a central characteristic of the Opposition in the United Kingdom is that it is "office-seeking" and, because of the fairly regular alternation of parties in government, it is "office-expecting."<sup>75</sup> Likewise, Richard Rose has noted that Opposition politicians concentrate their efforts primarily upon securing election<sup>76</sup>. Other observers of the Conservative Party, such as Samuel Beer and Nigel Harris, have referred to what might be termed a "will to power" as one of the major determinants and most persuasive explanations of the Party's behaviour<sup>77</sup>. The preceding analysis of the attitudes of the Conservative Leadership and the behaviour of the Conservative Opposition during the 1964 to 1970 period would seem to validate their conclusions. Many Conservatives, including the overwhelming majority of the Party Leadership, appear to have regarded the Party's status as Opposition as a purely temporary phenomenon and to have believed that every effort should be made to secure a return to office at the earliest opportunity. It thus may be stated that, in pursuing the two roles outlined above, the primary goal of the Conservative Party was to regain the power, prestige and status of a governing party.

This does not mean that other goals were not pursued by the Conservative Opposition during the 1964 to 1970 period. As Dahl notes, political actors have "short-term" and "long-term" aims and their ostensible goals may not be their "real" goals. But, he continues, "certain goals, whether long-run or short-run, public or private, are dominant and controlling."<sup>78</sup> Thus, it may be said that, although the Conservatives during their period in Opposition may have pursued other goals, these were transitory and secondary to their primary aim of regaining power.

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75. Punnett, 1973, op.cit., p.13

76. Richard Rose, "The Variability of Party Government", Political Studies, Vol. XVII, No.4, 1969, p.429.

77. S. H. Beer, Modern British Politics, London 1965, p.299; Nigel Harris, Competition and the Corporate Society, London 1972, pp.254-262.

78. R. A. Dahl (ed.), Political Oppositions in Western Democracies, New Haven 1966, p.341.

### Summary and Conclusions

In this chapter I have attempted to outline the roles adopted and the goals pursued by the Conservative Party as Opposition during the period from 1964 to 1970. I have argued that the predominant and persistent goal of the majority of the members of the Conservative Opposition was to regain the power, prestige and status of a governing party, and that in pursuit of this goal they adopted and fulfilled a combination of the alternative government and critical roles of Opposition in about equal proportion. This resulted in a concentration of party activities upon two fronts: first, upon attacking the Government and exploiting its weaknesses with the aims of undermining its support and maintaining the unity of the Opposition; secondly, upon presenting the Opposition as a real, responsible and viable alternative to the existing administration, with the aim of strengthening Conservative support and morale.

In the eyes of most of the Party leaders and some of their followers, if these aims were to be successfully achieved at least two conditions required to be met. First, in order that the Opposition might maximise its ability both to exploit the Government's weaknesses and to appear as a viable alternative, party unity had to be maintained. Secondly, in order that the Opposition might pursue a persistent and consistent attack upon the Government and offer a real alternative, some form of party policy, either in detail or in general outline, had to be provided.

It is this latter aspect, the production of party policy in Opposition, which forms the central subject matter of this study. However, before proceeding to consider the case studies of particular policy areas, the policy-making process of the Conservative Opposition may usefully be outlined.

PART TWOPOLICY-MAKING IN OPPOSITION: THE CONSERVATIVE PARTY

The nature of the policy formulated by a political party during a period in Opposition will be influenced not only by factors peculiar to the Opposition situation but also by considerations relevant to the particular party under study. In the preceding chapters the Opposition situation has been outlined and in this section I consider the situation as it applies to a Conservative Opposition. This situation is affected, first, by the party's structure and, second, by the party's culture.<sup>1</sup> Broadly speaking, the former element covers the institutional and organisational aspect of Conservative policy-making and is dealt with in Chapter Four, while the latter element, outlined in Chapter Five, encompasses the shared ideals and opinions of the actors who operate within the structural framework<sup>2</sup>.

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1. For a more detailed outline of the Conservative "policy process" see John D. Saloma, British Conservatism and the Welfare State: An Analysis of the Policy Process Within the Conservative Party, unpublished Ph.D. thesis, Harvard University, October 1961, Chapter I.
  2. The term "culture" is used here in the same sense as in the political culture literature, the implication being that a political culture may be defined in terms of the shared attitudes which the members of a given political group hold in common. The term seems to have originated with Gabriel Almond, see Heinz Eulau, S. J. Eldersveld and Morris Janowitz (eds.), Political Behaviour, New York 1956, p.36. See also, S. H. Beer (et.al.), Patterns of Government, New York 1958.

## CHAPTER FOUR

THE CONSERVATIVE OPPOSITION'S POLICY-MAKING PROCESS: THE STRUCTURAL  
ELEMENT

Much has already been published on the Conservative Party's policy-making structure<sup>3</sup>, but until recently no study was available which dealt specifically with the Opposition context<sup>4</sup>. The publication, in the Autumn of 1973, of Punnett's study of Front-Bench Opposition has to a large extent remedied this omission<sup>5</sup>. I have, therefore, attempted to minimise my own material and whenever possible have referred the reader to relevant sections of Punnett's outline. However, certain aspects of the Party's policy-making structure are not covered by Punnett (the Extra Parliamentary sections) and these I have included in my own analysis.

The policy-making structure of a political party may be defined as the sum of the various policy channels which have access to the party's key policy-making centre. A policy channel may take the form either of an institution, such as a committee or other kind of organisation, or of an individual. A policy-making centre is taken to denote the locus of policy decision. In any policy producing organisation there will probably be many loci of policy decision, but usually these will exist within a hierarchical structure so that the final decision is centralised in a single agency, either an institution or an individual. It should be noted, however, that in the case of an institution the individual members of it may at times also serve as channels of policy in their own right.

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3. R.T. McKenzie, British Political Parties, second edn., London 1963, Part 1; Ivor Bulmer Thomas, The Growth of the British Party System, 2 vols, London 1965; Geoffrey K. Roberts, Political Parties and Pressure Groups in Britain, London 1970, Ch.3; Nigel Birch, The Conservative Party, London 1949, p.42 ff; John D. Lees and Richard Kimber (eds.), Political Parties in Modern Britain, London 1972, Ch.1; The Party Organisation, Organisation Series No.1, CCO, London, February 1970.
  4. The one possible exception is Hoffman's study. However, he does not deal specifically with the structure of the Conservative Policy-Making process nor its relation to the Opposition context. J.D. Hoffman, The Conservative Party in Opposition 1945-51, London 1964, pp.133-201.
  5. R. M. Punnett, Front-Bench Opposition, London 1973.



Clearly if a channel has access to a key policy-making centre then it follows that it has an opportunity to influence policy content. Opportunity to influence is, however, in no sense equivalent to actual influence<sup>6</sup>. Whether or not a channel is able to use its opportunities effectively will depend on a number of factors, including personalities, historical circumstances and types of issue, and even if these are allowed for a precise assessment remains problematic<sup>7</sup>. Thus, I am solely concerned here with outlining the opportunities to influence policy content available to the various policy channels which had access to the Conservative Party's key policy-making centre during the 1964 to 1970 Opposition period.

The key unit of policy decision within the Conservative Party during the years from 1964 to 1970 is identified in this study as the Party Leadership, variously termed the Leader's Committee, Consultative Committee, or Shadow Cabinet<sup>8</sup>. Constitutionally, throughout the period, the Party Leader was ultimately responsible for party policy<sup>9</sup>: in practice, however, the Shadow Cabinet may be taken as the locus of decision in the policy-making structure. Generally speaking, policy could not become official or binding until after it had been considered by the Leadership<sup>10</sup>.

Thus the Conservative Party's policy-making structure may be defined as the sum of the various policy channels which had access to

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6. On the concept of "influence" and the problems relating to its usage see, R.A. Dahl, Modern Political Analysis, Second edn., New Jersey 1970, pp.14-34; W.J.M. Mackenzie, Politics and Social Science, Harmondsworth Middlesex 1967, pp.213-25 and 258-77.
  7. For a discussion of the issues involved in assessing policy making influences and the problems involved in their analysis see, K.J. Gergen, "Assessing the Leverage Points in the Process of Policy Formation", and, "Methodology in the Study of Policy Formation", in R. Bauer and K.J. Gergen (eds.), The Study of Policy Formation, New York 1968, pp.181-200 and 205-231 respectively.
  8. As Block notes, the phrase "Shadow Cabinet" is a popular not an official term: "Concerning the Shadow Cabinet", in Geoffrey D.M. Block, A Source Book of Conservatism, CPC 305, London 1964, pp.90-91. For an outline of the duties performed by the Shadow Cabinet in addition to policy making see, Punnett 1973, op.cit., pp.216-221.
  9. McKenzie 1963, op.cit., p.21.
  10. Interview 9; Punnett 1973, op.cit., pp.218-19 and 262-63.

the Party's key policy-making centre. In the remainder of this chapter the nature of this structure during the 1964 to 1970 Opposition period is outlined and analysed. The outline is divided into eight sections, each covering a particular institution or set of institutions, namely: the Party leadership, other Front-Bench spokesmen, the Parliamentary Party, the Party Bureaucracy, policy groups and policy projects, the Mass Party, the Advisory Committee on Policy, and extra-party policy channels. Under each heading the structure of the institution is indicated, its points of access to the Party Leadership and to other policy channels outlined, and its opportunities to influence policy content in Opposition contrasted with those available to it in Government.

### The Party Leadership

The Party Leadership consists of the Party Leader and his immediate colleagues in the Shadow Cabinet. In the following account these two elements are considered separately.

The Party Leader has final control over party policy but his opportunities to influence the content of policy are liable to be limited by constraints of his own time and energy. Therefore, to operate effectively the Leader must delegate and each act of delegation implies a decrease in the number of opportunities available to him to influence the content of party policy. Moreover, the Party Leader cannot easily impose his policy preferences upon an unwilling party and he may be forced to compromise his own position in order to gain and maintain the support of his followers. In addition, the number of policy-making opportunities available to the Party Leader will also depend upon his conception of the value of policy-making in Opposition<sup>11</sup>.

As previously noted, Sir Alec Douglas-Home regarded the reformulation of policy as one of the major tasks facing the Conservative Opposition. Immediately upon entering Opposition he delegated the responsibility for policy reformulation to Edward Heath<sup>12</sup>. In turn Heath's position as

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11. For a full outline of the Conservative Leaders powers, see R.T. McKenzie 1964, op.cit., pp.21-57. For an analysis of the Leaders position in Opposition, see Punnett 1973, op.cit., pp. 93-7 and 173-5.
12. The Times, 29 October 1964.

Conservative policy chief was further consolidated when he became Party Leader in July 1965. Thus, although Sir Alec initiated the reformulation of party policy, the proposals which emerged owed more to the activities of his successor. In addition, as we shall see, Heath not only organised and supervised the general development of party policy, but also served as a major source of policy in his own right.

In fulfilling his task as Party Leader, Heath was able to call upon the assistance of his private office. This was established soon after he became Party Leader, and it was modelled on the Prime Minister's private office at No.10. The staffing and structure of Heath's private office altered during the Opposition period. From July 1965 to March 1966 the office was headed by John MacGregor, on secondment from the Party's Research Department. Also included in the office were James Prior MP, Heath's Parliamentary Private Secretary, and one other person mainly concerned with administration plus a number of secretaries<sup>13</sup>. After the 1966 General Election the size of the office was expanded. MacGregor remained head until late 1968 when he was succeeded by Douglas Hurd. In addition to Hurd the office included three officials, assisted by six secretaries<sup>14</sup>. All of these were a charge on the Party. Also included were Heath's constituency secretary and his two PPSs, Prior and Anthony Kershaw. As well as this staff of thirteen Heath had first call on personnel from both the Party's Central Office and Research Department<sup>15</sup>.

The Party Leader's non-secretarial staff fulfilled four functions: they deputised for the Leader on various committees and organisations; they briefed the Leader on current issues, policy group reports and policy proposals; they dealt with press and public relations activities; and they arranged the Leader's schedules and campaigning tours<sup>16</sup>.

In their briefing capacity, the Leader's personal staff fulfilled a role equivalent to that of civil servants. They sifted and paraphrased

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13. Interview 6.

14. Interview 6.

15. Interview 6. See also George Mutchinson, Edward Heath: A Personal and Political Biography, London 1970, pp.170-171.

16. Interview 6.

reports and outlined policy statements and speeches for the Leader's consideration. But they differed from the Civil Service in that their briefings were more overtly party political in nature. In addition, although in time the staff began to understand the kind of approach Heath wanted, they still had their own views to put over<sup>17</sup>. Thus, the Leader's private office was not only an administrative device, but also had access through the Party Leader to the Party's policy-making centre and other policy channels and served as an important channel of policy in its own right. Moreover, by delegating some of his responsibilities to a loyal and sympathetic staff, the Party Leader may have been able to maintain the scope of his involvement in policy-making to a greater extent than possibly any previous Conservative Opposition leader and thus his opportunities to influence the Party's policy-making activities were enhanced.

The Party Leader's actual influence upon policy-making will, however, depend in part upon his ability to gain and maintain the support of his colleagues in the Party Leadership or Shadow Cabinet. According to Turner there has never been any stipulated size for Conservative Shadow Cabinets. The numbers involved vary according to the wishes of the Party Leader. Members are not required to attend but normally do so and other persons can be invited to attend for discussions on particular subjects. Generally no formal vote is taken and the Chairman, usually the Leader, sums up the consensus of opinion within the meeting<sup>18</sup>. Sir Alec's first Shadow Cabinet, for instance, numbered nineteen, and Heath's twenty-one (including the Party Leader and the Chief Whip in both cases). Under Heath's Leadership the members met twice a week during the Parliamentary session and the meetings were usually anchored to a specific agenda decided by the Party Leader in consultation with the Chief Whip and the Secretary to the Shadow Cabinet<sup>19</sup>.

During the 1964 to 1970 period each member of the Shadow Cabinet was given responsibility for the development of policy in his subject

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17. Interview 6.

18. D. R. Turner, The Shadow Cabinet in British Politics, London 1969, p.87. For a more detailed account of the history and contemporary operation of the Conservative Shadow Cabinet, see Punnett 1973, op.cit., pp.45-52 and 221-249.

19. Hutchinson 1970, op.cit., p.171; Punnett 1973, op.cit., pp.231-32.

area. They chaired or kept in close contact with relevant policy groups and committees<sup>20</sup>. Their involvement in, and opportunities to influence, policy-making varied widely. Some, such as Macleod, were sceptical about the need to develop policy at all, particularly in detail<sup>21</sup>. Others, because of their involvement in other areas such as industry and the City, were not able to devote much time to the formulation of policy<sup>22</sup>. According to interviews, towards the end of the Opposition period the momentum of the policy exercise depended to a large extent upon the efforts of a few individuals, such as Heath, Sir Keith Joseph, and Robert Carr. These individuals, it was claimed, made an important contribution to the development of the Conservative programme<sup>23</sup>.

In addition to Front-Bench spokesmen the Shadow Cabinet included the Chairman of the Party Organisation, the Leader and Deputy Leader of the Conservative Peers and the Chief Whip who, although not a full member, was a regular attender<sup>24</sup>. These individuals served as important channels of communication between the Leaders and their followers<sup>25</sup>. The Deputy Chairman of the Party Organisation, Sir Michael Fraser, fulfilled the role of secretary and, according to Punnett, "he represented the interests and the attitudes of the Party-Organisation at Consultative Committee meetings."<sup>26</sup> Finally, the Director of the Research Department, Brendon Sewill (1965-1970), and Heath's two PPSs, Prior and Kershaw, attended meetings as observers<sup>27</sup>.

#### Other Front-Bench Spokesmen, Whips and PPSs

During the 1964 to 1970 period not all Front-Bench spokesmen were members of the Shadow Cabinet. Those who were excluded included "senior", "junior" and "deputy" spokesmen<sup>28</sup>. The precise numbers of individuals

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20. For a more detailed outline of the Parliamentary Committees and the policy groups, see below, pp. 52-54 and pp. 60-63.
  21. Interviews 5 and 6; Nigel Fisher, Iain Macleod, London 1973, pp. 284-5.
  22. Andrew Roth, Heath and the Heathmen, London 1972, p. 193; Anthony Sampson, The New Anatomy of Britain; London 1971, p. 92; Punnett 1973, op.cit., p. 185.
  23. Interviews 5, 6 and 9.
  24. In 1969 these were respectively: Anthony Barber, Lord Carrington, Lord Jellicoe and William Whitelaw.
  25. Punnett 1973, op.cit., pp. 110 and 234-6.
  26. Ibid., p. 234.
  27. Ibid., p. 225.
  28. For an outline of the nature of these various offices, see Punnett 1973, op.cit., pp. 74-7.

involved varied during the period. For instance, in October 1964 there were thirteen Front-Bench spokesmen outside the Shadow Cabinet. A year later this number had grown to 41 but, following the 1966 Election, was reduced to twelve and, by October 1969, had risen once more to 27<sup>29</sup>. These Spokesmen, along with the Party Leadership, constituted what Punnett has termed the "Shadow Government".<sup>30</sup>

According to Punnett, Shadow Cabinet meetings are sometimes attended by spokesmen who are not members, but, during the 1964 to 1970 period, this was comparatively rare as almost all of the senior Conservative Spokesmen were members of the Shadow Cabinet anyway<sup>31</sup>. As will be shown in the case studies, however, spokesmen who were outside the Shadow Cabinet were often deeply involved in, or even responsible for, the formulation of policy in their own subject areas<sup>32</sup>. Thus, at least in their subject areas, they had considerable opportunity to influence the final content of party policy<sup>33</sup>.

Also outside the Shadow Cabinet were the Assistant Opposition Whips and the PPSs of some of the senior party figures. The Whips provided a major channel of communication between the Leaders and their followers in Parliament and were able to transmit both their own and others views on policy-making<sup>34</sup>. PPSs also had some opportunity to influence policy content. As previously shown both of Heath's PPSs sat in on Shadow Cabinet meetings, and other PPSs presumably gave some assistance to their spokesman in the relevant subject area.

### The Parliamentary Party

The Conservative Parliamentary Party consists of all members of both Houses of Parliament who take the Conservative whip<sup>35</sup>. The

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29. Ibid., Tables 48 and 49.

30. Ibid., p.76.

31. Ibid., pp.225-6 and 287

32. See below, Chapters 9 and 10, pp. 228 and 279 respectively.

33. For more information on the policy-making role of Front-Bench spokesmen, see Punnett 1973, op.cit., pp.261-265.

34. For an outline of the Whips' duties, see R. J. Jackson, Rebels and Whips, London 1968, Chapter 2.

35. For the organisation of the Conservative Opposition in the House of Lords, see Punnett 1973, op.cit., pp.420-30.

Conservative Party in the House of Commons is organised into a number of back-bench committees covering both subject matters and regional areas. Each subject committee deals with a major field of government activity, such as agriculture, finance, home affairs, transport and so forth. Attendance at these committees is open to any Conservative MP, and each committee has a chairman, one or two vice-chairmen, one or two honorary secretaries and a secretary from the Research Department<sup>36</sup>. When the Party is in Government all these officials, with the exception of the Research Department Officer, are elected by the back-benchers. During the 1964 to 1970 opposition period, although other offices remained elective, each subject committee was chaired by the relevant Front-Bench spokesman who was appointed by the Party Leader.

In 1969 there were twenty-five subject committees including six sub-committees, ranging from Agriculture under the chairmanship of Joseph Godber, to Transport under Peter Walker. In addition, there were area groups covering Scotland, Ulster and some of the English regions, open to the MPs for the area. With the exception of the Scottish Members' Committee, none had direct links with a Front-Bench spokesman and all their officials were elected. Overall, in 1969, over eighty back-benchers served as Committee officials<sup>37</sup>.

According to Punnett, the main function of the area groups was to "co-ordinate regional interests",<sup>38</sup> while the subject groups provided an opportunity for back-bench MPs to make known to the Spokesmen their views on policy; but neither were policy committees in the sense that they decided party policy<sup>39</sup>. In contrast to a period in office, however, in Opposition attenders at back-bench committee meetings had, through their chairmen, greater access to the Party's policy-making centre. In addition back-bench committee officials were often chosen to sit on

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36. Interview 9.

37. R. Oakley and Peter Rose, The Political Year 1970, London 1970, pp.176-7.

38. Punnett 1973, op.cit., p.305.

39. Ibid., p.306. For an outline of the work and operation of the committees, see Anthony Barker and Michael Rush, The Member of Parliament and His Information, London 1970, pp.278-84.

the Party's special policy groups<sup>40</sup> and, at times during the Opposition period, some served as temporary, "deputy", Front-Bench spokesmen in their specialist subject areas<sup>41</sup>. The opportunities available to these individuals to influence party policy-making were thus enhanced.

In the 1964 to 1970 period of Conservative Opposition, the personnel of the various back-bench committees and those spokesmen who were not in the Shadow Cabinet were members of what was termed the "Business Committee". This met on Wednesdays following Shadow Cabinet meetings, and was attended by the Chief Whip and the Leader or the Deputy Leader<sup>42</sup>. It was mainly concerned with the discussion of Parliamentary business and did not generally consider wider policy matters<sup>43</sup>. However, it did serve as a useful channel of communication between the Party Leadership, other Front-Bench spokesmen and the back-benchers.

A further link between spokesmen and their back-bench colleagues was provided through the Conservative and Unionists Private Members' Committee (1922 Committee)<sup>44</sup>. Membership of the 1922 Committee was open to all back-bench members of the Conservative Parliamentary Party in the House of Commons. Members of the Shadow Cabinet, the Whips and other Front-Benchers attended only at the Committee's invitation<sup>45</sup>. Committee meetings served as a sounding board for back-bench attitudes to party policy but were not used to hold great policy debates<sup>46</sup>.

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40. See below, pp. 61-62.

41. Punnett 1973, *op.cit.*, p.145-6.

42. Under Sir Alec the committee was generally chaired by Selwyn Lloyd in his capacity as "co-ordinator of The Opposition in the House of Commons". However, Sir Alec was entitled to chair the Committee and in his absence so was Maudling. *The Times*, 29 October 1964.

43. Punnett 1973, *op.cit.*, pp.302-3.

44. On the 1922 Committee, see Sir George Rentoul, *Sometimes I Think*, London 1946, pp.231-9; Sir Ivor Jennings, *Party Politics*, Vol.2, Cambridge 1961, pp.347-8; "Origins of the 1922 Committee", in Block 1964, *op.cit.*, p.88; McKenzie 1963, *op.cit.*, pp.57-62; Philip Goodhart, *The 1922*, London 1973.

45. Interview, Sir Harry Legge Bourke, BBC Radio 4, 21 October 1972.

46. Punnett 1973, *op.cit.*, p.302.



The existence of the Business Committee and the Front-Benchers' chairmanship of the back-bench committees meant that in Opposition the contact between the Party Leadership and the parliamentary section of the Party was much more direct, and the degree of interlocking much closer, than when the Party was in power<sup>47</sup>. In addition, by serving on policy groups and, at times, acting as temporary assistant spokesmen, back-bench committee officials were brought more closely within the ambit of the Party's policy-making structure. On both these counts, in Opposition, back-benchers enjoyed greater access to, and more opportunities to influence, the process of policy-making than they had done in office.

#### The Party Bureaucracy

The Party Bureaucracy includes the Conservative and Unionist Party Central Office (CCO) and the Conservative Research Department (CRD)<sup>48</sup>. At its head is the Chairman of the Party Organisation who is usually a senior member of the Parliamentary Party. He is assisted by the Deputy Chairman, and both are jointly responsible for overall management<sup>49</sup>. Both these office holders are direct appointees of the Party Leader, as are the three Vice-Chairmen and the two Party Treasurers<sup>50</sup>.

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47. For an elaboration of this view, see The Times, editorial, 20 November 1964.
48. For a history and outline of the Party Organisation see McKenzie 1963, op.cit., Chapter 5; Robert Blake, The Conservative Party: From Peel to Churchill, pp.78-81, 137-59, 188-95, 224-33 and 259-62.
49. Since 1972 the Party Chairman has been assisted by a second Deputy Chairman in the person of James Prior, MP.
50. "The Party Organisation" 1970, op.cit., p.16. For a discussion of the Party Leader's relationship to CCO, see Michael Pinto-Duschinsky, "Central Office and 'Power' in the Conservative Party", Political Studies, Vol.XX, No.1, 1972, pp.1-16. For a detailed outline of the changes in the Party Bureaucracy during the 1964-70 period, see D. E. Butler and Anthony King, The British General Election of 1966, London 1966, pp.53-9; D.E. Butler and Michael Pinto-Duschinsky, The British General Election of 1970, London 1971, pp.94-110; R. Rhodes James, Ambitions and Realities, London 1972, pp.124-26 and 235-37; for changes in the Party Bureaucracy in the post-1970 period see, D. E. Butler and Dennis Kavanagh, The British General Election of February 1974, London 1974, pp.201 ff and 219; "Can Whitelaw Lift the Tories", The Sunday Times, 22 September 1974.

Within the Party Organisation two elements were of particular relevance to the formulation of Conservative policy during the 1964 to 1970 period: the Research Department (CRD) and the Conservative Political Centre (CPC). Their place in the Conservative Opposition's policy-making structure is examined below.

The Research Department<sup>51</sup> fulfills two major functions: a policy-making and a briefing function<sup>52</sup>. In the former case it is the Department's task to undertake policy research and analysis, to advise party leaders on policy matters and to assist in the formulation of party policy<sup>53</sup>. To a large extent the Department's policy-making function is focussed upon the task of building up material for an election programme, by assembling policy proposals, rendering them viable and, very often, producing the first outline of a draft manifesto for submission to the Leadership<sup>54</sup>.

The Department's briefing function includes the provision of information and guidance on current political affairs to all members of the Party. Towards this end a comprehensive literature service has been developed<sup>55</sup>. Most of the CRD's time, however, is spent in briefing and servicing members of the Parliamentary Party<sup>56</sup>. In Opposition the first priority is given to members of the Shadow Cabinet and other Front-Bench spokesmen, each of whom can call upon the assistance of a Research Department officer. After their demands are met priority can then be given to the demands of party groups in Parliament each of which is, as previously noted, serviced by a Departmental officer<sup>57</sup>. Some of the

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51. For a history of the Research Department, see McKenzie 1963, op.cit., pp.284-6; Francis Boyd, Richard Austen Butler, London 1956, pp.92-105; J.D. Hoffman 1964, op.cit., pp.207-20; Lord Butler, The Art of the Possible, London 1971, pp.135-60.
52. For a full list of the Department's functions see, "The Party Organisation" 1970, op.cit., p.19.
53. Butler 1971, op.cit., pp.138-9.
54. Interview 9. For further details on the Research Department's role in the relation to the manifesto, see Anthony King, "How the Conservatives Evolve Policies", New Society, 20 July 1972.
55. The Research Department publishes, Notes on Current Politics, (fortnightly), Overseas Review (monthly), Campaign Guide, and Local Election Campaign Guides, and the Conservative and Unionist Pocket Book.
56. Butler and Pinto-Duschinsky 1971, op.cit., p.89.
57. Barker and Rush 1970, op.cit., p.249.

briefs produced by the Department are then made available to individual MPs through the Whip's office<sup>58</sup>. In order to fulfill both his briefing and his policy-making functions the Departmental Officer maintains informal contacts with a wide range of extra and intra party agencies, such as PEP, IEA, NIESR, the Bow Group, and Pressure for Economic and Social Toryism.<sup>59</sup>

During the 1964 to 1970 period the Department was divided into five subject sections: Economic, Home Affairs, External Affairs, Constitutional and Library, and Research. Each section contained a number of Research Officers under the supervision of a section head. The Research Officers were each responsible for a specific policy area, such as industrial relations, transport or agriculture in the Economic Section, or education or housing in the Home Affairs Section. The day to day management of the Department was carried out by its Director, Brendon Sewill, who was assisted by a Deputy Director, and three Assistant Directors. Overall supervision was in the hands of the Deputy Chairman of the Party Organisation, Sir Michael Fraser<sup>60</sup>.

Throughout the Opposition period the number of research staff employed by the Department remained fairly constant, rising from a minimum of 30 in 1964 to a maximum of 32 in 1968<sup>61</sup>. Among this number, however, turnover was fairly brisk and many officers transferred to other branches of the Party, such as the Leader's private office or to special research projects<sup>62</sup>. The Officers fulfilled the Department's policy-making and policy-briefing functions. In the provision of information the same Research Department officer served the relevant Front-Bencher, Parliamentary Committee and policy group. He thus acted as an important channel of communication between some of the agencies involved in the policy-making structure. The relations between a Shadow Minister

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58. Ibid., p.252

59. Ibid., p.250-1; Interviews 8 and 9.

60. Interviews 5 and 9.

61. Interview 9, and unpublished Departmental memos on staffing and organisation.

62. For the Party Leader's Private Office, see above, pp. 49-50. for research projects, see below, pp. See also, Ronald Butt, "Tory Civil Service", The Times, 20 November 1969.

and his Research Department counterpart were generally very close, and the latter was often allowed a wide degree of initiative in formulating policy proposals<sup>63</sup>. Thus the Department's personnel had considerable opportunity to influence the content of policy.

It appears that when the Party is in Opposition the Research Department's points of access to the Party's policy-making centre are greatly increased. In the 1964 to 1970 period, Front-Benchers were able to rely, in lieu of the assistance of the permanent Civil Service, upon departmental personnel for advice and information<sup>64</sup>, and Shadow Ministers and their Research Department counterparts often worked closely together, sometimes on a day to day basis, in formulating policy proposals<sup>65</sup>. In fulfilling both these functions CRD personnel sifted and transmitted to the Leadership the views of a wide number of extra- and intra-party agencies<sup>66</sup>. Moreover, members of the Party Leadership and the Research Department were brought into frequent contact through their joint participation in the business of other agencies in the Party's policy-making structure<sup>67</sup>. In Government, by contrast, the contact between the Leadership and Research Department personnel tends to be less close. In the provision of advice and information and in the formulation of public policy, Research Department officers are supplanted by members of the permanent Civil Service. This leads to an alteration in the Research Department's role: its advisory functions are concentrated more upon the needs of back-benchers<sup>68</sup>, while, since the Front-Benchers no longer chair back-bench committees, Research Department officers take on the task of liaising between the committees and the relevant Minister. Even in this latter case the contacts between the officer and his counterpart in the Party Leadership are not frequent, amounting to perhaps only one meeting per quarter<sup>69</sup>.

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63. Interview 9; Punnett 1973, op.cit., p.274; Barker and Rush 1970, op.cit., p.250.
64. Barker and Rush 1970, op.cit., p.250.
65. Interviews 5 and 9; see also, Punnett 1973, op.cit., p.273.
66. Barker and Rush 1970, op.cit., pp.252-3.
67. Mainly the back-bench committees, the policy groups and the Advisory Committee on Policy.
68. Interview 5; Barker and Rush 1970, op.cit., p.250.
69. Interviews 5 and 9; Punnett 1973, op.cit., p.273.

Thus, when the Party is in Opposition the opportunities available to Research Department personnel to influence the content of policy are extended. During the 1964 to 1970 period they were often close to the centre of the Party's policy-making structure; formulating proposals, serving committees and working closely with Front-Benchers. As one senior official put it, in Opposition the Department fulfills a much more "important, interesting and exciting role than when in Government."<sup>70</sup>

The second element within the Party Organisation which was of particular relevance to the formulation of Conservative policy during the Opposition period was the CPC. This organisation, established in 1945, has been mainly concerned with political education, and for this purpose it publishes a wide range of pamphlets and sponsors study courses<sup>71</sup>. In addition it operates a policy discussion scheme extending right down to the constituency level.

In January 1947 CPC launched a "Two-way Movement of Ideas" programme. The programme operated through a network of local discussion groups, which periodically received from CPC national office briefs containing questions on current political issues to which they were asked to formulate a reply. The replies were then returned and analysed by CPC national office and the results were circulated to the Research Department, the Chairman of the Advisory Committee on Policy and the Chairman of the Party. The programme continued throughout the Conservatives' period in Government but tended to lose momentum in the early 1960s<sup>72</sup>.

Following the 1964 General Election, David Howell was appointed Director of the CPC<sup>73</sup>. His appointment marked the beginning of a regeneration and reorganisation of CPC activities. In March 1965 the Centre was "brought fully into the Party Organisation",<sup>74</sup> and within a year the

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70. Interview 5.

71. For an outline of CPC activities, see CPC in Action, CPC No.498, second edition, London January 1972; McKenzie 1963, op.cit., p.283; Lord Butler 1971, op.cit., pp.136-7.

72. Interview 10.

73. The Times, 31 October 1964.

74. National Union Central Council Minute Book, Minutes of Central Council meeting held on 5 and 6 March, 1965 in London, NUCUA, London.

number of CPC constituency committees had increased by 35 per cent<sup>75</sup>. In addition, Howell reorganised the "Two Way Movement of Ideas" programme so as to include replies from Shadow Ministers<sup>76</sup>. This revamped, three-way, movement was renamed the "Political Contact Programme".<sup>77</sup>

CPC's policy discussion scheme, although expanded and reorganised during the Opposition period, had only a marginal opportunity to influence the content of policy. This was because policy very often tended to be discussed well after the final proposals had already been determined<sup>78</sup>. In addition, the questions posed in the briefs tended to be general in nature and thus difficult to apply to specific policy issues<sup>79</sup>. The scheme did, however, act as a channel of communication between Leaders and led in which party opinion was expressed in the form of a series of general propositions about policy<sup>80</sup>. It provided Party Leaders with some indication of the general boundaries within which their specific policy proposals would have to be contained if they were to be acceptable to the Party in the country.

#### Policy Groups and Policy Projects

During the 1964 to 1970 period the Conservatives established a series of policy groups and research projects which, both in terms of their nature and their scale, were unique in the history of Opposition politics in the United Kingdom. The policy groups were launched by Heath soon after his appointment as the Party's policy chief in October 1964<sup>81</sup>. Their task was to formulate detailed policy proposals in certain specified

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75. See speech by Edward du Cann in, NUCUA 84th Annual Conference Report 1966, NUCUA London, 1966, pp.11-13.
76. Interview 14; The Times, 12 October 1966.
77. "NUCUA 84th Annual Conference Report" op.cit. In March 1966, Howell was elected as MP for Guildford and in September was replaced as the Director of CPC by Russel Lewis. For further details on the Political Contact Programme see Butler and Pinto-Duschinsky 1971, op.cit., Table 12, p.287.
78. Interview 9.
79. Interview 10.
80. Punnett 1973, op.cit., p.275.
81. The Times, 1 January 1965.

areas<sup>82</sup>. The policy groups had the advantage of drawing into the Party's policy-making structure outside specialists and experts and greatly increased the resources available to Conservative policy-makers<sup>83</sup>.

Most of the groups which were established in late 1964 and early 1965 had submitted their interim proposals to Heath by July 1965<sup>84</sup>. After this date the work was continued. The less successful groups were disbanded or reconstituted and new ones created, while some remained in operation throughout the Opposition period. In sum, before the 1966 General Election, there were twenty-three policy groups with a combined membership of 181 MPs and Peers, and 118 outsiders<sup>85</sup>. Between 1966 and 1970 twenty-nine groups were in operation at one time or another with a combined membership of 191 MPs and Peers and 190 outsiders<sup>86</sup>. The figures tend to overstate the total number of personnel involved as several participants served on more than one group.

Each policy group included the relevant Front-Bench, or junior Front-Bench spokesman as Chairman; members of the Parliamentary Party chosen because of their interest in the subject or because they represented various shades of opinion within the Party; non-Parliamentary specialists; and an officer from the Research Department as secretary<sup>87</sup>.

82. "Progress Report on Tory Policy Making", The Times, 1 February 1965.

83. Interview 11. In February 1966 the Conservatives launched an operation to recruit into the services of the Party University teachers who were thought to have Conservative sympathies. This operation was the responsibility of a Research Department officer - Michael Spicer - until February 1968, and Sir Anthony Meyer thereafter. According to The Times, 30 March 1967, over 400 "sympathetic" dons were recruited. See also, The Times, 28 February 1966, and 6 February 1968.

84. Interview 6; The Times, 29 July 1965.

85. Hutchinson 1970, op.cit., p.134; Butler and King 1966, op.cit. p.60; speech by Heath to the Conservative Women's Conference, 26 May 1965, Notes on Current Politics, No.14, 12 July 1965, p.381, published by Conservative Research Department, London. From hereon this publication will be cited as follows: NCP year, No. of Issue, date, page no; e.g. NCP 1965, No.14, 12 July 1965, p.381.

86. For a full list of the groups involved in the exercise, see Butler and Pinto-Duschinsky 1971, op.cit., f.n., p.67.

87. Interview 9.

The size of the groups and the number of outsiders involved varied according to subject. In the period between the 1964 and 1966 General Elections, for example, the largest was the group studying agriculture under the chairmanship of John Scott Hopkins. This involved nineteen outsiders who served on seven sub-groups. Next came the Future Economic Policy Group, usually chaired by Heath, with fourteen outsiders<sup>88</sup>. The whole policy group exercise was wreathed in secrecy and the names of those involved were never publicly released. The non-Parliamentary specialists, however, tended to be either academics or members of the professions with a sprinkling of prominent Conservative "sympathizers".<sup>89</sup>

According to interviews, the success of the different policy groups varied widely. Substantial work was done in five areas: social services review (mainly carried out under Sir Keith Joseph prior to the 1966 General Election); housing; industrial relations (under the guidance of Iain Macleod); and agriculture<sup>90</sup>. Other groups were less successful. For example, the Future Economic Policy Group, although successful in the taxation field, was deeply divided over exchange rates and incomes policy, and the Regional Development group had some difficulty in reaching agreement<sup>91</sup>. The momentum of the policy group exercise tended to decline during the Opposition period. Prior to the 1966 General Election Heath placed great emphasis upon the groups' work and was himself the "driving force" behind the 'exercise'<sup>92</sup>. Following the Election, in the words of one participant, the work tended to "sink into the sand."<sup>93</sup> In those fields where the exercise was successful, however, Conservatives claimed that the quality and the scale of the work which was produced was greater than anything done before in Opposition<sup>94</sup>.

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88. Hutchinson 1970, op.cit., p.134. For an outline of the composition and operation of the Future Economic Policy Group, see Fisher 1973, op.cit., pp.264, 269-71, 285 and 301.

89. Interview 16.

90. Interview 6. A detailed outline of the work of the Regional Development Group is given in Chapter 9 below.

91. Interviews 5 and 6.

92. The Times, 29 July 1965 .

93. Interview 16.

94. Interview 6.



By bringing together Front-Benchers, Parliamentarians and outside experts, the groups were able to draw into the policy-making structure a wide range of opinions. Moreover, the more successful groups, in the limited policy areas for which they were responsible, had considerable opportunity to contribute to the content of Conservative proposals. The impact of the exercise, however, was to some extent weakened by the limited area of inquiry and freedom of manoeuvre allowed to each group. The general framework and emphasis of Conservative policy were established by the Party Leader and his closest aides, and it was the role of the groups to fill in the details. Moreover, the Party Leader ultimately controlled the exercise, as he had the final say in determining the nature of the groups, their terms of reference, their personnel and (with the rest of the Party Leadership) their exact contribution to the Opposition's programme<sup>95</sup>.

Unlike the policy groups exercise, the policy projects were initiated at a comparatively late stage of the Conservatives' period in Opposition. The two agencies involved were the Conservative Public Sector Research Unit (CPSRU) and the Conservative Systems Research Centre (CSRC). The former was concerned with the application of management techniques and modern technology to the work of the public sector. The latter was concerned with the use of computer models and data processing techniques in the development of policy. The CPSRU was established in March 1967 under Ernest Marples, and the CSRC a year later under Mervyn Pike<sup>96</sup>. Both agencies used a project approach to policy research whereby specific projects were contracted out to various non-party consultants and organisations<sup>97</sup>. Both claimed that their work was primarily "non-political"<sup>98</sup> and, although ultimately responsible to the Party Leader, they were separate from the Research Department and Conservative Central Office. Thus they were less subject to party ties and pressures than were other elements in the party's policy-making structure such as the policy groups. Moreover, through the work of these

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95. Interviews 5 and 6.  
 96. Interview 11.  
 97. Interview 9.  
 98. Interviews 13 and 14.

agencies the Party was able to gain the assistance of outside experts and specialists. The CPSRU, in particular, established a team of specialists which could be drafted into Government in the event of the Conservatives returning to power<sup>99</sup>.

The work of the CPSRU and the CSRC was encouraged and supported by the Party Leader and other leading Conservatives. Both agencies provided Party Leaders with information and advice on a series of matters, including the reform of Central Government<sup>100</sup>, alternative taxation systems<sup>101</sup>, and certain aspects of economic management such as economic planning and public expenditure<sup>102</sup>.

The policy projects and, at least in terms of its scale, the policy groups exercise were developments unique to the 1964 to 1970 period. Never before had an Opposition developed such a comprehensive range of policy committees and agencies. By providing information, advice and policy proposals, the personnel involved served partly in lieu of the permanent Civil Service and other sources available to the party as Government. They also brought a wide range of resources within the ambit of the Conservative policy-making structure. The role of the outside expert, however, should not be exaggerated. For instance, the most active members of the policy groups, particularly after the 1966 General Election, tended to be the MPs<sup>103</sup>; while the projects, although work was contracted out to non-party organisations, were managed by party officials and directed by appointees of the Party Leader.

### The Mass Party

The Conservative mass party organisation is officially termed the National Union of Conservative and Unionist Associations (NUCUA). It is to this organisation that the constituency organisations throughout

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99. Hugh Heclo and Aaron Wildavsky, The Private Government of Public Money, London 1974, pp.267-276.  
 100. See David Howell, A New Style of Government, CPC No. 463, London 1970; A Better Tomorrow, CCO 1970, pp.10-11.  
 101. Butler and Pinto-Duschinsky 1971, op.cit., p.83.  
 102. See below, Chapter 7, pp.130-131.  
 103. Interviews 9 and 11.

England and Wales are affiliated. Conservatives in Scotland and Northern Ireland have their own, separate associations<sup>104</sup>.

The main governing body of the NUCUA is the Central Council which meets twice a year. In addition the national Union meets annually in Party Conference. Both of these bodies are large and, from a policy-making point of view, unwieldy with maximum possible memberships of approximately 3,500 and 5,500 respectively<sup>105</sup>. Because of the infrequency of its meetings and the size of its membership the Central Council delegates much of its policy-making and management responsibilities to an Executive Committee which meets about eight times a year. This committee has a total membership of 194 including the Party Leader, the principal officers of the Party, and representatives of the eleven Provincial Areas into which the National Union is divided<sup>106</sup>. The Executive Committee in turn delegates much of its detailed administrative work to a General Purposes Committee of about 58 members. This meets five times a year, and leaves the Executive free to devote itself to broader issues of policy. In addition, the Executive Committee is advised by seven National Advisory Committees, namely Women's, Young Conservatives', Trade Unionists', Local Government, CPC, Education and Federation of Conservative Students<sup>107</sup>. The average membership of each of these committees is approximately fifty and consists mainly of representatives appointed at Provincial Area level<sup>108</sup>.

The National Union serves as a channel of communication between the Leaders and their followers. As McKenzie notes: "in ordinary circumstances the attempts of the mass organisation to influence or control the

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104. For a history of the National Union, see McKenzie 1963, op.cit., pp.146-85; Jennings 1961, op.cit., pp.94-101, 200-16, 227-32, 308-26. For rules regarding affiliation see, Rules and Standing Orders of the National Union of Conservative and Unionist Associations, (referred to as "Rules and Standing Orders" from hereon), NUCUA, London 1971, Rule III.
105. For details of the composition of the Central Council and the Party Conference, see "Rules and Standing Orders", op.cit., Rules IX and XVII respectively.
106. Ibid., Rule XII
107. Ibid., Rule XVI
108. McKenzie 1963, op.cit., p.208.

actions of the Party in Parliament constitute no more than one of the pressures (and usually not the most important) which the Party Leaders must take into account".<sup>109</sup> In the peculiar circumstance of Opposition, however, the influence of the National Union may be increased as a result of at least two factors. First, in Opposition other non-party pressures which tend to focus upon the Party as Government are either absent or less important, so that Party Leaders are able to devote more time and attention to intra-party demands and there are fewer countervailing pressures and influences. Secondly, in the absence of the important constraint of loyalty to "our Government", rank and file cohesion may weaken. In attempting to counteract any such tendency, Party Leaders may be forced to pay more heed to, and to act more closely in accordance with, the wishes of the rank and file.

During the 1964 to 1970 period, for example, Heath was an assiduous attender at Party Conferences. These he generally attended in full from beginning to end whereas previous Conservative Leaders had limited themselves to one appearance on the final day of the Conference. In addition, some commentators detected a marked "swing to the right" amongst the party rank and file from about 1966 onwards<sup>110</sup>. The Times noted that at the 1967 Party Conference Party Leaders often found it necessary to address themselves to this section of party opinion, although they were careful to avoid being forced into too extreme a position<sup>111</sup>.

#### The Advisory Committee on Policy

Officially the Advisory Committee on Policy (ACP) has the task of advising the Party Leader on policy matters. It consists of a Chairman and Deputy Chairman, both appointed by the Party Leader, and fifteen other members including seven drawn from both Houses of Parliament and eight members of the National Union. The Director of the Research Department serves as Secretary to the Committee and leading members of the Party

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109 Ibid., p.230.

110. The Times, Editorial, 17 October 1966; Rhodes James 1972, op.cit., Part 3; David Wood, "Why Mr Heath Earned his Standing Ovation", The Times, 14 October 1968; Dennis Barker, "Swelling Chorus for Powell", The Guardian, 7 November 1969.

111. David Wood, "Mr Heath Controls the Swing to the Right", The Times, 23 October 1967.

Organisation are generally co-opted<sup>112</sup>. Between 1951 and 1964 the ACP ceased to be an influential body and, except when an election manifesto was being prepared, it met only quarterly. Following the 1964 Election, however, the members of the Committee met fortnightly and sometimes weekly<sup>113</sup>.

According to McKenzie, the ACP "is one of the most important committees in the entire party organisation".<sup>114</sup> This is misleading, since as far as policy-making is concerned, the ACP has only a marginal role to play. To the extent that it is representative of opinion within the Party, it acts as a useful "sounding board",<sup>115</sup> but it does not decide anything and its functions are purely advisory. Thus, by bringing together the elements involved in the policy-making structure, it serves as a focus for policy advice rather than a forum for policy decisions. Far more important than the Committee itself is its Chairman, who generally holds an influential position at the centre of the Party's policy-making structure. After the 1964 Election, for example, the post was given to Heath and it remained his responsibility until November 1968 when Maudling took over<sup>116</sup>.

In sum, the ACP met more frequently in Opposition than it had done in Government. Because of the more frequent contact with Party Leaders that this implied, it is not unreasonable to assume that the opportunities available to ACP members to influence the content of party policy were extended. Its main function, however, was to bring together the various elements in the Party's policy-making structure and to provide a channel of communication between the Leaders and their followers.

#### Extra-Party Policy Channels

So far this account has concentrated upon elements within the Conservative Party. In the following section those policy channels which are located within the wider socio-political environment are outlined

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112. See "The Party Organisation" 1970, op.cit., p.13.

113. "Progress Report on Tory policy making", The Times, 1 February 1965.

114. McKenzie 1963, op.cit., p.211

115. Interview 5.

116. Interviews 5 and 9.

and analysed. A working distinction may be made between those bodies which are closely connected with or affiliated to the Conservative Party, such as the Bow Group, Monday Club and Pressure for Economic and Social Toryism (PEST), and those organisations which are not directly connected with the Party, such as the Institute of Economic Affairs (IEA), Aims of Industry, Political and Economic Planning, The Confederation of British Industry, the National Farmers' Union, and so forth.

The Bow Group was founded in 1951 as a Conservative counterpart to the Fabian Society<sup>117</sup>. In its early years its members concentrated mainly upon African problems but they later developed interests in a wide range of domestic and international affairs. The Group's main concern has always been with research and the production of new policy ideas<sup>118</sup>. The Modern Bow Group claims a membership of about 1,100<sup>119</sup>. It is administered by a fifteen member council, all of whom are elected annually. Its activities may be divided into three categories: the publication of reports and policy studies, the holding of meetings, and the publication of the quarterly magazine Crossbow<sup>120</sup>.

The Group maintains no formal contact with the Conservative Party, but there are informal links and an almost total overlap in membership. Thus, in practice, contact is often very close<sup>121</sup>. During the 1964 to 1970 period some members of the Group were involved at the centre of the Conservative policy-making structure, as members of the Research Department, of the Parliamentary Party, or of the policy groups. In addition, Party managers attempted to use the group as a source for policy research and, although it preserved its independence, the Group did maintain contacts with the Research Department in an attempt to prevent any overlap in their research activities<sup>122</sup>.

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117. For a detailed outline of the Bow Group's origins and development, see Richard Rose, "The Bow Group's Role in British Politics", Western Political Quarterly, Vol. XIV, 1961, pp.865-78.

118. Interview 4.

119. This is the membership figure for 1972, c.f. Rose 1961, op.cit. p.868.

120. Interview 4.

121. Interviews 4 and 9.

122. Interview 9.

The Monday Club was founded in January 1961 by four younger Conservatives who were dismayed by Macmillan's "wind of change" speech and felt that the Party's "drift to the left" had gone far enough<sup>123</sup>. In its early years the Club, like the Bow Group, was mainly concerned with African affairs, but its members later developed interests in economic, home and international problems. The Club's membership grew slowly during the first half of the 1960s. A period of more rapid expansion was not achieved until after the Labour Government's decision, in November 1965, to impose sanctions upon Rhodesia. According to Club officials, by late 1966 membership had increased by 100 per cent to a total of 400. A similar recruitment took place following Enoch Powell's Birmingham speech on immigration in April 1968: between then and April 1969 the Club's national membership increased by 90 per cent to a total of 1,500<sup>124</sup>. By 1971 the Club claimed 2,100 national members, another 5,000 members in its 30 regional branches, and 55 groups in universities and technical colleges<sup>125</sup>.

The declared aim of the Monday Club is "to lead the Party back to true Conservatism".<sup>126</sup> This objective may be defined in terms of the issues which the Club has dealt with, including law and liberty, arms for South Africa, East of Suez policy, ending "state intervention", "subversion", immigration, and so forth. The Club is governed by a twenty-four member National Executive Council which includes a chairman, four office holding members, fourteen other members (all elected by Club members), two branch representatives and two co-opted members<sup>127</sup>.

The Club's activities fall roughly into two categories. First, the formulation and dissemination of standpoints and policy through

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123. On the Monday Club, see Patrick Seyd, "Factionalism Within the Conservative Party: The Monday Club", Government and Opposition, Vol.7, 1972, p.464-87.

124. Interview 12.

125. Campbell Page, "Bulldogs Every Monday", The Guardian, 21 January 1971; c.f. Seyd 1972, op.cit., p.471.

126. Robert Copping, The Story of the Monday Club, Current Affairs Information Service, London 1972, p.26.

127. Interview 12.

research, publications and the holding of meetings, rallies and functions<sup>128</sup>. Secondly, with the rapid growth of local branches from 1967 onwards, the Club developed a grass roots strategy. Members were encouraged to become active within their local Conservative constituency associations and to ensure that they had a substantial say in the selection of party candidates. By these indirect means, Club strategists hoped that only those Conservatives who were sympathetic to Monday Club aims would be chosen to stand for public office, and thus, by changing party personnel, the return to "true conservatism" might be achieved<sup>129</sup>.

According to Seyd, during the Opposition period the influence of the Monday Club on the Conservative Leadership "would appear to be negligible".<sup>130</sup> Certainly its contacts with some of the Opposition's policy channels were never close. Its relations with the Party Organisation, in particular, were not amicable, while its more extreme members tended to cause party managers some embarrassment<sup>131</sup>. However, the Club was fairly well represented within the Parliamentary Party and prior to the 1970 General Election could count sixteen MPs as members<sup>132</sup>. Of these, moreover, one was a member of the Shadow Cabinet<sup>133</sup>, one was a deputy Opposition whip, and five were officials of back-bench committees. Among the latter, three were officers on the Conservative Members' Defence Committee<sup>134</sup>. Presumably, through the agency of these individuals, Monday Club viewpoints had an opportunity to be voiced within the Parliamentary Party and at the centre of Conservative policy-making, the Shadow Cabinet.

PEST occupies a position at the opposite end of the Conservative spectrum of opinions from that occupied by the Monday Club. It was founded in early 1963 by four Cambridge undergraduates as a reaction against the

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128. For further details, see Copping 1972, op.cit., p.9 and pp.14-15; Seyd 1972, op.cit., p.472 and Fn.38, p.479.
129. Julian Critchley, "The Monday Club's Idea of True Conservatism", The Times, 23 November 1968; Seyd 1972, op.cit., pp.483-4.
130. Seyd 1972, op.cit., p.481.
131. Interview 12; see also Seyd 1972, op.cit., Fn. 44, p.481.
132. For a full list, see Copping 1972, op.cit., p.21.
133. Geoffrey Rippon.
134. For a comment, see Mark Arnold-Forster, "Heath's Cape Helmsmen", The Guardian, 23 October 1970.



Monday Club and as a means of retaining the ideals of radical Toryism<sup>135</sup>. The group remained relatively small until after the 1964 General Election when, as a result of the growing unpopularity of Douglas-Home as Party Leader and the initiation of a campaign by PEST to maintain radicalism within the Conservative Party<sup>136</sup>, it began an erratic period of growth. By January 1967 it claimed twenty branches, all in universities<sup>137</sup>, and in early 1970 a membership of 600 all but forty of whom were undergraduates<sup>138</sup>.

PEST has consistently maintained a position to the left of the substantial body of Conservative opinion. It has, for example, supported policies such as national economic planning and comprehensive education<sup>139</sup>. It is governed by a co-ordinating committee of twenty members including national officers and branch representatives<sup>140</sup>. Like the Bow Group and the Monday Club, PEST publishes pamphlets, engages in research, and holds meetings and seminars. It has also established close links with the other radical, left of centre Conservative organisations, such as the East London Conservative Association and the Greater London Young Conservatives.

During the 1964 to 1970 period, PEST helped to promote and keep alive a left of centre Conservative alternative and it may have served to constrain the Party's movement to the right. Party Leaders were aware that if they gave in to right wing demands they would have to contend with the opposition of an articulate and well organised section of the Party<sup>141</sup>. Through an overlap in personnel it maintained close contact with the Research Department, some of the policy groups and the policy projects, but its points of access to the Conservative policy-making structure do not appear to have been extensive.

In the 1964 to 1970 period of Opposition, what opportunities to influence the content of Conservative policy were available to the second

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135. Interview 11.  
 136. See Will The Tories Lose?, PEST, London 1965.  
 137. The Times, 16 January 1967.  
 138. Article by Julian Critchley, The Times, 21 February 1970.  
 139. See, Call an End to Feeble Opposition, PEST, London 1965;  
Educating the Individual Child, PEST, London 1965.  
 140. Interview 11.  
 141. Interview 11.

set of extra-party policy channels - those interest groups and organisations which were not directly connected with the Party<sup>142</sup>? In attempting to answer this question an initial distinction may usefully be made. On the one hand, relations between key sections of the Party and some extra-party interest groups and organisations were kept at a distance for reasons of mutual convenience. Many groups preferred not to have connections with party labels, while leading Conservative personnel preferred not to have connections with certain groups<sup>143</sup>. On the other hand, contacts with other groups of an informal, unorganised and sporadic nature were maintained and these focussed mainly upon three elements within the Party's policy-making structure. First, the Research Department which, in its capacity as an information gathering agency, received the publications of various organisations, such as the NIESR, PEP, the CBI and the TUC<sup>144</sup>. Department personnel also maintained connections with members of a large number of organised interests "stretching right across the political spectrum."<sup>145</sup> Secondly, contact was maintained on a sporadic and informal basis, between organised interests and individual Shadow Ministers and Front-Bench spokesmen<sup>146</sup>. Finally, there was some overlap in personnel between various sections of the Party and organised interests. Members of the Parliamentary Party, for example, were in many cases also members of extra-party organisations, such as the British Institute of Management, the National Farmers' Union, and numerous companies and corporations<sup>147</sup>. Moreover, the policy group exercise and the policy projects brought a number of outsiders directly within the Conservative policy-making structure.

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142. For an outline and classification of these groups and interests, see S. E. Finer, Anonymous Empire, second edition, London 1966; Allen Potter, Organised Groups in British National Politics, London 1961.
143. Interview 9.
144. Interview 20.
145. Interview 9; Barker and Rush 1970, op.cit., pp.87, 94 and 250-3.
146. Hutchinson 1970, op.cit., p.173; Punnett 1973, op.cit., p.259-60.
147. For a detailed, but not always reliable, outline of MPs interests and connections see, Andrew Roth, The Business Background of MPs, Parliamentary Profiles, London 1967. For further comment see, Barker and Rush 1970, op.cit., pp.105-6, 369-78; Punnett 1973, op.cit., p.279.

Thus, in Opposition certain extra-party interest groups and organisations maintained little, if any, contact with Party Leaders. Other groups, however, maintained some degree of contact either directly or through the intermediary of other elements in the Conservative Opposition's policy-making structure. In contrast, when the Party is in Government the range of interest groups seeking opportunities to influence policy-making is liable to be broader in scope and, perhaps, larger in number than was the case in Opposition<sup>148</sup>. In addition, contacts with Party Leaders, as heads of government departments, are not usually made either directly or through intra-party agencies, but through the medium of the Civil Service. Consequently it may be suggested that in Opposition certain groups may have opportunities to influence the content of Conservative policy, but the range of groups involved and the nature of their contacts would appear to be different from those operating in the governmental context<sup>149</sup>.

Finally, during an Opposition period, what formal contacts may exist between Party Leaders and members of the Civil Service? According to Punnett, the Civil Service "goes to great pains to avoid 'political' contacts with the party in Opposition", while spokesmen themselves will normally avoid contact with civil servants<sup>150</sup>. In general, this approach was followed throughout the 1964 to 1970 period<sup>151</sup>, although prior to the 1970 Election contacts were permitted in order to prepare for a possible change in Government<sup>152</sup>. Thus Conservative Leaders were not only deprived of the assistance and advice of the Civil Service but also lacked access to important sources of information such as the Bank of England and public corporations<sup>153</sup>.

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148. See, Potter 1961, op.cit.

149. See, Punnett 1973, op.cit., p.210

150. Ibid., p.281

151. Ibid., pp.281-4.

152. Ibid., p.282

153. See quoted section from Peter Shore's, Entitled to Know, in Punnett 1973, op.cit., p.251. For an interesting indication of the lack of contact between Conservative Leaders and the Bank of England during the 1964 to 1970 period see, Cecil King, The Cecil King Diary 1965-1970, London 1972, pp.82 and 241.

## Conclusion

The preceding discussion of the various policy channels which focussed upon the Leadership reveal two important aspects of the Conservative policy-making structure in Opposition. First, in contrast to periods when the Party was in Government, the degree of contact between Leaders and followers was much closer. In Opposition the organisation of the Parliamentary Party, for instance, limited the Leadership's chances of losing touch with their parliamentary supporters. In addition, the overlap in personnel between the various sections of the policy-making structure and the closer attention given by the Leadership to purely Party matters, tended to increase the frequency of contact between Leaders and led<sup>154</sup>. Secondly, following partly from the above, in Opposition the opportunities available to intra-party policy channels to influence the content of Conservative policy were extended, and, conversely, those available to extra-party channels declined. As Butt has noted: "any party in power is to a considerable extent fuelled by the fashionable views of the moment, by the opinion formers and especially by advice from Whitehall. There is thus a tendency for Government decisions to be taken in the light of expert or neutral advice".<sup>155</sup> An Opposition is, however, in a limited way, removed from the context of Government action and depends, for advice and information, on more overtly party political sources.

In this chapter the policy-making structure of the 1964 to 1970 Conservative Opposition has been examined in terms of the opportunities to influence policy content which were available to party and extra-party personnel. In Part Three, analysis will focus upon four specific aspects of the Conservative Opposition's economic policy-making activities and more will be said about the actual use made of their opportunities by the various groups and individuals involved. Before proceeding to consider specific aspects of policy formulation, however, the cultural dimension of the Conservative Opposition's policy process requires examination.

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154. For further comment see, Punnett 1973, *op.cit.*, p.251.

155. Ronald Butt, The Power of Parliament, second edition, London 1969, p.316.

## CHAPTER FIVE

## THE CONSERVATIVE OPPOSITION'S POLICY PROCESS - THE CULTURAL ELEMENT

It may be recalled that in Chapter One I postulated that, in Opposition, a party's policy content is liable to conform more closely to the party's ideology and the opinions of partisans than would be the case in Government. It is, therefore, necessary to enquire into both the nature of Conservative ideology and the opinions of Conservative partisans. Before proceeding, however, it will be useful to outline the meanings which are given to the terms ideology and opinion in this study.

The term ideology refers to the world view or overall philosophical position commonly said to be held by members or supporters of a political party. This world view may be regarded as consisting of at least two interdependent elements: first, a set of beliefs about the organisation of society and the role of the state, and secondly, a set of beliefs about the nature of man<sup>1</sup>. In contrast, opinions are taken to relate to particular themes or issues, so that an actor may have a positive or negative opinion about, for example, the reintroduction of capital punishment or the establishment of comprehensive schools. These opinions may be the outcome of a consciously held ideology, or they may reflect a particular personal interest, or may be merely a reflection of partisanship<sup>2</sup>.

Do Conservatives share a single belief system? What consequences may Conservative ideology be said to have for party behaviour? What opinions and attitudes are held by contemporary Conservative partisans? These questions are considered in the following pages and the discussion falls into three sections. In the first section some of the problems involved in analysing Conservative ideology, or Conservatism, are briefly outlined and examined. Recent studies of Conservative thinking are reviewed and two predominant strands, in the form of ideal types, are isolated.

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1. See Patrick Corbett, Ideologies, London 1965, p.12.
  2. D. E. Butler and Donald Stokes, Political Change in Britain, Middlesex 1971, p.260.

In the second section an attempt is made to further clarify and elucidate these ideal types in the light of data drawn from recent opinion surveys and other material. The views of Conservative partisans on particular themes and issues are examined, and, whenever possible, emphasis is given to data collected during the 1964 to 1970 period. The chapter ends with a summary of some of the main points which have emerged and a discussion of some of the problems involved in classifying opinion groupings within the Conservative Party. By way of illustration, some of the findings outlined in the following case studies are briefly anticipated.

### Conservatism

The term Conservatism implies the existence of a single set of systematically related beliefs which are shared by all members of the Party. This is misleading. In the first place, beliefs on particular issues are likely to vary according to the particular values and interests of each actor involved. More importantly, as is witnessed by the different conclusions reached by those who have written on the subject, Conservatism cannot be located in any one source, or reduced to a single doctrine or philosophical position<sup>3</sup>. More fruitfully the student may consider Conservatism as the product of a varied and ongoing tradition: as an outcome of the accumulation of experience consequent upon the Party's historical development.

The Conservative tradition may be located in at least three sources: the Party's historical activities; the thought of certain men, such as Bolingbroke, Burke and Disraeli; and certain concepts about the nature

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3. See for example, Lord Hugh Cecil, Conservatism, London 1912; Keith Feiling, What is Conservatism?, London 1930, pamphlet; Russell Kirk, The Conservative Mind, London 1954, especially Chapter I. Compare these with: Sir Reginald Northam, Conservatism: The Only Way, London 1939; Sir Arthur Bryant, The Spirit of Conservatism, London 1929.

of man and society which are rooted in the Western intellectual tradition<sup>4</sup>. These sources have bequeathed to Conservative politicians a wide and diffuse set of political principles which may be utilised as a means of either justification or precedent. Moreover, as Harris notes, because Conservatism is a product of the Party's history, many precepts have remained the same while the actual practices attached to them have altered. He goes on to say that historically, the Conservative tradition:

is more verbal than actual, certain words are maintained by Conservatives giving them an identity over time. But more important is the historical fact that the practices attached to these words, the importance attached to them and the meaning given to them shift decisively.<sup>5</sup>

Thus, because of the width and depth of the tradition out of which it arises and the varied manner in which it has been applied, Conservatism would appear to defy definition and, hence, effectively to impose little constraint upon political action. Viewed in these terms Conservatism appears capable of justifying almost any form of state activity or inactivity<sup>6</sup>.

Despite the considerable analytical problems involved, a number of outlines of Conservative beliefs have been published. Those published prior to the 1950s attempted to reduce Conservatism to a single philosophical position. Consequently the exact nature of the conclusions

4. In particular the concept of Leadership: according to this view in every society there must be those who rule and those who are ruled, and as the leaders have total responsibility it follows that any mistakes are purely characterological in nature. This stress on valuative and subjective factors rather than on environmental and 'objective' factors relates to arguments which are far older than British Conservatism. Equally the notion that consciousness influences being is constant among 'right wing' philosophies. The concept of leadership and hierarchy and its consequences for Conservative ideals has been developed in, S. H. Beer, Modern British Politics, London 1965, pp.3-8. For a more detailed outline of some of the main points discussed by Beer the reader may consult: E. M. W. Tillyard, The Elizabethan World Picture, Middlesex 1963; Arthur O. Lovejoy, The Great Chain of Being, Cambridge, Mass. 1936. See also Werner Stark, The Fundamental Forms of Social Thought, London 1962; David Schoenbaum, Hitler's Social Revolution, London 1967, pp.75-76.
5. Nigel Harris, Conservatism: State and Society, unpublished Ph.D. thesis, University of London 1963, p.14.
6. Ibid., p.57.

reached varied according to the author's preferences and the Party's contemporary situation<sup>7</sup>. In general, however, most of these early accounts of Conservatism concentrated upon one of two separate and ultimately incompatible models of society and political action. These I will term the tory model and the liberal model. More recently, other scholars have extended the debate by arguing that taken together these two models form the twin bases of contemporary Conservatism. Amongst this latter group the most notable contributions have been made by a small number of British and American scholars, including: Glickman, Saloma, Beer and, most recently, Harris and Greenleaf<sup>8</sup>. I have attempted to draw together the themes developed by them in the following outline.

The tory model is based on an organic view of society. Accordingly society is regarded as a corporate entity characterised by an interdependence of functions. In such a society each element operates in order to preserve and maintain the whole. Thus concepts such as "Stability, unity, harmony, order, security and continuity"<sup>9</sup> are central to the tory disposition. In addition the model of society advanced is an hierarchic one. In the tory view there is a clear distinction between leaders and followers; between those capable of leading and those who are to be led<sup>10</sup>. The concept of leadership, however, implies responsibilities. Those who are entrusted with the direction of the state have a moral duty to fulfill, for in the tory model the state is allowed a positive role in co-ordinating the various elements of the society, maintaining stability, and, in the

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7. See footnote no.3 above; Viscount Hailsham, The Conservative Case, Middlesex 1959.
  8. See Harvey Glickman, Tory Ethos and Conservative Policy, unpublished Ph.D. thesis, Harvard 1958, and by the same author, "The Toryness of English Conservatism", Journal of British Studies, November 1961; John D. Saloma, British Conservatism and the Welfare State: An Analysis of the Policy Process Within the Conservative Party, unpublished Ph.D. thesis, Harvard University, October 1961, especially Chapter 2; Beer 1965, op.cit., esp. part I; Harris 1963, op.cit.; Nigel Harris, Competition and the Corporate Society, London 1972, esp. the introduction and chapters 1 and 15; and the same authors, Beliefs in Society, Middlesex 1971, pp.97-129. For a more recent analysis see W.H. Greenleaf, "The Character of Modern British Conservatism", in R. Benewick (et.al.) Knowledge and Belief in Politics: The Problem of Ideology, London 1973, pp.177-212.
  9. Saloma 1961, op.cit., p.66; Harris 1963, op.cit., p.12.
  10. Beer 1965, op.cit., pp.2-9, 92-93, 245-6.



Disraelian conception, providing for the "welfare of the people".<sup>11</sup> According to Harris, contemporary proponents of the tory point of view are more concerned with stability than with competition and employ a vocabulary which contains terms such as "co-operation", "partnership", "consultation" and "integration".<sup>12</sup> In the economic field, those who adhere to a tory viewpoint are most likely to favour policies which involve government and both sides of industry such as national economic planning and a voluntary national prices and incomes policy. Tories, moreover, would not necessarily be opposed to proposals which might involve an increase in government intervention in the day to day affairs of industry and an extension in the size of the public sector such as investment assistance to particular companies and special measures to help industry in the less prosperous regions.

In contrast the liberal model is based on a reductionist or individualistic view of society. According to this view society possesses no intrinsic values; it is merely an aggregate of individual wills and preferences and it is from the collision of these that social change emerges. Thus concepts such as conflict, change, expansion, competition are central to the liberal disposition<sup>13</sup>. As in the tory case the hierarchical nature of social organisation is assumed but more emphasis is placed on political and social mobility and the alternation and change of ruling groups<sup>14</sup>. In the liberal model the state fulfills a negative role. Its functions are limited to 'holding the ring' or, in economic matters, to providing a stimulus to free enterprise operating competitively according to the sanctions of an open market<sup>15</sup>. In its contemporary form the liberal view is more concerned with competition than stability and proponents employ such terms as "responsibility", "realism", "initiative" and "incentive".<sup>16</sup> In economic policy terms, liberals are most likely to

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11. Ibid., p.266-71

12. Harris 1963, op.cit., pp.144-145. For a recent outline of the Tory case see: Hailsham 1959, op.cit.

13. Beer 1965, op.cit., pp.34-39; Harris 1963, op.cit., p.12.

14. Harris 1972, op.cit., p.79.

15. Ibid., pp.17-19.

16. For a recent outline of Conservatism which is based firmly upon the liberal model, see Timothy Raison, Conflict and Conservatism, CPC 313, London 1965; and in relation to economic affairs, see Enoch Powell, "The Limits of Laissez-Faire", Crossbow, Spring 1960.

advocate measures designed to discourage monopolies and large scale organised interests (including employers' and workers' organisations), to decrease the size of the public sector through denationalisation, the divestment of government functions, and the cutting back of government expenditure, and to encourage individual initiative through reducing taxation.

Precedents and justifications for both these models can be found within the Conservative tradition. The tory model can be supported by reference to the works of Bolingbroke, Burke and Disraeli, all of whom emphasised the integrated and organic nature of society and advocated a positive role for the state<sup>17</sup>. Thus R. A. Butler was in no sense deviating from Conservative principles when he said that his Party was not "frightened at the use of the state. A good Tory has never been in history afraid of the use of the state".<sup>18</sup> The liberal model derives its credibility, not so much from the work of theorists, but from concepts introduced into the party as a consequence of the recruitment of business support from 1867 onwards. During the remainder of the Nineteenth Century and early part of the Twentieth Century, financial, commercial and industrial wealth greatly increased its representation within the Conservative Party. In the House of Commons in 1865, for example, 199 Conservative MPs were land-owners, while 112 were connected with finance, industry and commerce. By 1892 the proportion had changed: 163 as opposed to 298 of the latter category. Moreover, in 1865 the Liberal Party had included 344 MPs connected with finance, industry and commerce, by 1892 this figure had fallen to 297<sup>19</sup>. These figures reflect the movement of finance, industry and commerce from Liberalism to Conservatism especially after the Liberal split in 1884<sup>20</sup>. The process continued throughout the early decades of the Twentieth Century and gained renewed momentum following the Lloyd George/Asquith split in 1915<sup>21</sup>. As the Conservative Party increasingly

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17. On Burke and Disraeli, see Harris 1972, op.cit., Appendix; on Bolingbroke, Burke and Disraeli, see Sir Geoffrey Butler, The Tory Tradition, CPC 175, London 1957. See also, Kirk 1954, op.cit., chapter 2; Cecil 1912, op.cit., pp.45-72; Beer 1965, op.cit., pp.266-271.
18. H.C. Debs., Vol. 434, Col.1247, 10 March 1947.
19. Sir Ivor Jennings, Parliament, Cambridge 1939, Table II, p.38
20. Harris 1972, op.cit., pp.24-6.
21. Trevor Wilson, The Downfall of the Liberal Party, London 1966, esp. chapters 3, 4, and 5.

won the support of businessmen they had, according to two modern Conservatives, "a profound effect on the party, purging it of most of its Tory philosophy and indoctrinating it with that peculiar blend of whiggery and laissez-faire Liberalism which still colours the speeches of some of its leaders."<sup>22</sup>

In sum, at least two contradictory elements exist within modern Conservatism: an individualistic liberal tendency and a collectivist tory tendency. Because Conservatism cannot be reduced to a single doctrine or philosophical position, any attempt to measure the precise influence of Conservative ideology upon the formulation of Conservative policy is liable to prove difficult. Moreover it is possible that the vast majority of Conservatives, both voters and activists, may be totally unaware of the nature and complexity of the models outlined above. Even when dealing with those who might be considered to possess an awareness of party ideology, the student cannot know whether, or to what extent, these actors are motivated by principle or by other self interested or tactical considerations.

The above considerations should not be taken to mean that Conservative ideology has no relevance to the Conservative policy process. It may be assumed, for instance, that those politicians who are ideologically aware are liable to act with principles in mind either on the basis of conviction or because they wish to render their actions consistent with, or make them acceptable to, a given body of opinion<sup>23</sup>. Thus, to the extent that any corpus of shared principles imposes limits upon the actions of those who adhere to them, it may be said that there are certain boundaries, if only of a very general nature, beyond which Conservative policy-makers may not trespass. For this reason Conservative principles are relevant to the Party's policy process and it may be postulated that policy content must not contradict or undermine them. Because of the width of the Conservative tradition, however, its precepts cannot easily be utilised as a means of assessing or predicting Conservative behaviour.

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22. Roy Lewis and Angus Maude, The English Middle Classes, London 1947, p.74, quoted in Beer 1965, op.cit., p.273.

23. The author owes this point to a paper given by Quentin Skinner, "Political Action: the Namierite Fallacy", at the University of Glasgow on 13 November 1972.

More usefully the two models may be regarded as ideal types forming the poles of a continuum, and as such they can offer a potentially fruitful means of distinguishing the various opinion groupings which may be found to exist within the Party. Moreover, although all Conservatives cannot be said consciously to subscribe to a particular ideology, most may be expected to express opinions which can be placed at some point along a tory/liberal axis.

### The Opinions of Conservative Partisans

No comprehensive survey of the opinions of party supporters in the United Kingdom has so far been undertaken. It is possible, nevertheless, to reach certain tentative conclusions on the basis of material drawn from a number of sources, including opinion polls and other surveys. In order to handle the evidence adequately a distinction must be made between Conservative voters generally and activists in particular. There is some comparable information about both voters' and activists' opinions. Amongst voters, additional material is available on the working class Conservative voter, while, amongst activists further evidence is available on two sub-groups: parliamentary candidates and MPs. In the following pages each of these categories and sub-categories is treated separately. The relevant evidence which is available is reviewed and, whenever possible, the opinions of Conservative partisans are contrasted with those of their Labour counterparts and, in addition, areas of opinion conflict amongst Conservatives are highlighted. In the main the material has been drawn from sources relevant to the 1964 to 1970 period and to the issues which are considered in the following case studies.

#### 1. Conservative Voters

In their study of political change in Britain, Butler and Stokes conclude that the majority of the public have little understanding of policy issues and few preferences<sup>24</sup>. This conclusion is largely supported

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24. D. E. Butler and Donald Stokes 1971, op.cit., pp.218-220.

by the evidence presented in opinion polls<sup>25</sup>. According to data collected by National Opinion Polls (NOP) during the 1964 to 1970 period, however, there were at least three issues, relevant to the policy areas chosen for analysis in this study, on which the preferences of Conservative voters differed markedly from those of their Labour counterparts, namely steel nationalisation, proposals for a wealth tax and the power of the Trade Unions<sup>26</sup>. On each of these three issues the majority of Conservative voters endorsed a view in opposition to the majority of Labour voters<sup>27</sup>. (see Table 5.1, below).

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Table 5.1 Issues on which the majority of Conservative voters endorsed a view in opposition to the majority of Labour voters.

Should the Government nationalise the Steel Industry?

	<u>All %</u>	<u>Con %</u>	<u>Lab %</u>	<u>Lib %</u>	<u>Source</u>
Should	19	4	36	9	
Should not	57	86	29	74	NOP/May 1965/p.7
Don't know	24	10	35	17	

Would you approve of a wealth tax?

Approve	40	30	52		
Disapprove	53	66	41		NOP/March 1968/p.9
Don't know	7	4	7		

Do you think the Unions now have too much power?

Too much	62	72	46	69	
Too little	6	4	9	3	
Right	22	16	34	19	NOP/March 1969/p.6
Don't know	10	7	10	8	

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In addition, Conservative voters were less likely than Labour voters to accept that government control of prices and incomes was necessary and were less sympathetic towards the Labour Government's 1965 National Plan

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25. National Opinion Polls, Political Bulletin, 1965-1970; Gallup Poll, Political Index 1965-1970. The data used in the remainder of this section are taken solely from National Opinion Polls. This is because Gallup does not generally distinguish responses to attitude questions on the basis of party affiliation.
26. Hereafter, references to National Opinion Polls, Political Bulletin, will be abbreviated as follows: NOP/month and year/page reference.
27. Richard Rose, Politics in England Today, London 1974, p.284.

(see table 5.2). On the other hand Conservative voters were more sympathetic than Labour voters towards issues such as the denationalisation of the Railways, Coal, Gas and Electricity industries and preferred the use of competition as opposed to controls as a means of keeping prices down (see table 5.3).

On the issues of the necessity of government control of prices and incomes, the Labour Government's National Plan, and the denationalisation of existing public sector industries, substantial numbers (over 30%) of Conservative respondents took up a position contrary to that of the majority of Conservative voters. For example, on the question of the denationalisation of the Coal industry Conservative opinion appears to have been split into two equal factions, while, in the case of the Gas industry, only a small majority (2%) favoured its return to the private sector (table 5.3).

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Table 5.2 Breakdown of opinions according to party affiliation on the issues of the Labour Government's National Plan and the necessity of government control over prices and incomes.

Attitudes to the National Plan

	<u>All %</u>	<u>Con %</u>	<u>Lab %</u>	<u>Lib %</u>	<u>Source</u>
A very good idea	8	3	14	7	
A good idea	33	22	42	43	
A bad idea	15	27	6	15	NOP/September 1965/p.9
A very bad idea	3	7	*	2	
Don't know	41	41	38	33	

Do you think that a prices and incomes policy is necessary or unnecessary?

Necessary	56	49	65		
Unnecessary	27	36	18		NOP/September 1968/p.9
Don't know	17	15	17		

Is Government control of prices and incomes necessary or unnecessary?

Necessary	66(56)	61(52)	75(69)	71	NOP/October 1969/p.13
Unnecessary	22(30)	30(35)	13(18)	18	Figures in brackets
Don't know	12(14)	9(13)	12(13)	11	for February 1969.

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On the issue of prices and incomes, a majority of Conservative voters consistently accepted the necessity of controls (table 5.2), although 79% had previously stated that competition and not controls was the best way of keeping prices down (table 5.3). Finally, on the issue of the Labour Government's National Plan, 25% of Conservative voters were favourable as opposed to 34% who were not (table 5.2).

Table 5.3 Breakdown of opinions according to party affiliation on the issues of the denationalisation of existing public sector industries and the use of competition as opposed to controls as a means of keeping prices down.

Should the following industries remain nationalised?

	<u>Steel</u>			<u>Railways</u>			<u>Coal</u>		
	<u>All%</u>	<u>Con%</u>	<u>Lab%</u>	<u>All%</u>	<u>Con%</u>	<u>Lab%</u>	<u>All%</u>	<u>Con%</u>	<u>Lab%</u>
Remain nationalised	42	24	64	48	39	61	53	43	69
Denationalise	41	61	18	38	48	24	32	43	17
Don't know	17	15	18	14	13	15	15	14	14

	<u>Electric</u>			<u>Gas</u>			<u>Source:</u>
	<u>All%</u>	<u>Con%</u>	<u>Lab%</u>	<u>All%</u>	<u>Con%</u>	<u>Lab%</u>	
Remain nationalised	53	41	70	53	42	68	NOP/September 1968/p.8
Denationalise	32	45	15	31	44	15	
Don't know	15	14	15	16	14	17	

Which is the best way of keeping prices down: competition or more government control over prices?

	<u>All %</u>	<u>Con %</u>	<u>Lab %</u>	<u>Lib %</u>	<u>Source</u>
Competition	62	79	49	74	NOP/March 1967/p.6
Control	32	17	46	21	
Don't know	6	4	5	5	

Thus, on each of the issues outlined in tables 5.2 and 5.3, Conservative voters appear to have been divided amongst themselves. However, with the possible exception of the issue of Government control of prices and incomes, the available evidence suggests that during the 1964 to 1970 period the balance of opinions amongst Conservative voters was tilted towards the liberal tendency. This impression is further strengthened when the three issues on which Conservative voters differed markedly from their Labour counterparts (see table 5.1) are taken into account.

Studies of the working class Conservative voter carried out by Nordlinger and by McKenzie and Silver, although based on surveys administered during the first half of the 1960s, both offer some confirmation for the generalisations developed in the preceding paragraph<sup>28</sup>. Nordlinger, for instance, found that what working class Conservatives disliked most about the Labour Party was its advocacy of nationalisation and planning (38%), while they praised the Conservative Party for its perceived tendency to "do what is best for the country" (17%), for its support for free enterprise (15%) and for its possession of "business virtues" (10%)<sup>29</sup>. Likewise, McKenzie and Silver found that working class Conservatives condemned Labour for its support of nationalisation, its wastefulness and its hindering of initiative and enterprise, while almost all "indicated a preference for individual over collective action for personal betterment"<sup>30</sup>. In addition, 84% of working class Conservative voters were found to agree with the statement that "the Trade Unions have too much power in this country"<sup>31</sup>.

## 2. Conservative Activists

The opinions of party activists have not been extensively analysed. For instance, no comprehensive national survey has been undertaken of the viewpoints of Conservative or Labour Party workers at either constituency, regional or central level. Some indications of possible opinion groupings amongst certain sections of party activists, however, can be drawn from research carried out by Richard Rose, Robertson and Kornberg and Frasure.

Richard Rose has undertaken an analysis of the resolutions submitted to each of the Conservative's Annual Party Conferences during the 1955 to 1960 period<sup>32</sup>. He divides the resolutions into one of four categories: Partisan, Non-partisan, Right-wing Conservative and Left-wing Conservative.

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28. Eric A. Nordlinger, The Working-Class Tories, London 1967; Robert McKenzie and Allan Silver, Angels in Marble: Working Class Conservatives in Urban England, London 1968.
29. Nordlinger 1967, op.cit., p.155
30. McKenzie and Silver 1968, op.cit., p.110 and p.218
31. Ibid., Chart 4.9, p.134.
32. Richard Rose, "The Political Ideas of English Party Activists", in Richard Rose (ed.), Studies in British Politics, Second edition, London 1969, pp.368-390.



The former refers to those resolutions which contain references to agreed party policy which is opposed to that of the Labour Party, while Non-partisan refers to those resolutions which are not subject to controversy along party lines. Rose's definition of Right-wing Conservative, as it applies to economic issues, broadly conforms to my liberal model and covers those resolutions which refer to matters such as denationalisation, the reduction of government spending and services and the reduction of redistributive taxes. Finally, Left-wing Conservative refers to those resolutions which are in harmony with the policies of the Labour Party<sup>33</sup>.

Rose found that amongst resolutions dealing with economic affairs and taxes 177 reflected a Right-wing viewpoint, while 159 could be classified as Partisan, 28 as Left-wing and 93 as Non-partisan<sup>34</sup>. As Rose does not analyse opinion groupings in detail and as his findings are based on evidence drawn from the latter part of the 1950s, his conclusions are of limited relevance to the subject matter of the present study. Nevertheless, Rose's analysis suggests that at the very least a good many party activists may hold opinions which are close to the liberal strand of Conservatism.

Robertson's findings deal with the opinions of those Conservatives who stood as Parliamentary candidates in the 1970 General Election<sup>35</sup>. His analysis, covering the election addresses of 95% of Conservative candidates, reveals that in the majority of cases themes reflecting a strong bias towards the liberal tendency were emphasised. For example, 72% of Conservative Election Addresses referred to trade union reform, 64% proposed cuts in taxation, 63% mentioned the abolition of Selective Employment Tax, 53% called for the removal of economic controls and the introduction of measures to increase competition, and 50% demanded a reduction in public expenditure<sup>36</sup>.

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33. Ibid., pp.372-376

34. Ibid., Table 5a, p.381

35. David Robertson, "The Content of Election Addresses and Leaders' Speeches", in D. E. Butler and M. Pinto-Duschinsky, The British General Election of 1970, London 1971, Appendix IV, pp.437-445.

36. Ibid., Table 1, pp.438-39.

The research carried out by Kornberg and Frasure is confined to the policy orientations of Conservative MPs<sup>37</sup>. Their survey, administered in 1969, involved 126 Conservative Parliamentarians each of whom was asked to respond to a series of six statements on policy issues. The researchers assumed that positions on substantive policy issues reflected more general ideological positions<sup>38</sup>. Two of the statements utilised have particular relevance to the themes developed in the present study. First, Conservative MPs were asked to state whether they agreed or disagreed with the contention that "a legally enforced prices and incomes policy should be a continuing part of British economic planning in the future regardless of which party holds office". Eight per cent expressed agreement, while ninety per cent disagreed with the statement. Secondly, respondents were asked to state their reaction to the statement that "the trade union system must be reformed or economic health may be unobtainable". Ninety-seven per cent agreed with this statement, while three per cent disagreed<sup>39</sup>.

The findings reported by Rose, Robertson and Kornberg and Frasure suggest that a sizeable proportion of party activists, constituency members, candidates and MPs may hold opinions which in the field of economic affairs are close to the liberal strand of Conservatism. Moreover, the analyses carried out by Robertson and Kornberg and Frasure suggest that during the latter part of the 1964 to 1970 period there was a marked tendency towards liberal solutions on the part of candidates and MPs with emphasis being placed upon policies designed to cut back the scope of the public sector, to curtail government involvement in the affairs of industry and to increase competition. It may be noted that these conclusions are broadly in line with those previously drawn from the evidence relating to Conservative voters.

### Conclusion

In the preceding pages the nature of Conservative ideology and the opinions of Conservative partisans have been outlined and examined. Two ideological

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37. Allan Kornberg and Robert C. Frasure, "Policy Differences in British Parliamentary Parties", American Political Science Review, Vol.LXV, September 1971, pp.694-703.

38. Ibid., p.696

39. Ibid., Table 1, p.698

tendencies have been extracted: a tory tendency and a liberal tendency. These, it has been suggested, offer a useful means of distinguishing the various strands of opinion which may be discerned within the Party. Partly in order to elucidate this proposition, published material dealing with the opinions of Conservative partisans has been examined and the conclusion has been drawn that, during the 1964 to 1970 period in particular, the balance of opinions amongst Conservative voters and activists was biased towards the liberal tendency.

Although the general tendency of partisan opinions remains clear, in terms of both quantity and quality the available evidence remains too limited to allow of any precise classification of opinion groupings amongst Conservatives. In addition, as the evidence presented in this chapter reveals, on a number of issues the breakdown of Conservative opinions was neither clear-cut nor predictable. On some issues opinions were fairly evenly divided, on others the majority trend was closer to the tory than the liberal tendency, while there were certain issues which did not appear to be a matter of controversy either within the Party or between Conservatives and their Labour counterparts. Moreover, the data on prices and incomes policy in particular appear to support the proposition outlined by Butler and Stokes that the policy preferences held by partisans are ephemeral and change over time<sup>40</sup>. The above considerations would imply that the precise nature and disposition of opinion groupings within the Party, and the extent to which the tory or liberal element is emphasised, is liable to vary across issue and across time. In order to illustrate this point some of the findings which are presented in the following sections of this study may be briefly anticipated.

In relation to national economic planning, for example, it is possible to discern at least three broad opinion groupings within the Party prior to the 1964 General Election. First, there was a predominant view which, with its stress upon the desirability of the co-operation and partnership of government and both sides of industry, emphasised themes central to the tory tendency. Secondly, there was a less popular

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40. Butler and Stokes 1971, op.cit., pp.220-221

middle view which, while not opposed to national planning in the form of an exchange of information between government and industry, argued that the first priority was the creation of a competitive environment in which industry might prosper. Finally, a more extreme liberal viewpoint, which was opposed to national economic planning in general on the grounds that it was liable to prove a wasteful activity and was incapable of functioning adequately in the context of a free enterprise economy<sup>41</sup>. Later, as the politicians' perceptions of planning changed so the nature and disposition of opinion groupings within the Party altered. Support for the more tory view declined, the middle view became predominant and the liberal view gained adherents. At the same time, however, the content of each viewpoint was refined and developed in the light of experience and in response to the emergence of new ideas about the role and function of planning<sup>42</sup>.

Likewise, in the case of incomes policy five broad opinion groupings can be discerned within the Party prior to the 1964 General Election. Each of these can be placed at some point along a tory/liberal continuum: bounded at one extreme by those who were opposed to a national incomes policy because it involved government intervention in the workings of the market, and at the other by those who advocated an extension of government intervention in order to affect the levels of prices, profits and wages<sup>43</sup>. In later years, as in the case of economic planning, the arguments put forward by, and the pattern of support for, these groupings were altered and transformed<sup>44</sup>.

The above examples could be supported by others drawn from the cases of both structure of industry and regional policy, but the main point is evident: the precise structure and balance of opinion groupings within the Party is liable to alter in accordance with changes in both the nature of the issue being discussed and with the Party's circumstances and historical situation<sup>45</sup>. Thus any further analysis of the relationship between Conservative ideology and the opinions of Conservative partisans must await the detailed case studies of specific policy issues which follow.

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41. See below, Chapter Seven, pp. 107-113.

42. See below, Chapter Seven, pp. 119-120.

43. See below, Chapter Eight, pp. 144-147.

44. See below, Chapter Eight, pp. 148-166.

45. For others views on this point in relation to the Conservative Party see: Julian Critchley, "The Case for a Whig Revival in the Tory Party", The Times, 15 February 1969; and Harris 1972, op.cit., p.79.

PART THREE

FOUR CASE STUDIES OF CONSERVATIVE POLICY-MAKING

## CHAPTER SIX

INTRODUCTION: THE DEVELOPMENT OF THE CONSERVATIVE OPPOSITION'S PARTY  
PROGRAMME

In Parts One and Two I have attempted to outline the context of Conservative Party action during the 1964 to 1970 period. In the First Part, I outlined five roles which have traditionally been pursued by Oppositions in the United Kingdom, and suggested that two of these, a critical role and an alternative government role, were given primary emphasis by the 1964 to 1970 Conservative Opposition. I further argued that in pursuing these roles the predominant and persistent aim of the Conservative Party was to regain the power, prestige and status of a governing party. In Part Two I examined the Conservative Opposition's policy-making process in terms both of its structure and its culture. I noted that when the Party is in Opposition the opportunities available to intra-party policy channels to influence the content of policy are greater than when the Party is in Government. Finally, in dealing with the cultural element I have extracted two broad philosophical tendencies, a Tory conception and a liberal conception, which may be said to co-exist within modern Conservatism. The purpose of these earlier sections is to provide a background to, and a context for, the analysis of the case studies which form the core of this thesis.

There are four case studies each dealing with a particular policy area, namely national economic planning and the National Plans, prices and incomes policy, regional policy, and policy in relation to the structure of industry. As previously indicated, these have been chosen because they all appear to be areas in which (a) the 1959 to 1964 Conservative Government introduced important policy innovations which were to some extent controversial in terms of certain strands of Conservative ideology, and (b) there was some continuity of policy development and debate in the following years of Labour Government. For these reasons they appear to offer interesting and promising test cases for the hypotheses outlined in Chapter One.

During the Opposition period the development of policy within each of the four policy areas took place within a wider policy framework, namely the evolution of the overall party programme. This programme was revealed in four major policy statements published during the 1964 to 1970 period and, as will be shown, these and the circumstances surrounding their formulation had consequences for each of the policy issues considered in the case studies. In order to avoid tiresome repetition at a later stage, a brief outline of the development of the party programme will be given in the remainder of this chapter.

The case studies are related in Chapters Seven, Eight, Nine and Ten below. They cover the period from around 1960 to June 1970 and they all follow a broadly similar format. With the exception of Chapter Eight all begin with a delineation of the scope of the relevant policy area, and where appropriate, the nature of policy developed prior to 1960. Next, the evolution of Conservative policy between 1960 and 1964 is considered. Attention is paid both to party opinion and the activities of the Government, and an assessment of the Conservative position on the eve of the 1964 General Election is provided. This is followed by an examination of the development of party attitudes and proposals during the 1964 to 1970 Opposition period. The activities of the Labour Government and the Conservative Opposition's responses to them are described, and the attempts to develop a Conservative alternative position are analysed. Each chapter concludes with a brief review of some of the main points which have arisen and a tentative appraisal of their relevance to the hypotheses outlined in Chapter One. Finally, in Chapter Eleven, the development of policy during the 1970 to 1974 period is examined and the measure of continuity between Opposition policy and Government actions is evaluated. The salient features of these five chapters are drawn together and discussed in Part Four, the concluding section of this study.

#### The Development of the Party Programme 1964-1970

As previously noted, following his appointment as the Party's "policy chief" in October 1964, Heath initiated a widescale review of party policy. The task of producing proposals in pre-determined policy areas was entrusted to the policy groups but the overall framework and general tendency of Conservative policy remained the responsibility of

the Party Leader, his "policy chief", and their colleagues in the Shadow Cabinet<sup>1</sup>.

The initial draft of the basic outlines of Conservative policy took the form of a series of proposals for a manifesto which could be used in the event of a snap election. According to The Times the proposals were based on Heath's analysis of the reasons for his party's defeat in the 1964 General Election<sup>2</sup>. Later, at his request, they were outlined in an 8,000 word skeleton manifesto by David Howell, the Director of the Conservative Political Centre<sup>3</sup>. In January 1965, this document was submitted to Sir Alec<sup>4</sup> and, after it had received his approval, sections of the draft were sent to the various policy groups for further development<sup>5</sup>.

The contents of this early manifesto were not revealed to the public, but some of the points contained within it were expounded in a number of speeches delivered by Heath and other Conservative Leaders. In the debate on the 1965 budget, for instance, Heath outlined the Conservatives' solution to Britain's economic problems. He began by emphasising the need to create more incentives and greater competition, and he proceeded by outlining proposals for reforms in the fields of industrial relations, industrial structure, taxation and regional development<sup>6</sup>. In conclusion he stated that the main aim of his proposals was the creation of "a high efficiency economy which pays high wages but, because of its high efficiency, achieves low costs".<sup>7</sup> In addition to the proposals outlined by Heath, Sir Alec committed a future Conservative Government to undertake far reaching fiscal reforms including the reduction of taxes<sup>8</sup>.

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1. "Progress Report on Tory Policy Makers", The Times, 1 February 1965.
  2. The Times, 1 January 1965. Surveys indicated that one of the reasons for the Conservatives defeat was their failure to hold the support of the middle class owner occupiers, in the 30-40 age group. See The Times, 3 November 1964.
  3. Interview 14.
  4. The Times, 4 January 1965
  5. Interview 14.
  6. H.C. Debs. Vol.710, Cols.514-19, 7 April 1965. See also Heath's speech to the Scottish Conservatives Conference at Ayr, The Times, 23 April 1965; speech by Sir Keith Joseph, H.C. Debs. Vol.712, Cols. 387-9, 11 May 1965.
  7. H.C. Debs., Vol.710, Cols.514; see also speech by Heath to City of Westminster Conservative Association, The Times, 19 May 1965.
  8. T.V. broadcast, 26 April 1969, quoted in NCP 1965, No.14, 12 July 1965, p.386.



In contrast to the Party's previous period in Government, the approach outlined by Heath represented a significant alteration in policy emphasis. In the Conservatives' 1964 General Election manifesto, for example, primary emphasis had been placed upon the themes of modernisation and economic growth which involved a strong commitment to such proposals as economic planning and prices and incomes policy. Although competition was mentioned, it was not treated as the central aspect of Conservative economic policy<sup>9</sup>.

It was originally intended that the proposals produced by the policy groups should provide the basic material for a manifesto planned for publication in the Autumn of 1965<sup>10</sup>. In keeping with this schedule most of the policy groups had submitted their interim reports to the Advisory Committee on Policy (ACP) by the end of July<sup>11</sup> and these were considered by Heath, the new Party Leader<sup>12</sup>. By early August the first draft of the new manifesto had been produced<sup>13</sup> and, in September, the document was submitted to the Shadow Cabinet for their approval<sup>14</sup>. Finally, the policy statement was published under the title Putting Britain Right Ahead<sup>15</sup>, and in October 1965 received the overwhelming endorsement of the Party Conference<sup>16</sup>.

Two themes were emphasised in Putting Britain Right Ahead: first, the encouragement of individual initiative, individual enterprise and individual work; and secondly, the creation of "a new dynamic within industry" by measures of increased competition<sup>17</sup>. These themes were

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9. F.W.S. Craig (ed.), British General Election Manifestos 1918-1966, Chichester 1970, pp.216-219.
  10. Interview 6; speech by Heath to Scottish Conservatives Conference, The Times, 23 April 1965.
  11. The Times, 29 July 1965.
  12. George Hutchinson, Edward Heath: A Personal and Political Biography, London 1970, p.150.
  13. Interview 14.
  14. The Times, 21 September 1965.
  15. CCO, London 1965.
  16. See NUCUA 83rd Annual Conference Report 1965, NUCUA, London 1965, pp.19-20; also motions Nos. 1-25, Conference Handbook and Programme of Proceedings, 1965, NUCUA, London 1965.
  17. These themes were expounded by Heath during a speaking-tour of the Scottish Highlands in September 1965; see in particular his speech at Inverness, The Times, 20 September 1965.

developed in relation to five elements of Conservative policy: greater incentives, a competitive industrial structure, trade union reform, selectivity in the social services, and entry to Europe<sup>18</sup>. The programme was later carried through into the Party's 1966 General Election manifesto and formed the basis of the Conservatives' election campaign<sup>19</sup>.

As explained in Chapter Three, following the 1966 Election Heath and his closest aides formulated a plan for the conduct of the Opposition in the years ahead<sup>20</sup>. They decided to leave all activity for about six months until the Autumn of 1966<sup>21</sup>. From thereon, policy formulation was to continue but was not to be publicised or emphasised by the Party Leaders<sup>22</sup>. Some policy groups were to proceed with their work while new ones were to be established. All groups were to submit their final reports to the Leader and the ACP in the summer of 1968 and these reports were to form the basis of a mid-term manifesto to be published in the Autumn of the same year. In the period following the publication of this document attention was to be focussed upon the formulation of policy in detail and the clarification of certain key policy issues in preparation for the next General Election<sup>23</sup>.

Broadly speaking, during the remaining four years of Opposition the Leadership's two phase programme was adhered to. A manifesto was prepared for publication in the Autumn of 1968. The first draft was outlined by members of the Research Department in November 1967<sup>24</sup>, and was later considered by an "official" group of party officials. The document was then discussed by the Party Leader's "Steering Committee" and, finally, by the full Shadow Cabinet and the ACP<sup>25</sup>. The policy groups do not appear to have made a substantial contribution to this exercise. No reports had been submitted by them prior to the

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18. Putting Britain Right Ahead, op.cit., pp.7-8, 11, 13 and 20.

19. Action Not Words, CCO, London March 1966.

20. See pp. 33 above.

21. Interview 5.

22. Interview 9.

23. Interviews 5 and 6.

24. Interviews 5 and 6.

25. Butler and Pinto-Duschinsky, The British General Election of 1970, London 1971, pp.80-81.

preparation of the first draft and only thirteen groups had reported by July 1968<sup>26</sup>.

The document was published in time for the Party Conference in October 1968 under the title, Make Life Better<sup>27</sup>. It outlined in greater detail than ever before some of the main points of Conservative policy, including fiscal reforms, the abolition of the Selective Employment Tax (SET), the reform of the machinery of Government, proposals for the reform of industrial relations, housing policy, education policy, reform of the social services, and so forth. The themes which were emphasised within the manifesto were substantially the same as those outlined prior to the 1966 General Election, namely more incentives, more competition, more selectivity and entry to Europe<sup>28</sup>.

The publication of the mid-term manifesto marked the beginning of the final phase of the Conservative Party's policy reformulation: preparation for the General Election. Thus, during the remaining eighteen months of Opposition, the emphasis turned increasingly to research projects designed to elucidate the specific aspects of policy<sup>29</sup>. While these preparations were proceeding, at the end of January 1970, the Shadow Cabinet met at the Selsdon Park Hotel. The object of this meeting was twofold: first, to co-ordinate the various policies which together would form the basis of an election manifesto; and secondly, to settle the broad strategy for the approach to the next General Election. But no important change was made during the meeting in any established policy<sup>30</sup>.

Thus, the final, 1970 Election, manifesto reflected many of the themes first outlined in October 1965: greater incentives, more

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26. Ian Trethowan, "Tories Planning New Policy Moves", The Times, 22 February 1968; The Times, 4 June 1968; The Times, 16 September 1968.
27. CCO, London 1968.
28. Ibid., p. 5ff.
29. For further details see Butler and Pinto-Duschinsky 1971, op.cit., pp.81-83.
30. The Times, 2 February 1970; The Times, 9 February 1970; The Guardian, 2 February 1970; Peter Jenkins, "It's Only Make Believe", The Guardian, 3 February 1970; David Watt, "A Plea for More than Law and Order", The Financial Times, 6 February 1970; The Observer, 18 January 1970.

competition, trade union reform, selectivity in the social services, and entry to Europe<sup>31</sup>. In addition, three more recent themes were outlined; the control of government expenditure, the encouragement of savings, and the need to develop a "new style of government" through the application of modern technology and business techniques to the decision-making process<sup>32</sup>.

In sum, during the Opposition period the overall party programme reflected a strong bias towards the liberal tendency. In economic affairs this took the form of what may be termed a "competition policy" with a stress upon the need for more incentives and a more competitive industrial structure. This development had been initiated soon after the 1964 General Election and was carried through into the Party's first policy statement published in October 1965. The Deputy Chairman of the Conservative Party Organisation, Sir Michael Fraser, later maintained that all subsequent policy was "no more than a continuation of what was done in 1965"<sup>33</sup>. Likewise, in 1971, Heath claimed: "by September 1965 all our present policy was already written down in detail in our policy statement".<sup>34</sup> Certainly the general themes outlined and the overall tendency developed in 1965 remained central to the party programme throughout the Opposition period. The precise consequences which this was to have upon policy-making in narrower and more specific areas, however, must be considered in the following chapters.

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31. A Better Tomorrow, CCO, London 1970, pp.6-7.

32. Ibid., pp.1-2 and 10-11.

33. Quoted in Robert Rhodes James, Ambitions and Realities, London 1972, p.100.

34. Quoted in Anthony Sampson, The New Anatomy of Britain, London 1971, pp.100-1.

## CHAPTER SEVEN

## NATIONAL ECONOMIC PLANNING AND THE NATIONAL PLANS

I Introduction: Problems of Definition

The term economic planning has been used to describe at least two types of activities. First, planning in relation to the internal operation of the individual company or organisation; a process which has been called "corporate" or "business" planning<sup>1</sup>. Secondly, planning in relation to the economy of a whole society, involving action at government level in a process generally called "national economic planning". In this study I am concerned with economic planning mainly in this latter sense. Before considering the development of Conservative attitudes in this field, however, it will be useful to define some of the key terms involved. The following section attempts to do this. It begins by considering the nature of plans and the various types of planning, and concludes with a brief outline and assessment of the major planning documents produced by British Governments during the 1960s.

The process of national economic planning generally centres around a specific plan or series of plans. A plan, in the sense in which the term is being used here, may be regarded as performing five minimal functions. First, it must describe the present state of the economy and, as far as possible, measure and quantify the variables involved and analyse the relationships between them. Secondly, a plan should offer a forecast of the future movement of the economy. This would involve projecting those trends which can be estimated with reasonable confidence over the medium term, and predicting others where more guess work is involved. Thirdly, from describing the expected future any plan should go on to outline the elements of the desired future. Usually the desired future is expressed in terms of growth rate. This may be presented as one growth rate or several - the so-called "wedge" approach. Fourthly, the conditions for achieving

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1. For a more detailed outline of this distinction see Neil W. Chamberlain, Private and Public Planning, New York 1965, Chapters 1, 2 and 3; Wilhelm Keilhau, Principles of Public and Private Planning, London 1951.

the desired future should then be stated: for example, it might be claimed that growth in the economy depends, first, on achieving higher exports and lower imports, and second, on using national resources more fully and efficiently. Each of these may depend in turn upon other conditions being satisfied, and so on. Finally, the plan may proceed to target setting. Thus a target rate of economic growth may be set and the conditions for achieving this rate translated into target figures for exports, private investment, public expenditure, manpower supply, etc.<sup>2</sup>.

A further series of questions is required if one wishes to classify the various types of plans and the planning processes from which they emerge. One may initially ask: who does the planning? For example, a plan might be technocratic (relying heavily on the expertise of officials) or corporatist (with the emphasis upon consultation with economic interests) or popular (with full participation by Parliament, parties and people). Secondly, one may ask questions about the nature of a plan. For example, how comprehensive and specific is it? A plan may deal only with the public sector; or it may add to this a set of suggestions for remedial action to remove certain bottlenecks in the private sector; or it may go further and set out, in considerable detail, the physical inputs and outputs required from different industries or, even, particular firms. Finally, one may ask questions about the sanctions and incentives deployed. For instance, a plan may be seen as involving little more than the provision of information about the intentions of public and private agencies, in the hope that any adjustments needed in such intentions will be obvious and made quite voluntarily. This type of planning may be classified as purely "persuasive". Or the neutral exchange of information may be supplemented by broad indications and exhortations from the Government about the adjustments required. These attempts may be supported by the deliberate use of broad controls (credit, taxation, etc.) in order to facilitate the achievement of the objectives outlined in the plan. This type of planning may be classified as "indicative". Finally, the more comprehensive and detailed types of plans may involve the imposition of specific quotas, targets and norms upon producing units, these being supported by detailed controls and specific penalties for failure.

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2. Jeremy Bray describes the "logic of planning" as "description, measurement, prediction, criteria, action", The New Economy, Fabian Tract, No.362, July 1965, pp.38-40.

This type of planning may be classified as "normative" or "imperative"<sup>3</sup>.

The classifications I have outlined above should not be regarded as rigid and mutually exclusive. In practice, any particular plan or planning process may be expected to involve a number of the elements specified above, in a variety of combinations. The problem thus becomes one of assessing relative dominance. The following analysis of the three plans which were produced by successive British Governments during the 1960s may help to illustrate this point.

The first plan was produced during a period of Conservative Government and was in the form of two documents published separately in February and April 1963. The first document, Growth of the United Kingdom Economy to 1966, studied the implications of an annual growth rate of four per cent<sup>4</sup>. The second, Conditions Favourable to Faster Growth, dealt with the means by which a four per cent growth rate could be achieved<sup>5</sup>. Both documents were produced by the National Economic Development Council (NEDC), which, although established by the Conservative Government, was an independent agency involving representatives of government and both sides of industry. The NEDC documents did not incorporate a specific commitment to action on the part of the Government. Yet, as Barker and Lecomber point out, once the Conservative Government accepted the objective of a four per cent annual growth rate, "the projections were taken as targets and the assessment as a plan."<sup>6</sup>

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3. The terminology outlined above is largely based on an unpublished paper by L.A. Gunn, Types of Plans, November 1970. Numerous other attempts to classify 'planning' and 'plans' have been made, of which the following may be noted: Firmin Oulés, Economic Planning and Democracy, Middlesex 1966, pp.27-47; Jan Tinbergen, Central Planning, New Haven 1964, pp.9-32; Joan Mitchell, Groundwork to Economic Planning, London 1966, pp.13-27; an older but interesting analysis is, W. Arthur Lewis, The Principles of Economic Planning, Fourth impression, London 1954, pp.107-112; Pierre Bauchet, Economic Planning: The French Experience, London 1964, pp.21-6; Andrew Shonfield, Modern Capitalism, London 1965, pp.121-175.
  4. NEDC, Growth of the United Kingdom Economy to 1966, HMSO, London 1963.
  5. NEDC, Conditions Favourable to Faster Growth, HMSO, London 1963.
  6. T.S. Barker and J.C. Lecomber, Economic Planning for 1972: An Appraisal of the Task Ahead, PEP Broadsheet 515, 1969, p.710.

When the Labour Government came to power in October 1964 the NEDC was retained in a purely consultative capacity, and a large part of its Secretariat (NEDO) and many of its planning functions were assimilated by the newly formed Department of Economic Affairs (DEA). It was this Department which produced The National Plan published in September 1965<sup>7</sup>. This document dealt with the implications and means of achieving a twenty-five per cent growth rate over the six years from 1964 to 1970, and it was heralded as "a statement of Government policy and a commitment to action by the Government".<sup>8</sup>

The final plan was published in February 1969 and entitled, The Task Ahead<sup>9</sup>. As will be shown, representatives of both sides of industry were closely involved in its formulation. Its authors claimed that it was not a plan but a "planning document" which provided "a basis for a further stage in the continuing process of consultation between Government and both sides of industry".<sup>10</sup> Instead of postulating a single growth target a range of possible growth rates was outlined.

Of the three plans, the first two were the most alike in purpose: both were concerned with the feasibility of, and the means of achieving, a desired growth rate, and their targets enjoyed the active support of government. On the other hand, the 1969 plan did not indulge in target setting to the same extent as its predecessors, nor did it gain the same degree of government commitment. It was mainly concerned with initiating and sustaining a process of consultation, involving the exchange of information, between government and both sides of industry. Its primary aim was to achieve, not faster economic growth, but the common objective of greater economy efficiency and stability<sup>11</sup>. Thus the 1963 and 1965 plans may be classified as being partially "indicative" and partially

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7. Cmdnd 2764, HMSO, London 1965.

8. See "Foreword" by George Brown, Secretary of State for Economic Affairs, *ibid.*, p.iii.

9. Department of Economic Affairs, The Task Ahead: Economic Assessment to 1972, HMSO, London February 1969.

10. "The Task Ahead", *op.cit.*, Chapter 1, para 1. The Task Ahead was 'updated' in May 1970, Green Paper, Economic Prospects to 1972: A Revised Assessment, HMSO, London 1970.

11. "The Task Ahead", *op.cit.*, Chapter 1, para 15.



"persuasive", while The Task Ahead was almost entirely of the latter variety<sup>12</sup>. The 1965 plan, however, differed from both of its counterparts in at least three respects. First, it was more technocratic in origin; secondly, its proposals for action were more comprehensive and more specific; and finally, it enjoyed a greater degree of government support.

Finally, it may be noted that all of the plans produced during the 1960s incorporated a very limited conception of the planning process. None, for example, were imperative. Moreover, the forecasting and projection techniques used, particularly in the first two plans, were crude and unsophisticated, and, while considerable advances in the methods and the machinery of planning had taken place by 1969<sup>13</sup>, these were not fully incorporated in The Task Ahead. None of the plans was particularly specific and all limited their prescriptions to the larger, 'macro' sectors of the economy without considering in detail the place of the individual firm or smaller industrial unit. However, although British planning in the 1960s was limited in approach, it was, at least for part of the decade, a matter of deep controversy within and between the two major parties. The nature and outcome of this debate, particularly as they affected Conservative opinion, form the subject matter of the remainder of this chapter.

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12. For other classifications of British planning during the 1960s see J. Mitchell, Groundwork to Economic Planning, London 1966, Chapter 1; John Pinder, "All Planners Now", in A Fresh Approach, CPC 327, London January 1966, p.18; S. Brittan, "Inquest on Planning in Britain", PEP Planning, Vol.33, No.449, January 1967; Nigel Lawson, "The Economic Setting", in Conservatism Today, CPC 350, London October 1965, p.55.
13. As a result of proposals contained in the Estimates Committee's report on Government Statistical Services published in 1966, improvements were made in the collection, storage and dissemination of statistical data, and four new units were established in the Central Statistical Office for this purpose. These units were concerned with computer utilisation, the classification of statistical bases, the co-ordination of the "raw material" for statistics, and the planning of future statistical programmes. See DEA Progress Report, May 1968, p.2. For the formulation and application of theoretical models and their utilisation in economic planning, see Barker and Lecomber 1969, op.cit., p.717.

## II The Conservative Party and Economic Planning: 1961-1964

A system of national economic planning was first introduced in Britain during the war and in the immediate post-war period of Labour Government<sup>14</sup>. When the Conservatives were returned to office in 1951 it had ceased to be a major tool of economic policy, and throughout the following decade no attempt was made to revive it<sup>15</sup>. In the early 1960s, however, economic planning was rediscovered. Its re-adoption signified an important change in the Conservative Government's approach to economic management. This alteration in policy priorities and its consequences forms the subject matter of the following section. The analysis is divided into three parts: first, a brief outline of the origins and early beginnings of economic planning in the early 1960s; secondly, an analysis of the influence of Conservative Party opinion upon the development of the policy; and finally, an assessment of the Conservative Party's position on economic planning at the time of the 1964 General Election.

### 1. The Origins and Beginnings of National Economic Planning

The origins of the Conservative Government's planning initiative have been well documented, and most accounts have emphasised one or all of four developments as particularly important<sup>16</sup>. Most have agreed that

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14. The Labour Government's economic planning is outlined in, Ben W. Lewis, British Planning and Nationalisation, New York 1951, pp. 3-41; A. A. Rogow, The Labour Government and British Industry: 1945-51, Oxford 1955, especially chapter 2; and, Joan Mitchell, Groundwork to Economic Planning, London 1966, pp.55-120.
  15. For a description and analysis of economic policy in the 1950s see Samuel Brittan, The Treasury under the Tories: 1951-64, Middlesex 1964, pp.135-203; G.D. Worswick and P. Ady (eds.), The British Economy in the Nineteen-Fifties, Oxford 1962.
  16. The account of the origins of economic planning is taken from: Mitchell 1966, op.cit., John Jewkes, The New Ordeal by Planning, London 1968; Samuel Brittan 1964, op.cit., Andrew Shonfield, Modern Capitalism, London 1965; James B. Christoph, "The Birth of Neddy", in James B. Christoph (ed.), Cases in Comparative Politics, Boston 1965, pp.44-89; George Polanyi, Planning in Britain, IEA, Research Monograph 11, London 1967.

disillusionment with the performance and operation of the British economy during the late 1950s was a primary factor. Polanyi and Christoph have suggested that Britain's low growth rate, especially in comparison to those of her West European competitors, was a matter of concern<sup>17</sup>. So also, according to Mitchell and Brittan, was the erratic manner in which the British economy had been managed, the so called "stop-go" or "hiccough" economy<sup>18</sup>. Moreover, the effectiveness of the Keynesian fiscal and monetary tools of economic management was, in Brittan's view, increasingly open to question and he charts the various proposals that were made for their replacement by more discriminatory forms of intervention and management<sup>19</sup>.

The adoption of economic planning was, it has been claimed, further facilitated by alterations in government personnel. According to Mitchell, the retirement of some of the older members of the Civil Service and the arrival of younger men removed one of the main obstacles to the adoption of planning policies<sup>20</sup>. Christoph is more specific, and notes in particular the appointment in 1961 of Alec Cairncross as Economic Advisor to the Government<sup>21</sup>. As far as the Cabinet was concerned, Christoph, Shonfield and Brittan agree that an important role was played by the Prime Minister, Harold Macmillan, who had from as early as 1938 been an advocate of economic planning, and the Chancellor of the Exchequer, Selwyn Lloyd<sup>22</sup>.

The third factor which has often been mentioned, was the growing popularity of planning within industry. Some business firms were

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17. Polanyi 1967, op.cit., Chapter 1; Christoph 1965, op.cit., p.56.  
 18. Mitchell 1966, op.cit., p.125; Brittan 1964, op.cit., p.208.  
 19. Brittan 1964, op.cit., pp.204-210. A major role in the re-assessment of Keynesian techniques was played by the report of the Radcliffe Committee: Committee on the Working of the Monetary System, Cmd. 827, HMSO, London 1959.  
 20. Mitchell 1966, op.cit., pp.122-124.  
 21. Christoph 1965, op.cit., p.66.  
 22. Ibid., pp.66-7; Shonfield 1965, op.cit., pp.102-103; Brittan 1964, op.cit.; cf. Harold Macmillan, At the End of the Day, London 1973, p.37. In 1938 Macmillan had advocated the establishment of a "National Economic Council" involving representatives from both sides of industry in the task of formulating a "comprehensive plan for general guidance". Harold Macmillan, The Middle Way, London 1938.

interested in introducing corporate planning techniques within their own organisations, while business groups were interested in promoting some form of economic planning at the national level. As far as the development of national economic planning is concerned, most commentators have emphasised the importance of a conference held by the Federation of British Industries in November 1960<sup>23</sup>. At this conference the nature and erratic operation of the Government's economic policy was attacked and demands were made for the establishment of some kind of machinery through which government and both sides of industry could jointly produce long term "assessments of possibilities and expectations".<sup>24</sup>

Finally, Christoph and Jewkes, in particular, emphasise the influence of the French example upon British attitudes towards economic planning. They argue that, in British eyes, the attractions of French planning were twofold. First, it appeared to be successful: the French record of economic growth in the 1950s was far in excess of Britain's. Secondly, it appeared to be acceptable in that it did not seem to involve the use of controls or detailed intervention<sup>25</sup>.

The four developments outlined above helped to create what might be termed the necessary conditions for the introduction of economic planning in Britain. The Government's decision to launch such a policy was, however, immediately prompted by the worsening economic situation facing the country.

On 25 July 1961, in response to a balance of payments crisis, the Chancellor of the Exchequer, Selwyn Lloyd, announced new Government measures. These included proposals that were to mark the beginning of both the Conservative Government's national economic planning policy and its incomes policy. Thus, in addition to announcing a "pay pause", the Chancellor indicated his intention of discussing with both sides of industry their "various processes of consultation and forecasting with a

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23. Brittan 1964, op.cit., pp.216-19; Jewkes 1968, op.cit., p.3; Polanyi 1967, op.cit., Chapter 1; Christoph 1965, op.cit., pp.57-59.

24. Christoph 1965, op.cit., p.59.

25. Ibid., pp.62-65; Jewkes 1968, op.cit., pp.4-9. Jewkes makes the point that the impression of French planning held by British policy-makers may have been mistaken.

view to a better co-ordination of ideas and plans"<sup>26</sup>. The outcome of the discussions between the Government and both sides of industry was the establishment, in January 1962, of the National Economic Development Council (NEDC), its Secretariat, the National Economic Development Office (NEDO) and subsequently its industrial offshoots the Economic Development Committees (EDCS). The NEDC and the NEDO later produced the two documents which formed the first national plan of the 1960s.

In sum, disillusionment with the performance and operation of the British economy, changes in the nature and opinions of government personnel, the growing interest in planning within business and industrial circles, and the French example, all helped to create the necessary conditions for the introduction of economic planning. It may be noted that the role of Conservative back-benchers and party members in this process was limited. Although some expressed concern about existing government policies<sup>27</sup>, national economic planning was never strongly advocated as an alternative policy within the Conservative Party. The decision to adopt such a policy was made on the initiative of the Party Leadership mainly in response to pressures from outside their own party.

## 2. Conservative Party Opinion and the Development of National Economic Planning

The concept of economic planning is at variance with some of the main tenets of liberal Conservatism. It implies a positive, interventionist role for the state and, to the extent that it involves the joint consultation of government and both sides of industry, a corporatist conception of economic and social processes<sup>28</sup>. Thus, for the Conservative

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26. H.C. Debs. Vol.645, Col.220, 25 July 1961.

27. See "Macmillan Pink", The Economist, 16 April 1960; David Howell, "Expanding Prosperity", in Principles in Practice, CPC 223, February 1961, pp.18-30; speech by Basil de Ferranti, H.C. Debs. Vol.648, Cols.905-9, 7 November 1961.

28. According to Macmillan the Cabinet discussion about the proposal to establish the NEDC revealed "a rather interesting and quite deep divergence of view between Ministers, really corresponding to whether they had Old Whig, Liberal, laissez-faire traditions, or Tory opinions, paternalists and not afraid of a little dirigisme". Macmillan 1973, op.cit., p.37.

Party, economic planning represented a potentially divisive issue. According to one observer, it was for them "the most sensitive political question concerning the role of the state".<sup>29</sup>

Within the Government, the introduction of economic planning was in fact the responsibility of only a few individuals: most notably, Macmillan, Maudling, Lloyd and Sir Edward Boyle, Financial Secretary to the Treasury<sup>30</sup>. Moreover, according to Brittan, the NEDC concept when first proposed was strongly opposed by most of the Cabinet and no agreement was reached "until the sterling crisis forced the issue", thereafter Lloyd went ahead, although "Cabinet rumblings continued".<sup>31</sup>

Within the remainder of the Conservative Party, the introduction of economic planning initially produced little reaction, and those Conservatives who did respond were in general mildly favourable. Of the ten Conservative back-benchers who spoke in the debate following the Chancellor's announcement, two were strongly in favour, four were mildly opposed, and the remaining four made no mention of the proposals in their speeches<sup>32</sup>. Even those who expressed opposition accepted that planning might be necessary if only in a very limited way<sup>33</sup>. Much the same opinions were reflected in the Debate on the Economic Situation in November 1961. On this occasion, of the six Conservative back-benchers who addressed the House, only two mentioned economic planning and both were strongly in favour of the concept<sup>34</sup>. Within the Mass Party, no protest was registered at the Party Conference or at the Central Council Meeting<sup>35</sup>, and some members of the Bow Group, in particular, strongly supported the new policy

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29. Nigel Harris, Competition and the Corporate Society, London 1972, p.133.
30. Boyle was a strong supporter of the French "style" of planning. See H.C.Debs. Vol.645, Cols.628-44, 27 July 1961; Christoph 1965, op.cit., pp.65-66.
31. Brittan 1964, op.cit., pp.220-2; cf. Macmillan 1973, op.cit.
32. H.C.Debs., Vol.645, Cols. 433-734, 26-27 July 1961.
33. See speech by Sir John Barlow, ibid., Cols. 673-4; and article by Nigel Birch, The Sunday Times, 22 October 1961.
34. H.C.Debs., Vol.648, Cols. 805-937, 7 November 1961. See in particular speech by Basil de Ferranti, Cols. 905-909.
35. See the amendment to the debated resolution, NUCUA 80th Annual Conference Report, NUCUA, London 1961, p.90; NUCUA, Central Council Minute Book, London March 1961.

measures<sup>36</sup>.

The initial absence of any critical reaction from within the Party to the introduction of economic planning was in part a product of the nature of the policy proposals themselves. These remained, at least until the first meeting of the NEDC in March 1962, loosely and ambiguously defined. For example, when Selwyn Lloyd first outlined the Government proposals in July 1961 he indicated that the kind of planning he envisaged was to involve government and both sides of industry "in a joint examination of the economic prospects of the country stretching five or more years into the future" primarily concerned with establishing what were "the essential conditions for realising potential growth".<sup>37</sup> Such general aims could not fail to gain the tacit support of most Conservatives, and the failure of Government spokesmen to outline in detail the exact nature and powers of the proposed machinery left potential opponents without a target for their criticism<sup>38</sup>.

In addition to the non-explicit nature of their proposals the Government may also have managed to reassure Conservatives by adopting two strategies. The first lay in stressing the paternalist Tory element in the Conservative tradition in an attempt to persuade Conservatives that planning was consistent with Party principles and that, far from being innovatory, it represented a logical development of existing policies. Thus Maudling emphasised the continuity of government policy when he stated that planning in the form being proposed - "that of a mutual study between industry and government of prospects and estimates" - was already taking place in relation to the

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36. See Editorial, Crossbow, October-December 1961, in which the editors argued that it was the "proper role of politicians to plan our strategy in grand terms, to determine the kind of society that we need... it is for the economic experts then to draft the course". They proceeded to advocate the establishment in Britain of a body similar to the French Commissariat du Plan. See also David Price, MP, "A Conservative Looks at Growth and Planning", The Statist, 1 June 1962.
37. See H.C. Debts., Vol.645, Col.220, 25 July 1961; and ibid., Vol.439, 26 July 1961.
38. See Timothy Raison, "Tories to your Own Selves be True", The Statist, 16 February 1962.

nationalised industries, iron and steel, machine tools, ship building and motor cars<sup>39</sup>. Butler too, was able to contend that, ever since the days of Bolingbroke, Conservatives had been willing to use the power of the state<sup>40</sup>.

The second strategy emphasised the difference between Conservative and Labour planning, and suggested that the former represented a sensible middle way between the two extremes of state control and laissez-faire. Speaking at the Party Conference in October 1961 Macmillan indicated that "between socialism and laissez-faire liberalism there is indeed a middle way. That is our way".<sup>41</sup> Sir Edward Boyle maintained that tory planning did not mean more controls or more nationalisation and he referred to the example of French planning, which, he contended, did not depend either "on an extension of public ownership or on the application of physical controls".<sup>42</sup> In this manner the Conservative policy of "planning by consent" was contrasted with the Labour alternative of "planning by compulsion"<sup>43</sup>, and the inference drawn that Conservative planning was not only distinctive but also pragmatic and in accordance with the Party's principles and practice.

As far as may be judged these tactics enjoyed some success and the absence of any consistent and widespread intra-party opposition to economic planning continued throughout 1962. In the Debate on the Economic Situation in November 1962 only two of the six Conservative back-benchers who participated mentioned economic planning and then only briefly<sup>44</sup>. However, two events which took place during 1962 reflected the first indications of a breakdown in consensus. First, in March, a reduction in the Bank Rate from six to five per cent marked the beginning of a series of expansionist policies, and the promotion of economic growth to the position of primary objective of British economic policy<sup>45</sup>.

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39. H.C.Debs., Vol.644, Col.1093, 18 July 1961.

40. NCP 1963, No.21, 28 October 1963, p.4.

41. NCP 1961, No.21, 30 October 1961, p.5.

42. H.C.Debs., Vol.645, Cols. 640-643, 26 July 1961.

43. NCP 1962, No.14, 9 July 1962, pp.21-22.

44. H.C.Debs., Vol.666, Cols. 604-738, 5 November 1962.

45. John and Anne-Marie Hackett, The British Economy: Problems and Prospects, London 1967, p.122.



The expansionist policies were continued by Maudling, who succeeded Selwyn Lloyd as Chancellor of the Exchequer in July 1962, and in his 1963 Budget Maudling committed the Government to achieving the NEDC target of a four per cent annual growth rate<sup>46</sup>. According to Hackett, the outcome of this expansionist policy was that total demand was given too violent a boost. This resulted in a Balance of Payments crisis which effectively undermined the targets of the NEDC plans, thus reducing the credibility of planning<sup>47</sup>.

The second event was the Cabinet changes which, while bringing Maudling to the Treasury, also brought Enoch Powell into the Cabinet for the first time. As Minister of Health, Powell was responsible for two major planning initiatives within his own department: the "Hospital Plan" of 1962 and the "Health and Welfare Plan" of 1963. However, these departmental plans should not be taken to mean that Powell was sympathetic to national economic planning. In May 1963 he launched the first coherent attack by a Conservative politician upon the assumptions underlying the Government's planning initiative. In his speech he carefully avoided making any specific criticisms of the NEDC and Government policy and concentrated instead upon denouncing long range planning in general. According to Powell, such a policy was bogus because any predictions made about the future upon the basis of assumptions manufactured in the present were bound to be hopelessly out<sup>48</sup>. In July 1963 Powell announced that the Conservative Party should remain true to its capitalist roots and primarily concern itself with upholding the "free economy".<sup>49</sup> However, the key personnel in the Government, particularly the Prime Minister, remained strongly committed to planning and growth.

Following the resignation of Macmillan in October 1963 there were indications of a decline in support for economic planning within both the Government and the Conservative Party. First, the new Prime Minister, Sir Alec Douglas-Home, had never been closely connected with the planning

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46. H.C.Debs., Vol.675, Cols. 475-6, 3 April 1963.

47. Hackett 1967, op.cit., pp.122-6.

48. Speech at Bournemouth, 25 May 1963, reproduced in John Wood (ed.), A Nation Not Afraid, London 1965, p.13.

49. Ibid., pp.28-9, speech at Bromsgrove, 6 July 1973.

initiatives of the previous administration and whilst there is no evidence that he was actually hostile to them, he was not as strongly committed as his predecessor<sup>50</sup>. Secondly, among those who were members of the new Cabinet, the appointment of Edward Heath as Secretary of State for Industry, Trade and Regional Development and President of the Board of Trade marked a change in the emphasis of Government policy. Speaking to the House in November 1963, Heath advocated a role for the State which was qualitatively different from that underlying the policies of the Macmillan period. He supported the idea of a partnership between Government and Industry in economic affairs but was careful to stress that it should not be a partnership in which government took the lead. Instead industry should provide its own initiative whilst the Government pursued economic policies designed through the pressure of competition to encourage "the innovators" on which the future prosperity of the country depended<sup>51</sup>. In Heath's opinion, the modernisation of industry depended ultimately upon industry itself and those managing it and was not something which "could be imposed from the outside".<sup>52</sup> He envisaged that in such a process the most useful form of planning was planning within the firm which government should endeavour to assist by providing information on which industry could base its choices<sup>53</sup>.

Finally, the refusal of Enoch Powell to serve in the new Cabinet under Sir Alec Douglas-Home meant that he was able to enjoy a greater freedom in criticising government policy from the back-benches. After leaving the Government Powell delivered a series of speeches in which he emphasised the need to foster free enterprise through the encouragement of market forces. His campaign implied a rejection of the basic assumptions upon which the administration's planning initiative was based<sup>54</sup>.

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50. See Kenneth Young, Sir Alec-Douglas-Home, London 1970, p.85 ff.  
 51. H.C.Debs., Vol.684, Cols. 323-349, 14 November 1963.  
 52. Ibid., Col.326.  
 53. Ibid., Col.324.  
 54. See Andrew Roth, Enoch Powell, Tory Tribune, London 1970, pp.304-306; D. E. Butler and Anthony King, The British General Election of 1964, London 1965, p.22; Enoch Powell, "Is it Politically Practicable", in A. Seldon (et.al.) Rebirth of Britain, London 1964, pp.257-267.

3. Conclusion: the Conservatives and National Economic Planning: October 1964

The introduction and development of a policy of national economic planning appears to have been primarily the responsibility of certain Conservative Ministers and was not substantially shaped or modified by opinions within the larger Conservative Party. Party Leaders appeared to recognise that the policy was a potentially divisive one, and took pains to present it in a form acceptable to their followers. Following the resignation of Macmillan, support for the policy appears to have declined among certain sections of the Government and the Party. Moreover, the views expressed by both Enoch Powell and Heath indicated that an alternative to a policy of national economic planning was available (i.e. competition) and was a matter of debate within both the Government and the Party. Inevitably, however, any re-assessment of the Party purpose had to be curtailed as the General Election approached<sup>55</sup>.

In their 1964 General Election Manifesto the Conservative Leaders restated their commitment to economic planning as a means to achieving a higher rate of economic growth. The authors were at pains to distinguish between Conservative and Labour planning. Thus the NEDC was said to represent "the democratic concept of planning by partnership" in contrast to the Labour Party's policy of "centralised control".<sup>56</sup> The Leadership's careful commitment to economic planning appeared to enjoy at least the tacit support of most Conservatives. It remained to be seen whether, in the less disciplined atmosphere of Opposition, a potentially divisive debate would emerge.

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55. Butler and King 1965, *op.cit.*, p.85.

56. "Prosperity with a Purpose", in F.W.S. Craig (ed.), British General Election Manifestos: 1918-1966, Chichester 1970, p.217.

### III The Conservatives in Opposition 1964-1970

#### 1. The First Phase in Opposition: October 1964-March 1966

As has been mentioned earlier, soon after their defeat in the 1964 Election, the Conservative Leadership adopted a competition approach to economic affairs<sup>57</sup>. This policy implied a critique of what The Times called "the conventional wisdom of the age", consisting of the belief that economic planning on French lines held out the greatest hope of improvement in the rate of economic growth<sup>58</sup>, although this was a belief that the Conservatives had themselves played a significant part in fostering.

Although the adoption of a competition policy implied at least a modification of the Conservative commitment to economic planning, this was not a development which the Leadership appeared either to welcome or encourage. The spectacle of a Party Leadership denouncing policies which only a few months previously it had defended in an election campaign would have appeared neither credible nor convincing. Furthermore, there was the problem of personalities: many ex-Ministers remained closely wedded to the policies they had administered while in office<sup>59</sup>. This was particularly the case with Reginald Maudling and Sir Edward Boyle, while Heath still recognised in the NEDC a useful forum in which government and industry could discuss problems of mutual interest<sup>60</sup>. Finally, the Party Leadership had to balance the process of policy re-assessment with other considerations such as the maintenance of party unity. In particular, the Party's policy chiefs were concerned to avoid a situation in which ideological disputes undermined the Opposition's electoral credibility<sup>61</sup>, and, as I have already noted, economic planning touched on the fundamentals of party belief and was therefore a potentially divisive issue. Significantly

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57. The nature of this alteration in policy emphasis is considered in Chapter 6.
58. See "Tories in a New World", The Times, 24 December 1964.
59. See D. E. Butler and Anthony King, The British General Election of 1966, London 1966, p.62.
60. Interview 16. See also William Rees-Mogg, "The Radical Centre", The Sunday Times, 4 July 1965.
61. Heath, in particular, recalled the damaging effect of the Labour Opposition's debates about Clause 4 and nuclear weapons. See Butler and King 1966, op.cit., p.59.

economic planning was not the subject of detailed study in any of the study groups established by Heath<sup>62</sup>, nor was it considered in the official debates at the Party Conference in October 1965<sup>63</sup>. No mention was made of the issue in the Party's first major policy statement published after the 1964 Election<sup>64</sup> and it was also absent from the 1966 General Election Manifesto<sup>65</sup>.

The Leadership's attempts to ignore the issue were frustrated by at least three developments. First, outside the Party the debate about economic planning continued, and the content of this debate reflected a more critical attitude towards the concept, methods and machinery of economic planning. A body of economists disillusioned with the experience of national economic planning had emerged and their views began to attract attention. Central to this group were a number of individuals connected with an independent research organisation: the Institute of Economic Affairs (IEA). Since its establishment in 1957 the Institute had generally maintained a free-market approach to economic questions and had never been sympathetic to the notion of national economic planning. In 1965 the IEA published two pamphlets which are relevant to this study. One of them, by John Brunner, was a critical analysis of the Labour Government's proposed National Plan which he attacked as being primarily a "political plan" in that the forecasts of industry were being forced into a pre-determined model of the economy produced by central planning<sup>66</sup>. Brunner did recognise, however, that planning and plans had some value in providing industry with relevant information. This was followed by another pamphlet from the IEA in which it was argued that the techniques of forecasting were so unsophisticated that, until they were improved, the whole process would have to be curtailed<sup>67</sup>. This growing body of dissent was reflected in certain business circles. An article appeared in the

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62. Interviews 5 and 9.

63. See NUCUA 83rd Annual Conference Report, NUCUA, London October 1965. Although note Heath's comment on indicative planning, p.41.

64. Putting Britain Right Ahead, CCO, London October 1965.

65. "Action Not Words" in F.W.S. Craig (ed.), British General Election Manifestos 1918-1966, Chichester 1970.

66. John Brunner, The National Plan, IEA, Eaton Paper, No.4, 1965.

67. Duncan Burn (et.al.), Lessons From Central Forecasting, IEA, Eaton Paper No.6, 1965.

Journal of the Institute of Directors which sharply criticised the methods and procedures by which the Department of Economic Affairs was collecting information on which to base its new plan<sup>68</sup>. The questionnaire used for this purpose antagonised many of those in business who were originally favourable to the Government's planning efforts<sup>69</sup>. In particular, Mr Arthur Shenfield, economic adviser to the Federation of British Industries, which had played an important role in the establishment of the NEDC, confessed that he was totally disillusioned with planning<sup>70</sup>.

The second development took place within the Conservative Party and was in part a reflection of the growing disillusionment with planning among some professional economists. The precise links between the Conservative Party and the IEA, and the latter's influence upon Conservative opinion, are difficult to establish. However, at least one MP was of the opinion that the IEA was influential and some MPs subscribed to the organisation, while most received its publications and some read them<sup>71</sup>. In addition there were those who, unlike some members of the Party Leadership, did not desire to avoid discussion of party fundamentals. In particular, Powell did not share the reticence of some of his colleagues. In May 1965 he launched an attack upon the methods the Government were using to collect data for their National Plan. He condemned the whole operation as "a piece of manifest futility on a colossal scale"<sup>72</sup>, and added that the National Plan was "foredoomed to utter failure".<sup>73</sup> Others within the Parliamentary Party shared Powell's opinions. John Biffen argued that the logic of the National Plan, of the NEDC and the EDCs would inevitably lead to planning by compulsion<sup>74</sup>. The contribution of the Mass Party to the debate was marginal and in general the issue of economic planning aroused little

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68. See "The Planning Avalanche", Journal of the Institute of Directors, July 1965.

69. The Times, 5 July 1965.

70. "The Anti-Planners", The Economist, 17 July 1965.

71. Interviews 1 and 16.

72. Speech at Nuneaton, May 1965, reprinted in Enoch Powell, Freedom and Reality, London 1969, pp.26-7.

73. Ibid., p.30.

74. H.C.Debs., Vol.710, Col.750, 8 April 1965. For a more lengthy outline of Biffen's views on planning see John Biffen, "Where the Planning Has to Stop", Crossbow, April-June 1966.

interest. The notable exception was the Greater London Young Conservatives, who at their Annual Conference in April 1965, carried a motion urging their Party to reject outright "the myth of a planned economy".<sup>75</sup>

The third development which made it inevitable that the whole issue of economic planning would become a matter of public debate, and that the Leadership would have to take a stand, was the publication in September 1965 of The National Plan<sup>76</sup>. The initial response came from Heath who, in a speech the day before the Plan was published, condemned it outright as the Labour Government's "biggest publicity gimmick". He went on to question its chances of success in the light of Callaghan's July Budget and ridiculed the information on which the Plan's statistics had been based<sup>77</sup>. Heath's rejection of the Plan before it had even been published was considered ill advised, and The Times later commented that his handling of the issue had been "tactically foolish".<sup>78</sup>

For a number of reasons a position of straight opposition to the Plan was not tenable. First, the National Plan had much in common with the earlier NEDC plans which were formulated under and accepted by the previous Conservative Government. As we have seen, both sets of plans were alike in postulating a desired growth rate and in outlining measures by which this objective could be achieved<sup>79</sup>. They differed in their style, particular prescriptions for action, the degree of government commitment, and the sources from which they emerged. The Opposition could attack these latter aspects without totally rejecting their own record while in office, but they could not attack the general approach of the National Plan. Secondly, there was the particular problem of rejecting an obviously popular aim of a 25 per cent growth rate up to 1970. Finally, if the Opposition rejected the Plan, they might appear to be discarding the concept of planning in general. As already noted, it was considered that any attempt to do this would probably damage

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75. The Times, 12 April 1965.

76. The National Plan, Cmd. 2764, HMSO, London September 1965.

77. Speech at Renfrew, The Times, 16 September 1965.

78. The Times, Leader, 29 September 1965.

79. See article by John Pinder, "All Planners Now", in A Fresh Approach, CPC 327, January 1966, p.18.

party unity. In addition, some form of planning still had supporters in industrial circles and the Leadership could not risk alienating this group<sup>80</sup>. For these reasons the Opposition's freedom of manoeuvre was limited.

The Party Leaders eventually agreed on an approach to the National Plan which consisted of welcoming the document in general while criticising four specific aspects of the Plan and the Labour Government's planning machinery. First, the methodology of the Plan and the information upon which it was based: Maudling argued that the Plan was a clear attempt to "try to fit the facts to the Plan rather than adapt the Plan to fit the facts"<sup>81</sup>, while Macleod questioned the credibility of the 25 per cent growth target<sup>82</sup>. Secondly, the Opposition were concerned about what they regarded as the "political" aspects of the Plan and, in particular, the inclusion within the document of plans to nationalise the iron and steel industries<sup>83</sup>: consequently it was variously labelled as "political propaganda" or a "socialist manifesto".<sup>84</sup> Thirdly, the Opposition criticised the Plan for what it did not contain, specifically measures which would help to "create a climate in which industrial enterprise might flourish".<sup>85</sup> Finally, the Opposition attacked the Labour Government's planning machinery, specifically criticising the integration of the NEDC into the government machine and the division of responsibilities between the DEA and the Treasury.<sup>86</sup>

The Party Leaders' decision to oppose specific aspects of the Plan while accepting the general principles underlying it proved problematic when, in November 1965, the National Plan came before the House. Macleod, in a somewhat vague and ambiguous speech, was reduced to "welcoming the opportunity to find fault with the proposal".<sup>87</sup> The Conservative Leaders

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80. See speech by Sir Paul Chambers, The Times, 11 November 1965. Report of the Conference between the BEC, FBI and NABM, Britain's Economic Problems and Policies, Conference Report, 1965, pp.20-23.
81. Speech by Reginald Maudling in London, The Times, 30 September 1965.
82. See statement by Iain Macleod, The Times, 17 September 1965.
83. Ibid.
84. Broadcast by Iain Macleod on TV, reported in The Times, 18 September 1965.
85. Statement by Iain Macleod, The Times, 17 September 1965.
86. Speech by Iain Macleod, H.C.Debs., Vol.718, Cols. 1075-76, 3 November 1965.
87. Ibid., Cols. 1067-1076; see also The Times, 4 November 1965.



decided to recommend to their followers that they should not vote against the Plan and no division was taken. Although this approach was supported by a majority of the Party, a small section of Conservative back-benchers would clearly have preferred a straight vote against the measure<sup>88</sup>: Peter Horden questioned the whole concept of planning<sup>89</sup> and T.L. Iremonger presented a critical amendment to the Government's motion welcoming the National Plan<sup>90</sup>.

The three developments outlined above indicate that discussion of economic planning within the Party continued despite the desire of certain sections of the Leadership to limit this debate. The outcome was that, by the end of the first phase of Opposition in March 1966, there were at least three different attitudes towards national economic planning within the Conservative Party. A small element, primarily located within the Parliamentary Party, favoured the total rejection of national economic planning. The views of this group had been cogently argued by Enoch Powell and, though their support was limited, by early 1966 it was clearly on the increase. Secondly, there were those who supported the previous Conservative Administration's commitment to planning, and in some cases favoured the extension of planning and of planning mechanisms. This group was small in number, and was mainly contained within the Mass Party and primarily involved the members of the radical Conservative students organisation, PEST. The latter rejected competition and conflict as a basis of economic policy and advocated instead the creation of a semi-planned economy<sup>91</sup>. Between these two extremes there existed a middle position which favoured a dilution and alteration in the Party's commitment to planning without necessitating a rejection of planning altogether. This approach was supported by the majority of informed and interested Conservatives and, although it did not represent an official standpoint, it was probably closest to the thinking of the

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88. Interviews 16 and 2.

89. H.C.Debs., Vol.718, Col.113, 3 November 1965.

90. Ibid., Col.1041.

91. See Call an End to Feeble Opposition, PEST, London 1965. See also motion no's. 236 and 243, submitted for the 1965 Party Conference, NUCUA Conference Handbook and Programme of Proceedings, 1965, NUCUA, London 1965; Philip Ashworth, "Can the Tories Afford to Relinquish Planning?", Crossbow, January-March 1966.

majority of the Leadership, including Heath.

The third or middle view contained several distinct elements. First, the word "planning" and its associated terminology, with implications of compulsion and control, had for long been a provocative word in Conservative circles. Historically it belonged more naturally to the rhetoric of the Labour Party and the Conservatives had traditionally employed the word in a pejorative fashion when attacking their political opponents<sup>92</sup>. One way of conducting the discussion on economic planning without endangering party unity was simply to alter the terminology of the debate. Terence Higgins, for example, noted that the word "planning" was anathema to many of his colleagues and suggested that the word "programming" was more acceptable<sup>93</sup>. In a speech at Bristol, Heath revealed that he favoured "surveys, forecasts and studies".<sup>94</sup>

The alteration in terminology could not disguise an alteration in the substance of the Conservative attitude towards economic planning. For example, Higgins argued that the most important role of planning and the planning institutions was not targeting but the co-ordination of the Economic Development Committees: as these were in direct touch with individual industries the process of planning would consequently prove a "useful source and channel of information".<sup>95</sup> Likewise, Sir Edward Boyle argued that the main purpose of "indicative planning" did not lie in overall targets of the National Plan type, but in "co-ordinated and coherent forward forecasting affecting key sectors of industry". He added that it should be the Conservatives' aim to "encourage key sectors of British industry to plan together and to plan for success".<sup>96</sup> A similar argument was adopted by Heath at the launching of the Party's 1966 Election Manifesto, when he suggested that the NEDC and the EDCs had a useful role to play in the exchange of information between industries<sup>97</sup>.

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92. See Harris 1972, *op.cit.*, pp.239-241.

93. See Terence Higgins, The Second Managerial Revolution, CPC 317, April 1965, p.20.

94. Quoted in H.C.Debs., Vol.718, Col.1042, 3 November 1965.

95. Terence Higgins 1965, *op.cit.*, p.21-22.

96. Sir Edward Boyle, Conservatives and Economic Planning, CPC 335, January 1966, pp.24-25; cf. Sir Edward Boyle, "The Conservative Essence", New Society, 8 October 1964.

97. The Times, 7 March 1966; also Henry Bosch, "The Limits of Planning", Crossbow, January-March 1966, pp.44-46.

Thus, throughout the early stages of the Conservatives period in Opposition, discussion of the issue of economic planning was neither desired nor encouraged by the majority of the Party Leadership. Nevertheless the debate had proceeded and, although the Leadership had taken no official stance, by the time of the 1966 General Election attitudes towards economic planning within the Party had undergone a significant change in emphasis<sup>98</sup>. Many influential Conservatives appeared to have rejected the idea of a centrally determined target as the essence of economic planning, and to have fallen back upon the limited application of planning in the sense of forecasting and the provision of information, with its implications of a less dirigiste role for the state. Thus, as will be shown, by March 1966 the outline of future Conservative policy was already discernible. The further clarification of this policy was to take place in relation to the abandonment of the Labour Government's National Plan. As Conservative policy took shape against the background of the Government's planning efforts I will now look at these in detail.

## 2. The Labour Government's Policy: The Collapse of the National Plan and the Re-assessment of Planning

By late 1966 the Labour Government's National Plan had, in the words of Nigel Birch, "been vapourised".<sup>99</sup> The abandonment of the Plan did not mark the end of the national economic planning in Britain. But it did signify the conclusion of the first phase in the process initiated by the Conservative Government in 1961. For out of the ruins of the National Plan a new and distinctive concept of national economic planning arose. This reformed approach constituted the basis of the next plan, which was published in February 1969 under the title of The Task Ahead: Economic Assessment to 1972. These developments served to shape opinion within the Conservative Party and their exact nature is considered below.

The Government had originally provided for the NEDC to undertake an annual review of the National Plan. The purpose of this review was to

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98. On the general developments within the Party during the 1964 to 1966 period, with particular reference to economic planning, see A. King, "New Stirrings on the Right", New Society, 14 October 1965.
99. H.C.Debs., Vol.732, Col.1510, 26 July 1966.

see how performances measured up to targets and, where they had not, how they could be improved. Only if it later became clear that the original targets had been unrealistic was there to be any consideration of amending them<sup>100</sup>. Yet, even before the first review took place in the Autumn of 1966, the targets had already been invalidated. Faced with a major balance of payments problem, the Labour administration introduced four deflationary budgets during 1966<sup>101</sup>. The last of these, introduced on 20 July, involved massive cuts in Government expenditure and increases in indirect taxes, and effectively served finally to undermine the targets of the Plan. A week later George Brown announced to the House that the National Plan was to be rewritten in the light of the economic situation and that the rate of growth originally envisaged would need to be drastically altered<sup>102</sup>. The attempt to salvage the Plan failed, however, and in November 1966 Michael Stewart, who had succeeded George Brown as Secretary of State for Economic Affairs in August 1966, revealed that there was to be no interim assessment. In addition, he announced that, in the light of the July measures, he had already initiated a long term review of the Plan and future plans<sup>103</sup>. Consequently, by the end of 1966 the National Plan was, as one national newspaper put it, "in a state of suspended animation".<sup>104</sup>

The consequences of the National Plan experiment and its subsequent abandonment were twofold. First, the whole process drastically undermined the credibility of government economists and brought into question the whole concept of national economic planning<sup>105</sup>, even among those who had

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100. The Times, 7 July 1966.

101. Specifically on 8 February, 1 March, 3 May and 20 July 1966. The 1 March, or pre-election "mini-budget" did not involve any new measures: instead the Chancellor of the Exchequer, James Callaghan, announced his intention to introduce new gambling taxes. Samuel Brittan, Steering the Economy, Middlesex 1971, pp.323-340.

102. H.C.Debs., Vol.732, Cols. 1849-50, 27 July 1966.

103. Written Answer, H.C.Debs, Vol.735, Cols.341-2, 10 November 1966.

104. The Times, 5 December 1966.

105. The Times concluded that as a result of the National Plan the economists were no longer "cult figures", The Times, 27 July 1966. See also speech by Sir Cyril Osborne, H.C.Debs., Vol.737, Col.689, 1 December 1966. See also Leonard Tivey, "The Political Consequences of Economic Planning", Parliamentary Affairs, 20(4), Autumn 1967, pp.297-314.

once been strong supporters of it<sup>106</sup>. This development was reflected within the Conservative Party and may have strengthened the influence of those who had long been opposed to national economic planning. Following the abandonment of the Plan, Enoch Powell suggested that "the whole planning mania... must be thrown out bag and baggage".<sup>107</sup> Others felt likewise and David Howell suggested that national economic planning represented an "escape route from the realities of modern economic management".<sup>108</sup> The majority of the Opposition Leaders, however, avoided committing themselves either for or against national planning and concentrated instead upon attacking the machinery of the Labour Government's planning experiment and the division of responsibilities between the DEA and the Treasury<sup>109</sup>. At the same time, they made it clear that, although they remained convinced planners, they were not of the Labour variety<sup>110</sup>.

The second consequence of the abandonment of the National Plan was the promotion of a movement in favour, not of the rejection of national economic planning, but of the reform and alteration of the process as it had previously been practised. This movement found its roots primarily amongst the informed members of the business community, and their interest was inspired by two factors. First, businessmen had become increasingly planning-conscious in relation to their own affairs, in particular the spread of corporate planning techniques had done much to convince them

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106. See contributions by Sir Paul Chambers and Lord Robbins, Economics, Business and Government, IEA, Occasional Paper, No.8, 1966.
107. Speech at Chapel-en-le-Frith, 3 September 1966, reproduced in Enoch Powell, Freedom and Reality, London 1969, pp.39-41.
108. H.C.Debs., Vol.732, Cols. 1821-22, 6 July 1966. See also speech by Sir Douglas Glover, H.C. Debs., Vol.720, Cols.1193-4, 17 November 1965; and John Biffen, "Where the Planning Has to Stop", Crossbow, April-June 1966, pp.7-8.
109. See speeches by Heath, H.C.Debs., Vol.732, Col.1463, 6 July 1966. See also contribution by Selwyn Lloyd, ibid., Col.1787, and Nigel Birch, ibid., Col.1510.
110. See David Wood, "Planning is Outmoded: Tories Find a Cry", The Times, 20 March 1967. See also Powell's reply to this article, The Times, 2 March 1967.

of the value of such processes<sup>111</sup>. Secondly, industrialists had become increasingly aware that their success depended upon the Government's management of the economy, and they recognised that in order for the Government to fulfill its functions adequately the information available to it would require to be supplemented. This consideration led industrialists to propose a new doctrine of economic planning: the primary purpose of which was to provide for a process of consultation and a means of exchanging information between government and industry<sup>112</sup>. Thus, according to The Times Industrial Correspondent, in place of the rigid and inflexible National Plan there was to be "a living, changing, continuous operation" which would give industry realistic guidance on its future prospects<sup>113</sup>. Within this process a plan would be limited to forecasts for the next two years and beyond that would concern itself with discussing possible trends on the basis of a series of growth rates<sup>114</sup>.

The representatives of industry used their position on the NEDC to bring their new concept of planning to the attention of the Government. Their case was greatly strengthened by the support it received from Fred Catherwood, who in April 1966 had succeeded Sir Robert Shone as the Director of the NEDO. Soon after his appointment Catherwood made it clear that the NEDC would only support another planning exercise if it entailed a more flexible approach than had previously been the case<sup>115</sup>. In February 1967 the CBI representatives on the NEDC requested that a new plan should be formulated which would be capable of adapting to all

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111. In The Times it was reported that business planning was being taken up with enthusiasm; more than three hundred attended the inaugural meeting of the Society of Long Range Planners. The Times, 7 March 1967. See also Michael Shanks, "National Plan: Off with the Old on With the New", The Times, 11 September 1967; IEA Symposium, Growth Through Industry, IEA, Readings in Political Economy 1967; Kirby E. Warren, Long Range Planning: The Executive Viewpoint, New York 1966.
112. See Fred Catherwood, "Could this be the End of the Beginning?", The Times, 24 February 1969. For a fuller version of Catherwood's views see "The Planning Prologue", National Westminster Bank Review, May 1969, pp.2-9.
113. The Times, 18 March 1966.
114. The Times, 2 March 1967.
115. Speech in London, The Times, 1 December 1966.

possible developments<sup>116</sup>, and a month later the Government acceded to this request by placing a paper on planning before the Council<sup>117</sup>. This document contained new proposals based on the idea of planning as consultation and providing for the postulation of a number of possible growth targets<sup>118</sup>. The document was intended to form the basis of a new plan to be published in the Autumn of 1967. But the Government's application to join the EEC invalidated this exercise and the publication of the document was deferred until January 1968<sup>119</sup>. However, the devaluation of Sterling in November resulted in the final abandonment of the planning blueprint which had been in circulation since March 1967.

The abandonment of the first prototype of the new plan renewed the debate about the worth and purposes of national economic planning. Those who were totally opposed to the idea reiterated their arguments. In February 1968, Professor John Jewkes argued in a new book that planning was doing positive harm to the economy by serving as an inflationary pressure and that no more plans should be attempted<sup>120</sup>. Professor Jewkes gained the support of Mr MacFadzean of Shell<sup>121</sup> and other industrialists, while his thesis was attacked by those who remained strong supporters of planning<sup>122</sup>. Yet despite these misgivings, the CBI continued to urge the Government to inaugurate a new planning initiative. Consequently in April 1968 the second prototype of the new plan was launched when

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116. The Times, 2 February 1967.

117. The Times, 2 March 1967.

118. A fairly full version of this document was published in April 1967. See "Future Work on Planning", DEA Progress Report (Economic), No.28, April 1967, DEA, London, pp.3-4. See also "Twilight of Planning", The Times, 6 April 1967; cf. Professor T. Wilson, "The Future of Economic Planning", The Times, 8 and 9 March 1967.

119. The Times, 9 October 1967; and 2 November 1967.

120. John Jewkes, New Ordeal by Planning, London 1968. See also by the same author, "The Cost of This Network of Planners", The Times, 7 February 1968.

121. See letters page, The Times, 12 February 1968. See also F. S. MacFadzean, "Economic Planning and the Large Corporation", Economic Age, February 1970, pp.22-29.

122. See Peter Jay, "Planning Must Not Become a Dirty Word", The Times, 8 February 1968; Michael Shanks, "After the National Plan: The Case for Continued Planning", The Times, 8 February 1968; Fred Catherwood, "Planning the Only Realistic Way to Economic Progress", The Times, 14 February 1968; and the same author's "Economic Planning and the Market Economy", Economic Age, February 1970, pp.32-36.

Peter Shore (the new Secretary of State for Economic Affairs) announced that a planning document would be published in the Autumn, which would be "exploratory" rather than "indicative" and designed to investigate a range of assumptions<sup>123</sup>.

The publication of this second document was also delayed. In the first place the Cabinet itself was not agreed upon the advisability of publishing a further plan. The Times reported that the Treasury was particularly hostile to the proposal<sup>124</sup>, but after long argument it gave way and a finalised draft was circulated to NEDC members in the latter part of November 1968<sup>125</sup>. Secondly, the CBI had certain misgivings about the content of the document<sup>126</sup>. To gain the support of the CBI the Government agreed to cut out about a third of the draft originally presented to the NEDC in November. These cuts included two industrial chapters which dealt with the role of the IRC and the Industrial Expansion Act, and details of past statistics which some members described as "Government propaganda". In addition, the CBI succeeded in getting the Government, not the NEDC, to publish the Plan<sup>127</sup>. Finally, there was the problem of the form in which the plan should be presented to the public. In December 1968 Neil Marten and a group of Conservatives back-benchers tabled a motion urging the Government to publish the document so that the public and the MPs might participate in "this aspect of national decision making"<sup>128</sup>. The Government accepted this proposal and The Task Ahead was finally published as a Green Paper in February 1969.

The Task Ahead was a much more modest document than its predecessor. Nor was it as widely acclaimed or publicised by the Government. It was not discussed at great length in any Parliamentary debate, so that the opportunities for members of the Opposition to voice their opinions on the matter were limited. All those Conservative MPs who did make their

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123. Oral Answer by Mr Peter Shore, H.C.Debs., Vol.762, Cols.581-4, 4 April 1968. See also The Times, 5 April 1968.
124. The Times, 7 November 1968.
125. H.C.Debs., Vol.775, Col.1535, 19 December 1968.
126. For further details see Michael Shanks, "Wanted a Plan for the Economy which is Genuinely National", The Times, 13 January 1969.
127. The Times, 6 February 1969.
128. H.C.Debs., Vol.775, Cols. 1634-41, 19 December 1968.



views known, however, concentrated upon questioning the nature of the specific assumptions on which the plan was based, rather than its validity as a planning exercise<sup>129</sup>. Moreover, the Party Leadership made no detailed comment on the matter<sup>130</sup>.

In conclusion, the abandonment of the National Plan had resulted in both a questioning of the validity of target planning and an alteration in the Government's approach. The new style of planning which was embodied in The Task Ahead was thus distinctly different from that which had formed the basis of the 1963 and 1965 plans. These earlier exercises had been characterised by a dominant role for the central government planners (i.e. they were technocratic) and by a single target growth rate: the approach in the 1969 plan placed much more emphasis upon the consultative function of planning and upon contingency planning - that is a series of hypotheses built upon differing assumptions as to feasible growth rates (the wedge approach). Industry had been the prime mover behind this alteration in planning style and, in contrast to the 1965 National Plan, the NEDC had been closely involved in the formulation of The Task Ahead. As already shown, the approach embodied in the latter document had been advocated by some Conservatives during the first phase of Opposition. In the years between 1966 and 1969 the pressures shaping the Labour Government's planning exercise also served to clarify and shape thinking within the Conservative Party.

### 3. The Conservative Alternative

The disillusionment which followed the abandonment of the 1965 National Plan effectively removed the issue of national economic planning from the centre of the party political debate. Nevertheless the Labour Government's renewed planning initiative in 1968 and 1969 meant that the question remained, if only intermittently, a matter of political controversy. The consequences of this for the Opposition were twofold: first

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129. H.C.Debs., Vol.778, Cols. 1727-34, 26 February 1969; Vol.783, Cols. 641-4, 8 May 1969; Vol.785, Cols. 1684-5, 26 June 1969.

130. On the day of its publication Macleod questioned the targets, but not the purpose of The Task Ahead, H.C.Debs., Vol.778, Col.1729, 26 February 1969.

the threat to party cohesion remained, and secondly, the Party Leadership could not wholly avoid formulating and outlining its own approach to national economic planning.

The Party's inability to agree on the merits or otherwise of national economic planning was indicated by the reactions of certain members of the Opposition back-benches to the Government's 1965 planning proposals and subsequent developments in 1966 and 1967. Neil Marten suggested that the whole exercise of national economic planning should be abandoned<sup>131</sup>, while others preferred to label the Labour Government's experiment as "interference" rather than planning<sup>132</sup>, and Duncan Sandys suggested that what was needed was not more planning but "better leadership and a united national effort".<sup>133</sup> From 1968 the Labour Government came under increasing pressure from a number of Conservative back-benchers to abandon its whole planning exercise: these included A.P. Costain, John Biffen, Nicholas Ridley, Sir John Eden, John Bruce-Gardyne, Julian Ridsdale, and John Peyton<sup>134</sup>. In addition, demands were made from within the Mass Party for the rejection of all interventionist agencies, including the NEDC and the EDCs. At the 1968 Party Conference a call was made for the abolition of "those little Neddies".<sup>135</sup> Amongst the motions submitted for debate at the same Conference, two advocated the abolition of the NEDC and one called for the rejection of all planning machinery<sup>136</sup>. Coupled with these developments there was a reaction, on the part of some Conservatives, against the policies and practices of the Macmillan period<sup>137</sup>.

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131. H.C.Debs., Vol.734, Cols. 1293-5, 27 October 1966.  
 132. Speech by John Biffen, H.C.Debs., Vol.753, Col.928, 7 November 1967.  
 133. H.C.Debs., Vol.754, Col.1204, 21 November 1967.  
 134. Biffen, H.C.Debs., Vol.773, Cols. 584-5, 14 November 1968; Costain, H.C.Debs., Vol.762, Col.582, 4 April 1968; Peyton, H.C.Debs., Vol.778, Col.739, 20 February 1969; Ridley and Gardyne, H.C.Debs., Vol.773, Cols. 584-5, 14 November 1968; Julian Ridsdale, H.C.Debs., Vol.785, Cols. 1684-5, 26 June 1969.  
 135. Speech by Joan Hall, NUCUA 86th Annual Conference Report, NUCUA London October 1968, p.9.  
 136. Motions no's. 683, 693 and 360 reproduced in NUCUA Conference Handbook and Programme of Proceedings 1968, NUCUA, London October 1968.  
 137. See Julian Critchley, "Conservative Critics of the Old Macmillanism", The Times, 19 August 1968; The Swinton Journal, Summer 1968.

The reaction against planning and the policies of the previous government connected with it, promoted a further reaction in its defence. Julian Critchley attacked the growth of dogmatism within the Party and suggested that the pragmatic approach adopted by Macmillan was absolutely in line with Conservative principles<sup>138</sup>. Maudling warned Conservatives that it was no good trying to pretend that "problems with which we grappled as Government no longer existed when we became the Opposition".<sup>139</sup> On another occasion, he defended the NEDC as a "great concept of co-operation between Government, management and the Unions".<sup>140</sup>

Although the doctrinal debate within the Party continued, the majority of the Party Leaders made few public pronouncements on the issue of economic planning<sup>141</sup>. The matter was debated at the 1966 Party Conference and Iain Macleod replied on behalf of the platform. He confessed that he found the whole argument about planning "quite unreal", and he went on to state that: "everyone plans, Governments plan, businesses plan, individuals plan. You cannot conceivably avoid that". By exploiting the ambiguous nature of the terminology involved he effectively obscured the content of the argument and avoided making any precise commitment either for or against national economic planning<sup>142</sup>. After 1966, in line with the decline in the general interest in economic planning the mention of the term in official Party literature and in the speeches of Party Leaders became progressively less frequent. Heath in his first major statement on economic policy since the 1966 Election omitted any reference to the matter<sup>143</sup>. The annual "Economic Briefings" issued by the Conservative Research Department in 1967 and 1968 contained no mention of economic planning<sup>144</sup>. The 1967, 1968, and

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138. Critchley, *op.cit.*

139. R. Maudling, "Letter to the Electors of Barnett", The Times, 16 February 1967.

140. NUCUA 85th Annual Conference Report, NUCUA, London October 1967, p.34.

141. See Ian Trethowan, "A Hard Choice for the Tories", The Times, 10 October 1968.

142. NUCUA 84th Annual Conference Report, NUCUA, London October 1966, p.97.

143. Speech at Carshalton, NCP 1967, No.14, 24 July 1967, pp.312-3.

144. See NCP 1967, No.6, 23 March 1967, p.126-156; NCP 1968, No.4, 28 February 1968, p.50-64.

1969 Parliamentary debates on the "Economic Situation" contained hardly any references to the issue by Labour and Conservative politicians alike<sup>145</sup>. Instead the Balance of Payments problem and the question of devaluation tended to dominate, and the major theme pursued by Conservative speakers was the need to cut Government expenditure<sup>146</sup>.

Despite the Conservative Leadership's silence on the issue of economic planning, work on an alternative policy was taking place behind the scenes. The sources from which this new policy emerged were twofold. First, Conservative thinking on economic planning was influenced by some of the same pressures and ideas which had served to shape the Labour Government's planning policy after 1966. The general decline in support for the concept of central, "target" planning and its replacement by a process designed to maximise the consultative functions of national planning was also reflected in the Conservative Party. Secondly, from within the Conservative Party, the attempt to define a middle way between the two extremes of Party opinion continued and developed after the 1966 Election. A noteworthy contribution was made by the Public Sector Research Unit (CPSRU) established in 1967 under the general guidance of Ernest Marples. The Unit, by the nature of its work and the manner of its operation, came into close and continual contact with progressive thinking in industry<sup>147</sup>. Charged with the task of looking into the application of management techniques and modern technology to the work of the Public Sector, the unit engaged the services of at least four firms of management consultants, and could also call upon the assistance of various specialist advisers<sup>148</sup>. The Unit produced detailed policies for the reform and rationalisation of procedures in the public sector, including

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145. H.C.Debs., Vol.753, Cols. 845-98, 7 November 1967; Vol.754, Cols. 1140-1271 and 1314-1448, 21 November 1967; Vol.774, Cols. 33-164, 25 November 1968; Vol.790, Cols. 658-786, 3 November 1969.

146. See speech by David Howell, H.C.Debs., Vol.774, Cols.105-111, 25 November 1968; and Heath, *ibid.*, Vol.754, Cols. 1140-1171, 21 November 1967.

147. On the CPSRU see D.E. Butler and M. Pinto-Duschinsky, The British General Election of 1970, London 1971, pp.85-86; George Hutchinson, Edward Heath: A Personal and Political Biography, London 1970, pp.179-182; Hugh Heclo and Aaron Wildavsky, The Private Government of Public Money, London 1974, pp.267-276. See also Ernest Marples, Innovation and Revival, CPC 383, London 1967; David Howell, Whose Government Works, CPC 407, London 1968; and the same author's A New Style of Government, CPC 463, London 1970.

148. Interview 15.

proposals for planning, programming, budgeting systems and the establishment of a central capability unit to disseminate and supervise the application of these techniques.

Equally important in this context was the work of the Conservative Systems Research Centre (CSRC), established in 1968 by Heath under the supervision of Mervyn Pike, MP and Michael Spicer<sup>149</sup>. The Centre was particularly concerned with the utilisation of "programming" and forecasting techniques in the formulation of party policy. In particular, two theoretical models of the economy were developed: one on taxation, the other on public spending. Conservative "planners" claimed that the application of this "information system" was capable of preventing inconsistencies between policies, of indicating the range of conditions under which spending policies might be feasible, and of showing the range of choice open to the Party. The models formulated were based on much the same principles as those utilised by corporate planners in industry and the Conservatives were able to claim that the "flexibility and dynamism" of their system "was in sharp contrast to Labour's National Plan".<sup>150</sup>

Both these sources, from within and from outside the Party, contributed to the development of an approach to economic planning distinctly different from that pursued by the Conservatives when last in office. This new approach was first revealed to the public in the Party's mid-term manifesto published in October 1968. Following a fierce repudiation of "a grandiose National Plan" the document contained a brief outline of the Opposition's policy for "sensible planning" consisting of businesslike public sector planning by the Government "co-ordinated with forecasts for private industry".<sup>151</sup> An extended and more fulsome account of these proposals was published in February

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149. On the CSRC see Butler and Pinto-Duschinsky 1971, *op.cit.*, Michael Spicer, "Towards a Policy Information and Control System", *Public Administration*, Vol.48, No.4, Winter 1970, pp.443-447.

150. See David Jones, "Computer Aids Tory Planning", *The Times*, 25 May 1970.

151. See "Make Life Better", CCO, London October 1968, p.12. See also "The Tories Turn", *The Times*, 7 October 1968; Peter Jay, "In Search of Conservative Economic Policy", *The Times*, 1 November 1968.

1970, in the last, and indeed only, detailed statement on economic planning to appear during the Opposition period. This document stated that:

Conservatives start from the obvious fact that a Government must plan ahead for its own activities... Yet because of the impact of Government spending on the rest of the economy and the implications for taxation, such planning cannot sensibly be done in isolation from what is likely to happen in the rest of the economy. And in the same way, industry can only make its own forward plans... on the basis of some view about what Government policies are likely to be... Thus Conservatives have long recognised the value both of improving the Government's own 'planning' and forecasting techniques, and of exposing as fully as possible the Government's intentions and expectations for discussion by industry and a wider public... Planning in this sense is... designed... to help everyone to make their own decisions more sensible and realistic by improving some of the relevant background information to which they must be related. At the same time it can spotlight current or future problems which may need action...And... it can strengthen the effectiveness of democratic political choice by exposing to public discussion the likely increase in the country's wealth... The essence of such an approach is that it should be flexible, tentative, and relatively informal so that decisions can be modified if they turn out to have been a mistake, or when unforeseen events occur.<sup>152</sup>

The concept of Conservative planning outlined above shows that Party policy makers had kept pace with events. They had also broken with the past, for by adopting the techniques of corporate planning in the public sector and by stressing the consultative aspects of planning, they had implicitly dropped the emphasis upon central, "target" planning which had characterised the Macmillan era. This alteration in planning priorities was not, however, emphasised. Some attempts were even made to rewrite the history of earlier Conservative planning. For example, the authors of the policy statement suggested that the only purpose behind the establishment of the NEDC had been to provide machinery through which the Government's intentions would be open to public debate<sup>153</sup>. In addition, the Conservative approach to economic planning

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152. The Campaign Guide: 1970, CCO, London February 1970, p.59.

153. Ibid., p.59.

did not appear substantially different from that pursued by the Labour Government after the abandonment of the National Plan. This was not perhaps surprising considering that policy-makers in both parties appear to have been influenced by the same general pressures. Nevertheless, certain differences remained and these related to both the scope and the machinery of planning. The Conservative Party, through the activities of the CPSRU had been deeply concerned with the nature and the application of planning techniques in the public sector. In general the emphasis of their policy was more closely related to decision-making in the public sector than that of the Government and had been more closely influenced by current thinking in management circles. Furthermore, the Conservatives maintained that the NEDC should remain one of the main elements in the machinery of planning, and that it should be totally independent of the government machine. In addition they proposed a reduction in the number of EDCs, especially where they duplicated the work of existing bodies, such as the Trade Associations<sup>154</sup>. This marked a concession to the anti-interventionist viewpoint within the Party, but it was a compromise with the extreme demand for the abolition of all the little Neddies<sup>155</sup>. Finally, in keeping with their emphasis both on independent machinery and a flexible and open approach to planning, the Conservatives welcomed the existence of private forecasting bodies as "a valuable alternative source of analysis and judgement".<sup>156</sup> These differences in the scope and machinery of economic planning were of a marginal nature and the approach of both Government and Opposition towards the issue was substantially the same.

However, despite the similarity in substance, in presenting their policy the Conservatives attempted to portray it as distinctive. Consequently, as on previous occasions, "the socialist concept of planning" was outlined as a "rigid official blueprint for economic development" imposed by "controls and restrictions".<sup>157</sup> This was contrasted with the

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154. See speech by Sir Keith Joseph, to the AGM of the Young Conservative Advisory Committee, 7 March 1970, CCO News Service ref.167/70, p.20.

155. See The Times, 10 February 1969.

156. Campaign Guide 1970, op.cit., p.59.

157. Ibid., p.59.

Conservative concept of planning based upon "co-operation and consent".<sup>158</sup> Even The Task Ahead did not weaken the argument for, although it was welcomed as "a more sensible approach", it was criticised for not being accompanied by a comparable change in the "Government's interventionist and restrictive industrial policy".<sup>159</sup>

The Opposition's alternative policy was never widely publicised or debated. Such debate would probably, as on previous occasions, have undermined party cohesion. Moreover, by 1970, national economic planning had ceased to be a central issue of party or, indeed, public controversy: simply stated, it aroused little interest. For both these reasons there was little to be gained electorally by exploiting the issue. Consequently, no mention of national economic planning was contained in the Party's 1970 Election Manifesto<sup>160</sup>, nor was it a matter of concern during the Election Campaign.

#### IV Conclusion

In sum, during their period in Opposition, the Conservative Leaders withdrew from the commitment to a system of centralised national economic planning which had been outlined in their Party's 1964 Election manifesto. This alteration in policy approach appears to have taken place in relation to both situational and ideological factors. On the one hand, the experiences gained from the planning initiatives of the 1960s helped to bring about a reassessment and redefinition of the purposes and procedures of economic planning. This development was reflected both within the Conservative Party and within Labour Government circles. On the other hand, the Opposition's reassessment preceded that of the Government, for the adoption of a more liberal policy stance by the Conservative Leaders in 1965 implied at least a modification in their approach to economic planning. Thus, while the Labour Government continued to pursue a policy of national economic planning much along the lines originally established by the previous Conservative Government,

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158. Ibid., p.64.

159. Ibid., p.62

160. Proposals for the introduction of management techniques into the public sector were outlined in the manifesto. See A Better Tomorrow, CCO, London May 1970, pp.10-11.



the Conservative Opposition had by October 1965 dropped the item from its programme.

The case study provides some evidence to support the contention that in Opposition party political pressures shape the content of policy formulation to a greater extent than in Government. It may be recalled that prior to the 1964 General Election the Party's position on economic planning had mainly been developed by certain senior ministers in co-operation with both sides of industry and with the assistance of government officials. Other Conservatives, MPs, party officials and ordinary party members, did not play a substantial part in this process. In contrast, in Opposition, Party Leaders, in formulating standpoints and policy positions, relied more heavily upon intra-party resources such as individual specialists, the Research Department and policy projects. Moreover, Party Leaders appear to have been more responsive to the state of opinion within the Party, and in the early years of Opposition cautiously avoided dealing with the controversial issue of economic planning. Thus, to some extent, considerations relating to party strategy appear to have been given priority over the actual development of policy. Discussion of the issue was avoided whenever possible and precise commitments to future action were not in evidence.

The Conservative Party's early break with its previous position and its criticism of the 1965 National Plan meant that the Conservative Opposition's approach appeared to be different from that of the Labour Government, while the development of a more liberal policy emphasis assisted this process of differentiation. The Leadership, however, avoided making any commitment to the outright abolition of economic planning. After 1966, when national economic planning had ceased to be a major issue of inter-party controversy and the approaches of both Government and Opposition appeared to be substantially the same, the distinctions were brought out in terms of presentation and language. Thus, in this later period also, the Conservative Opposition attempted to ensure that their policy was perceived as a distinctive and real alternative.

## CHAPTER EIGHT

## PRICES AND INCOMES POLICY

I The Conservative Party and Incomes Policy: 1961-19641. The Government's Policy

On 25 July 1961, Selwyn Lloyd, the Chancellor of the Exchequer, announced that there would be a "pay pause" until productivity had caught up and there was room for further advances. The Government proposed to take no new powers but, in those areas where it had direct responsibility, it would act in accordance with this policy. At the same time the Government requested that their policy should be followed elsewhere both in the private sector and in those parts of the public sector outside their control. In outlining the "pay pause", Selwyn Lloyd made it clear that it was intended as the first stage of "a new long term policy" to relate wage increases to productivity<sup>1</sup>. This statement marked the beginning of the Conservative Government's incomes policy. In the following section the background to and the consequences of this statement are outlined.

Selwyn Lloyd's announcement of the Government's commitment to the idea of an incomes policy had its origin in two sources. First, within Government circles incomes policy had been gaining support over a period of years<sup>2</sup>. Yet, although incomes policy had its supporters within government, the Government was reluctant to act in the field of incomes

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1. H.C.Debs., Vol.645, Col.223, 25 July 1961. On the operation of the "pay pause" see Allan Fels, The British Prices and Incomes Board, Cambridge 1972, pp.11-12.
  2. See Samuel Brittan, The Treasury Under the Tories: 1951-1964, Middlesex 1964, pp.187-8, 206 and 211; John and Marie Hackett, The British Economy: Problems and Prospects, London 1967, p.165. For earlier attempts at incomes policy in Britain see Andrew Shonfield, Modern Capitalism: The Changing Balance of Public and Private Power, London 1965, pp.154-155; J. Dow, The Management of the British Economy: 1945-60, Cambridge 1972, pp.5-15; Campbell Balfour, Incomes Policy and the Public Sector, London 1972, pp.1-7; K.G.J.C. Knowles, "Wages and Productivity", in G.D.N. Worswick and P.H. Ady (eds.), The British Economy in the 1950s, Oxford 1962.

simply because such action was considered desirable. By its nature an incomes policy was innovatory and bound to arouse opposition, hence any decision to introduce such a policy would need to be carefully weighed. It was the worsening situation following the 1959 Election and the failure of the Government's deflationary measures to have any effect on what Selwyn Lloyd called "cost push inflation" which finally forced the Government to act<sup>3</sup>.

The Government's decision to launch an incomes policy was not made in response to any prompting from its own Party. Conservative back-benchers were concerned about the worsening economic situation but<sup>4</sup>, apart from a rejection of incomes policy by the Conservative Research Department<sup>5</sup> there is little evidence of much concern about the issue within the Party prior to July 1961.

There is some evidence that behind the facade of collective responsibility the Government was divided<sup>6</sup> both on the need for an incomes policy and on the nature of the incomes policy to follow the pause<sup>7</sup>. Thus, both during and after the "pay pause" the Government was faced with two tasks: first, it had to heal the division within its own ranks and agree on a long term policy; and second, once agreed, this policy had to be made acceptable to employers, trade unions and the Government's own supporters<sup>8</sup>.

Although divided about the exact nature of a long term incomes policy, the Government appeared to be in agreement on two points. First, that any form of incomes policy could only serve as a secondary tool of

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3. In the financial year 1960-1961 incomes rose by £1,620 million while national output rose only by £630 million. Source: NCP 1962, No.5, 5 May 1962, p.5. See also Harold Macmillan, At the End of the Day, London 1973, pp.35-36 and 48-49.
  4. H.C.Debs., Vol.634, Cols. 270-290, 7 February 1961.
  5. The Research Department objected to incomes policy on the grounds that it would be unacceptable and unworkable in Britain, and suggested that government should continue to rely on controlling the level of demand. NCP 1961, No.12, 19 June 1961, p.10.
  6. Brittan 1964, op.cit., p.239; Macmillan 1973, op.cit., p.37.
  7. Brittan 1964, op.cit., p.239; Macmillan 1973, op.cit., pp.52 and 68-69.
  8. See Macmillan 1973, op.cit., pp.49 and 60.

economic management, a useful supplement to the Government's policies for controlling demand<sup>9</sup>. Secondly, that if there was to be an incomes policy it had to be voluntary in nature and based upon the consent and collaboration of both sides of industry. With this latter point in mind the Cabinet initially decided that the main instrument of incomes policy should be the proposed National Economic Development Council. Because this body was separate from the Government and the Treasury it was felt that it was more likely to enjoy trade union support<sup>10</sup>.

By December 1961, Selwyn Lloyd was able to indicate the role the Council would play in relation to incomes. He stressed that the Government would maintain the main responsibility for checking inflation by using its powers to control demand, but the NEDC would supplement this by using its status to educate the public about the dangers of inflation and thus to make those who determine wages and incomes aware of the "national interest".<sup>11</sup> By December the Government had also agreed upon the general development of an incomes policy in three phases. Phase one, would be a temporary "pause"; phase two would be a period of "continued restraint", laying the foundations for phase three during which the Government, trade unions and employers would "combine to plan for increased growth from which larger incomes can be afforded".<sup>12</sup> Thus by the close of 1961 the Cabinet had reached general agreement about the outline of a long term policy. However, the Government's attempt to translate this policy into action was frustrated by the TUC's refusal to co-operate.

The TUC's opposition to the Government's plans was based on the view that no attempt should be made to restrain wages without the complementary restraint of profits, dividends and prices. The Government refused to concede this point since they saw the problem facing the

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9. See speech by Selwyn Lloyd, H.C.Debs., Vol.651, Cols.983-4, 18 December 1961; cf. Macmillan 1973, op.cit.
  10. Nigel Harris, Competition and the Corporate Society: British Conservatives, the State and Industry: 1945-64, London 1972, p.165. The decision that the NEDC should be used as the main instrument of incomes policy had been agreed by October 1961 when Macmillan referred to it as the proper machinery for incomes policy. See his speech to the Party Conference, October 1961, NCP 1961, 30 October 1961, p.5.
  11. H.C.Debs., Vol.651, Col.983, 18 December 1961.
  12. Speech by John Hare, Minister of Labour, H.C.Debs., Vol.651, Col. 1066, 18 December 1961.

country as wage and not price inflation. Moreover, any attempt to interfere with profits and dividends might alienate the employers<sup>13</sup>. They thus insisted that only if it was established that "aggregate profits were increasing disproportionately as compared with wages and salaries" would the Government take corrective action in "the fiscal or other fields".<sup>14</sup> These verbal concessions failed to satisfy the objections of the unions and when the TUC decided, on 24 January 1962, to participate in NEDC it did so with the proviso that such a course did "not imply acceptance of the Chancellor's view that the solution to Britain's economic difficulties is to be found in wage restraint".<sup>15</sup>

The failure to gain Trade Union support represented a considerable setback for the Government. It effectively meant that the Government's incomes policy was reduced to the hope that at some time in the future it might be possible to canvass the idea of an incomes policy by approaching the unions through the NEDC. Nevertheless the Government proceeded to phase two of its policy, with the announcement that the "pay pause" would end on the 31st of March 1962. This was followed by a statement in February 1962<sup>16</sup> which set forth a "guiding light", stating that money incomes should not rise by an average of more than two and a half per cent per person, per year and that restraint should be shown in profits and dividends<sup>17</sup>.

It was at this point that the Prime Minister, Macmillan, took the initiative. Faced by criticism from his back-benchers about the operation of the "pay pause", its unfairness to employees in the public sector and the lack of any recognisable long term policy, Macmillan

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13. The Government argued that inflation within the UK was mainly caused by powerful unions winning wage claims which were then passed on to the consumer. See NCP 1961, No.23, 27 November 1961, p.20.
14. NCP 1962, No.2, 22 January 1962, p.17.
15. NCP 1962, No.5, 5 March 1962, p.8.
16. Incomes Policy: The Next Step, Cmnd. 1626, HMSO, London February 1962.
17. Ibid., paras 5 and 14.

decided to act<sup>18</sup>. Following the dismissal of Selwyn Lloyd, on 26 July the Prime Minister announced that a National Incomes Commission (NIC) was to be established to pronounce on wage claims<sup>19</sup>. This represented an alteration in the Conservative Government's approach to incomes policy. Previously the paramount aim had been to create an incomes policy based on consent in which government was an equal partner with both sides of industry. Following the Prime Minister's statement it was announced that "it is clearly the duty of the Government to give a lead and focus public opinion".<sup>20</sup> This view suggested that government would be at least primus inter pares in the operation of an incomes policy.

In November 1962 a White Paper was published outlining the nature of the NIC<sup>21</sup>. It was to be an "impartial"<sup>22</sup> body with the following terms of reference: first, NIC could enquire into any pay claim referred to it by the parties affected; secondly, it could review certain pay matters where the cost was wholly or partly met from the Exchequer, if the Government referred them to it; and thirdly, it could examine retrospectively any particular pay settlement which the Government referred to it<sup>23</sup>. The Commission was not a success. In January 1963 the TUC decided to boycott it<sup>24</sup>, and subsequently the Government made little use of the agency. For instance, from the date of its establishment in November 1962 until its demise in 1965 the NIC received only four references<sup>25</sup>.

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18. On 4 July 1962 Dame Irene Ward introduced a motion for debate which called for a clearer statement of the Government's incomes policy. Dame Irene also regretted that the application of the policy had not been uniform throughout the public and private sectors and that, because of its stress upon the public sector, the Government's policy had been unfair and discriminatory. H.C.Debs., Vol.662, Cols. 590-652, 4 July 1962; Macmillan 1973, op.cit., pp.68-69.
19. Macmillan 1973, op.cit., pp.104-107.
20. NCP 1963, No.18, 23 September 1963, p.7.
21. National Incomes Commission, Cmnd. 1844, HMSO, London November 1962.
22. Ibid., para.1.
23. Ibid., paras. 4-7.
24. In January 1963 the TUC advised the building unions to boycott the NIC and notified all trade unions of this advice. NCP 1963, No.18, 23 September 1963, p.7.
25. Allan Fels 1972, op.cit., p.17. For an analysis of the work of the NIC see Fels, Chapter 2, pp.16-22.

Following the failure of the NEDC and NIC initiatives the Government embarked upon a programme of economic expansion designed, in part to facilitate the achievement of a voluntary incomes policy. The new programme was outlined by the Chancellor of the Exchequer, Reginald Maudling, in his 1963 Budget Statement. The Chancellor stated that a more rapid rate of growth could not be achieved without an incomes policy. But, he went on, "we are faced with a problem; without expansion we cannot have an incomes policy, without an incomes policy we cannot have expansion. We must now break out of this situation". The Government proposed to do so by "launching deliberately on a policy of expansion" and he invited those with responsibility in management and unions to join with him in this policy<sup>26</sup>. As Heath later noted, one of the main aims of the Budget was to obtain trade union support for an incomes policy<sup>27</sup>. Towards this end the Chancellor gave away an extra £250 million in reliefs, which for many workers was equivalent to a wage increase of two per cent<sup>28</sup>. The Budget Statement meant that the achievement of a voluntary national incomes policy had become the main priority of the Conservative Government's economic programme.

The Chancellor's measures, although praised by the TUC's Economic Committee, failed to secure trade union co-operation<sup>29</sup>. In October 1963, Maudling tried once more. He announced that the Government's objective was "fairness to all"<sup>30</sup> and in pursuit of this goal he encouraged the employers' side to take the next initiative. This they did in early 1964, when through the NEDC they proposed the establishment of a price review body. This proposal was rejected by the TUC after some discussion

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26. H.C.Debs., Vol.675, Cols.475-6, 3 April 1963.
27. Heath later spoke of the 1963 Budget as a deliberate attempt to get an incomes policy, and added that "it deserved one".  
H.C.Debs., Vol.693, Cols.466-7, 15 April 1964.
28. Samuel Brittan, Steering the Economy, Middlesex 1971, p.280.
29. In July 1963 Union representatives on NEDC agreed to the preparation of a paper for discussion on the issues involved in formulating an incomes policy. But, in September at the Trade Unions Annual Congress, the Executive was instructed not to agree to any policy which did not include the control of profits and capital gains. The motion proposing this was passed by a "substantial majority", and by a small majority a motion was adopted declaring complete opposition to any form of wage restraint. NCP 1963, No.18, 23 September 1963, p.8.
30. Speech at Party Conference, October 1963, NCP 1963, No.21, 28 October 1963, p.13.

and was consequently dropped by the employers<sup>31</sup>. Following the failure of the unions and the employers to agree upon machinery to vet prices, Maudling continued to try to secure a joint statement urging responsibility on all sides. In his 1964 Budget speech the Chancellor conceded that the Government should act to "influence" the level of prices and profits<sup>32</sup>. But with an election approaching, time was running short and the Union Leaders refused to co-operate with the Chancellor<sup>33</sup>.

By the time of the General Election in October 1964, after nearly three years of effort, the Conservative Leaders had failed to establish a permanent, national incomes policy. They remained, however, strongly committed to securing one. In the Party's General Election Manifesto, it was stated that, if returned to office, the Conservative Government would give "first priority" to their policy for economic growth<sup>34</sup>. The authors of the document went on to state that, "an effective and fair incomes policy" was "crucial to the achievement of sustained growth without inflation" and they committed a future Conservative Administration to taking a "further initiative to secure wider acceptance and implementation of such a policy".<sup>35</sup> During the Election Campaign, Maudling reiterated this pledge and emphasised the "fundamental" importance of an incomes policy, the achievement of which he regarded as "the biggest problem we have to face in keeping our costs and prices competitive".<sup>36</sup>

In sum, in July 1961, mainly in response to the worsening economic situation, the Conservative Government introduced a "pay pause". This

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31. H.C.Debs., Vol.701, Col.241, 3 November 1964. The employers' proposals were as follows: first, management should accept responsibility for doing everything possible to keep prices stable or to reduce them; second, a price review body should be established to examine particular prices and report on them publicly; third, if over a period profits should rise more than incomes, the balance should be redressed by taxation policy. John Wood (ed.) A Nation Not Afraid: the Thinking of Enoch Powell, London 1965, p.105.
32. H.C.Debs., Vol.693, Cols.263-65, 15 April 1964; NCP 1964, No.9, 4 May 1964, p.9.
33. Throughout 1964 the Union Leaders were accused of refusing to co-operate with the Government for political reasons. See for example, H.C.Debs., Vol.701, Col.241, 3 November 1964.
34. "Prosperity with a Purpose", in F.W.S. Craig (ed.), British General Election Manifestos: 1918-1966, Chichester 1970, p.216.
35. Ibid., p.217.
36. Press Conference at CCO, The Times, 30 September 1964. See also speech by Quintin Hogg in Birmingham, The Times, 17 September 1964.



action marked the beginnings of an attempt to secure a "long term" policy on incomes. After agreeing upon the general outlines of this policy the Government made a series of unsuccessful attempts to gain the co-operation of both sides of industry. Initially, it was hoped that the NEDC might serve as the main instrument of the Government's policy, but this hope was frustrated. Next, the Government, on its own initiative, established the NIC but, after the TUC decided to boycott it, this venture had little impact. Finally the Government embarked upon a policy of expansion specifically designed to facilitate the achievement of a voluntary policy. This also proved unsuccessful, and no further progress had been made by the time the Conservative Government left office in October 1964.

Two features of the Conservative Government's actions during the 1961-1964 period may be noted. First, there was an important change in the status of incomes policy within the framework of the Conservative economic programme. In 1961 it had been regarded as a secondary tool of economic policy. During and after 1963, however, its implementation became the Government's first priority in the economic field and Conservative spokesmen referred to it as "crucial" and of "fundamental importance".<sup>37</sup> Secondly, there was an important change in the nature of the Government's proposals. In the early stages the Government had maintained that most of the restraint should be on the incomes side. This analysis was hotly contested by the unions. By October 1964 the Government had made a series of concessions to the TUC's viewpoint including a promise to act to "influence" the level of prices and profits.

The alterations in the status and nature of the Conservative Government's incomes policy were significant. But, the freedom of manoeuvre available to government personnel and the nature and the quantity of the concessions they were able to make, were limited by a number of factors, not least the state of opinion within the Conservative Party.

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37. Cf. Macmillan 1973, op.cit., p.108.

2. Opinion Within the Conservative Party: 1961-1964

As already indicated, the Government's decision to introduce a "pay pause" and to attempt to formulate a permanent policy was not made in response to any persistent pressure from within the Conservative Party. Thus one of the Government's first tasks was to persuade its own supporters to accept the policy and to maintain that support whilst a permanent policy was developed. On the need for a "pay pause", the Party appeared united since all accepted the proposal on grounds of necessity<sup>38</sup>. But the party, at all levels, was split on the need for a permanent national incomes policy into those for and against such a policy. In turn both these broad groups contained a wide variety of tendencies and shades of opinion.

Amongst the supporters of incomes policy it is possible to ascertain three tendencies. First, a group of lukewarm supporters, who were willing to accept a limited incomes policy that would not involve any attempt to influence prices, profits and dividends and that would play a purely secondary role in economic management<sup>39</sup>. Secondly, a group of loyalist supporters who broadly supported the Government's line<sup>40</sup>. This included the large number of MPs who were not interested in the details of economic policy. This is the kind of group on which every Party leadership depends for support and the complexion of such a group varies from issue to issue. Thirdly, a group of extreme supporters who were willing to go further than the Leadership in advocating measures to affect prices and profits and were even willing to consider the use of statutory controls. This group was and remained small in number<sup>41</sup>.

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38. See H.C.Debs., Vol.645, Cols.433-674, 25-26 July 1961.

39. See speeches by Sir John Barlow, H.C.Debs., Vol.645, Col.674, 26 July 1961. Sir Spencer Summers, H.C.Debs., Vol.651, Col.994, 18 December 1961; A.E. Cooper, H.C.Debs., Vol.693, Col.309, 15 April 1964.

40. See Debate on Incomes Policy, H.C.Debs., Vol.662, Cols.590-652, 4 July 1962; for loyal MPs, see speeches by Sir Arthur Vere-Harvey, Ibid., Vol.648, Col.842, 7 November 1961; Nicholas Ridley, ibid., Vol.684, Col.392, 13 November 1963.

41. See speeches by Robert Carr, H.C.Debs., Vol.645, Cols.471-479, 25 July 1961. Carr advocated the use of regulators including "forced saving" to keep incomes in line with production, but his main answer to inflation throughout was a wholesale reform of industrial relations. Sir Cyril Osborne, H.C.Debs., Vol.684, Col.235, 13 November 1963. Osborne advocated "statutory limitations" on wages, salaries, dividends and personal incomes, and firm rent control. His arguments were not wholly economic in nature: he regarded incomes policy as a way of creating discipline in national life.

Amongst the opponents of incomes policy it is possible to ascertain at least two tendencies. First, a group of traditionalist opponents who supported what might be termed the traditional Treasury view of economic management. They were opposed to incomes policy because they argued it was unworkable and irrelevant. The charge of irrelevance rested on a belief that wages rose as a result of the pressure of demand and consequently the answer to inflation was demand management for which incomes policy could not be a substitute<sup>42</sup>. Secondly, a group of opponents who supported a liberal or neo-liberal view of economic affairs. These differed from the former group in that their case against incomes policy was based more on principle than expediency. To this group an incomes policy was an interference with market forces, and the best way to tackle inflation was to encourage the operation of these forces within a free market<sup>43</sup>.

Initially, the failure of the Leadership to outline their view of a permanent policy meant that the opponents of incomes policy had little of a concrete nature to attack, and much of the early debate was concentrated on the demand for the Government to reach agreement and clarify its policy. Once this agreement was reached, and as it became clear that the achievement of an incomes policy was being regarded by the Government as a primary objective which might entail some form of restraint on prices and profits, the Government found itself under increasing criticism from its own back-benchers. The lukewarm supporters of the policy began to move into outright opposition, but the bulk of the Party remained firmly behind the Government.

As in the case of economic planning, a crucial development came with the resignation of Macmillan as Prime Minister in October 1963. With his departure the Cabinet lost one of its most persistent and powerful advocates of incomes policy. Secondly, his successor, Lord Home (later Sir Alec Douglas-Home), as a consequence partly of personality and partly of the manner in which he emerged as leader, was not able to command as

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42. See speech by Nigel Birch, H.C.Debs., Vol.645, Col.462, 26 July 1961.

43. See speeches by Peter Walker, H.C.Debs., Vol.645, Cols.521-2, 27 July 1961; Sir James Pitman, ibid., Col.497. See also Timothy Raison, "Tories to Your Own Self be True", The Statist, 16 February 1962.

united a Cabinet or as united a party as his predecessor<sup>44</sup>. Thirdly, the decision of Enoch Powell not to serve under Lord Home meant that the opponents of incomes policy gained an influential spokesman in the public debate.

Powell's role appears to have been significant. After leaving the Government he wasted no time in launching his attack<sup>45</sup>. Incomes policy was to him an example of unwarranted and unnecessary intervention, and in January 1964 Powell outlined what was to become his standard critique of incomes policy. He maintained that wages, profits and prices were determined by supply and demand working through the market and that the only way to influence these market forces was to control the supply of money, for inflation was produced by an excess of money and incomes policy was irrelevant to this process<sup>46</sup>.

Powell's influence upon Conservative opinion is difficult to estimate: however, there is some evidence to suggest that the views expressed by him aroused a response within certain sections of the Party<sup>47</sup>. More importantly, while Powell attacked incomes policy on grounds of principle, other Conservatives were concerned about the consequences that the maintenance of such a policy might have upon the electoral performance of the party. Both incomes policy and economic planning were not only contrary to the free market opinions of a section of Conservatives but also appeared to blur the distinction between the parties<sup>48</sup>. During 1964, in what was certain to be an election year, these strategic matters of policy presentation appear to have been issues of some concern within the Leadership<sup>49</sup>. Moreover, as interviews have

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44. On Macmillan's resignation and Home's emergence as leader see Randolph Churchill, The Fight for the Tory Leadership, London 1964; and comment by Iain Macleod, The Spectator, 10 January 1964.
45. For Powell's speeches prior to 1965, see John Wood (ed.) 1965, op.cit.
46. Ibid., pp.104-111.
47. See "The Field Where the Biggest Failures Lie", by 'A Conservative', The Times, 3 April 1964; Ian Gilmour, "Enoch Powell's Pipe Dream", The Spectator, 10 April 1964; Andrew Roth, Enoch Powell: Tory Tribune, London 1970, p.306. The Article in The Times of 3 April 1964 may well have been written by Powell.
48. Interviews 10 and 16.
49. See D.E. Butler and Anthony King, The British General Election of 1964, London 1965, pp.83-92.

revealed, not all leading Conservatives were as strongly committed to the establishment of a permanent national incomes policy as were, for example, Quintin Hogg and Reginald Maudling<sup>50</sup>.

In sum, during the years from 1961 to 1964, the relative influence of the opponents and supporters of incomes policy within the Party altered. Broadly speaking, throughout the period the supporters of incomes policy remained dominant<sup>51</sup>, but the number and commitment of the Government's supporters were reduced as the consequence of a number of developments. The Government's decision to raise incomes policy to the level of a primary objective of economic policy and the subsequent concessions on prices and profits tended to alienate its lukewarm supporters. In addition, the nature of Macmillan's resignation and the political circumstances surrounding the formation of Lord Home's administration, weakened the Government's authority and credibility. In this more flexible situation Powell launched an attack on the Government's incomes policy. While, at much the same time, there were indications that the Government was not unanimous in its resolve to achieve a permanent national incomes policy.

### 3. Conclusion

When the Conservatives entered Opposition in October 1964 the Party's position on incomes policy was as follows. According to the official or Leadership view the implementation of a permanent national incomes policy was the primary aim of the Conservative economic programme. Its achievement was of "fundamental" importance and "crucial" to the realisation of the Conservatives' first priority: a policy for economic growth. The policy visualised by the Party Leaders was to be voluntary in nature, based on the consent and collaboration of both sides of industry, and it was to cover not only incomes, but also prices and profits. The official view appeared to be supported, at least tacitly, by a majority of Conservatives. It was opposed, however, by a growing and increasingly voluble minority within the Party who advocated a liberal free-market

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50. Interviews 5, 9 and 10.

51. After all this group contained the majority of MPs who were disinterested in the issue and loyally supported the Government line.

approach. Between and around the official and dissenting views there was, as we have seen, a variety of tendencies and shades of opinion. Moreover, the differences of opinion were reflected at all levels within the Party hierarchy and were not confined to only one section. The split was therefore a vertical one and represented a very real danger to party unity.

## II The Conservative Party in Opposition: 1964-1970

Soon after entering Opposition the Party Leaders began to retreat from the firm stand on incomes policy maintained both before and during the 1964 Election. This gradual process of retreat characterised the development of the Conservative Party's incomes policy during the Opposition period and may be divided into four phases. First, from October 1964 to January 1966, when incomes policy was demoted from the position of the primary aim of Conservative economic policy to the position of a secondary objective. Secondly, from January 1966 to July 1967, when incomes policy, having been demoted in status, was next limited in scope: its relevance to price control was rejected and its applicability to the private sector was questioned. Thirdly, from July 1967 to January 1969, when an unsuccessful attempt was made to formulate a Conservative incomes policy. Fourthly, from January 1969 to June 1970, when the attempt to formulate a policy was shelved as the Party united to prepare for the forthcoming general election. These four phases are analysed in detail in the rest of this chapter.

### 1. Phase I: The Demotion of Prices and Incomes Policy: October 1964 to January 1966

The withdrawal from the strong commitment to incomes policy made before and during the 1964 Election did not begin to take place immediately after the Conservatives entered Opposition. Towards the end of the year, however, indications of an alteration in Conservative priorities emerged, and these marked the commencement of the Party Leaders' retreat from their electoral position. This retreat was to evolve in response to two developments: on the one hand, the development of the Labour Government's policy and, on the other, the development of new Conservative policies which contained an emphasis distinctly different from the policies pursued by the previous Conservative Government.

The Labour Government's plans for incomes policy were first outlined in the Queen's Speech in November 1964. The Government made it clear that their aim was to achieve a voluntary policy and that their first objective would be to bring government and both sides of industry together to discuss the matter<sup>52</sup>.

In December 1964 a "Joint Statement of Intent on Productivity, Prices and Incomes" was signed by the Government, TUC and employers' organisations. The three parties recognised the need to "keep increases in total money incomes in line with increases in real national output and to maintain a stable general price level".<sup>53</sup> In addition, the representatives of both sides of industry undertook to co-operate in giving effective shape to machinery which the Government intended to set up including an agency to examine particular pay and price increases<sup>54</sup>. Consequently, in February 1965 the Government proposed the formation of the National Board for Prices and Incomes (NBPI) and published an outline of its proposed constitution and terms of reference<sup>55</sup>.

The NBPI was established in April<sup>56</sup>, and in the same month the Government, with the agreement of both sides of industry, laid down an incomes "norm" of 3-3½ per cent to guide the work of the Board. On the prices side, no "norm" was laid down, but criteria were prescribed and manufacturers were urged, whenever possible, to attempt to offset proposed rises by increases in productivity<sup>57</sup>.

In the Autumn of 1965 the Government proposed the establishment of an "early warning system" under which it was to be notified in advance of nearly all important wage and price increases. This was to give it adequate time to consider decisions regarding pay and prices before they were put

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52. Speech by George Brown, H.C.Debs., Vol.701, Col.221, 3 November 1964.

53. The Times, 17 December 1964.

54. H.C.Debs., Vol.704, Cols.385-388, 16 December 1964.

55. Machinery of Prices and Incomes Policy, Cmnd. 2577, HMSO, London February 1965.

56. It was established by Statute until August 1966 when the Prices and Incomes Act 1966 was passed.

57. Prices and Incomes Policy, Cmnd. 2639, London, HMSO, April 1965.

into effect<sup>58</sup>. The Government had earlier announced that it would seek statutory powers to enforce the early warning system and a compulsory standstill period during which the NBPI could investigate and report. In the event, however, the TUC and CBI co-operated voluntarily.

The Government's proposals on incomes policy, contained in the Queen's speech and the subsequent Statement of Intent, were both welcomed by Conservative spokesmen. In addition to the considerations already outlined, there were at least two reasons for this state of harmony between Government and Opposition. First, the Government's proposals, as Maudling recognised, were much the same as those of his own party and thus, there was little in them against which the Opposition could take exception<sup>59</sup>. Secondly, the Conservatives could not risk alienating the wide spectrum of informed and influential opinion which supported the Government's attempt to formulate a voluntary national incomes policy. This body of opinion included certain sections of the serious press, a wide range of academic opinion, and the employers' and workers' organisations<sup>60</sup>.

Unable or unwilling to attack the substance of the Labour Government's policy, the Opposition Leadership concentrated instead upon questioning whether, in the light of the Government's economic actions, the policy could succeed. Throughout October and November 1964 the

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58. Prices and Incomes Policy: An Early Warning System, Cmnd. 2808, HMSO, London November 1965. Most of the proposals contained in this White Paper were carried through into the Government's Prices and Incomes Bill introduced in February 1966.
59. Reginald Maudling, speaking in the Debate on the Queen's Speech, noted that the Government's proposals appeared to be a continuation of the previous Government's policy. H.C.Debs., Vol.701, Cols.240-241, 3 November 1964. See also, NCP 1964, No.21, 23 November 1964, pp.18-19, which commends the proposals contained in the Queen's Speech for the establishment of a Price Review Body, and noted that it was to be much the same as the Conservatives' NIC. On the Statement of Intent see speeches by Sir Alec Douglas Home, H.C.Debs., Vol.705, Col.906, 2 February 1965; Maudling, H.C.Debs., Vol.704, Col.383, 16 December 1964 and Sir Cyril Osborne, ibid., Cols.383-4.
60. See The Times, Editorial, 18 September 1964. See also OECD, Policy for Prices, Profits and Non-Wage Incomes, 1964; Business Economists Group, Incomes Policy, Report of 1963 Oxford Conference, obtainable from 21 Godleman Street, EC4; and the Fabian Group, A Plan for Incomes, Fabian Research Series No.247. For employers' organisations see The Bulletin, October 1964, published by the British Employers Confederation, which stated that, whatever its political complexion, the first priority of a new Government must be an incomes policy; for a similar view from the Federation of British Industries, see The Times, 16 October 1964.



Government had introduced measures to deal with a balance of payments deficit, estimated at £800 million. These measures included a fifteen per cent import surcharge; a budget containing increases in direct and indirect taxation, increases in pensions and a proposal to introduce a corporation tax; and in November the Bank Rate was increased to seven per cent<sup>61</sup>. Conservative Leaders argued that these measures were inflationary in effect and would make the achievement of a workable incomes policy difficult. This view was first expressed by Sir Alec Douglas Home even before the Statement of Intent was published on 16 December 1964. On this occasion the Opposition Leader argued that the Government's restrictive measures had made the prospect of a "workable incomes policy" even more distant<sup>62</sup>.

Sir Alec's speech characterised the response of the Conservative spokesmen to each new initiative carried out in the incomes policy field by the Government during the first half of 1965. Thus by February the Statement of Intent was criticised by the Conservative Research Department as unlikely to succeed in the "inflationary" environment created by the Government's policies<sup>63</sup>. The Department responded in the same manner to both the Government's White Paper outlining the constitution of the National Board for Prices and Incomes and the publication of an agreed norm by which to assess wage increases<sup>64</sup>. The same sceptical view was expressed in a number of speeches by Party Leaders, including Barber, Rippon, Macleod and Selwyn Lloyd<sup>65</sup>. In this manner the Leadership avoided committing themselves either for or against the principle of an

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61. Samuel Brittan, Steering the Economy, Middlesex 1971, p.174; and Brian Lapping, The Labour Government 1964-1970, Middlesex 1970, p.32.
62. Speech at London University, The Times, 1 December 1964.
63. NCP 1965, No.2, 1 February 1965, p.31.
64. For Research Department criticisms see NCP 1965, No.8, 26 April 1965, p.204.
65. Mr Barber spoke in favour of an incomes policy but argued that the Labour Government's policy would not work because they could not "keep their own house in order", The Times, 22 April 1965. Mr Rippon did not support an incomes policy with the same force as Mr Barber, but concentrated his criticisms not on the principle, but upon its practicability, The Times, 12 April 1965; see also Iain Macleod's speech to Enfield Conservatives, The Times, 9 January 1965; Mr Selwyn Lloyd, whilst still supporting the idea of a national incomes policy, felt that the Government's performance had been "farcical", The Times, 24 May 1965.

incomes policy, whilst at the same time criticising the Government's policy. This in itself represented a significant retreat from the strong commitment maintained before and throughout the 1964 Election. At the same time there was a gradual decline in support for the Government's policy amongst employers' and workers' organisations. The employers did not like certain aspects of the Government's proposals on prices and felt that George Brown, in attempting to launch his policy, was spending too much energy on achieving a speedy solution rather than concentrating on the details<sup>66</sup>. Amongst the Unions, the Transport and General Workers Union expressed particularly strong opposition to the Government's proposals and, in April 1965, at a special TUC conference on incomes policy, they voted against Mr Brown's policy<sup>67</sup>.

Although Conservative Leaders, in their public pronouncements, avoided any reference to the principles of an incomes policy, throughout the early stages of Opposition, those Conservatives who were opposed to the concept made their views known. As before, the arguments were ably expounded by Enoch Powell, who in a series of speeches and articles attacked not only the Labour Government's policy but also the idea of a national incomes policy<sup>68</sup>. Powell's views on incomes policy were widely canvassed by some of the younger Conservative back-benchers<sup>69</sup>. There

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66. See British Industry, published jointly by the FBI and the BEC, January and February 1965 editions.
67. NCP 1965, No.10, 17 May 1965, pp.268-269.
68. See Enoch Powell: "In Pursuit of a Mirage: I. The Reality of an Incomes Policy", and "II: What Substitute for an Incomes Policy", The Times, 17 and 18 December 1964. These articles were largely a restatement of the argument he had been using prior to the 1964 Election, but in the post-election period Powell sharpened his criticisms and extended them to apply specifically to the development of the Labour Government's policy. In a speech at Edinburgh he attacked the attempt by George Brown to "hold down" prices by "cajoling" industry, The Times, 16 January 1965. See also speech at Newport, The Times, 25 September 1965, and speech at Westbury-on-Trim, 26 February 1965, reproduced in John Wood (ed.) 1965, op.cit., pp.115-118.
69. Including John Biffen, H.C.Debs., Vol.710, Cols.746-750, 7 April 1965; Terence Higgins, H.C.Debs., Vol.725, Col.1182, 1 March 1966; Cranley Onslow and Ian Lloyd, H.C.Debs., Vol.720, Col.1206, 9 November 1965; Nicholas Ridley, H.C.Debs., Vol.725, Col.1197, 1 March 1966. See also "Tories at Sixes and Sevens on Incomes Policy", The Times, 31 March 1965.

was, however, no organised "Powellite" group. What Powell did was to provide a well informed and tightly argued critique of the basic assumptions underlying British economic policy. In doing this he not only made conversions, but appeared to express the views of a section of Conservative opinion. As one MP said in retrospect, "he provided the bullets for us to fire"<sup>70</sup>, but the desire to attack seemed, in many cases, already to exist.

The decision by the Party Leader in the Autumn of 1964 to review and re-formulate party policy on a wide-ranging basis also had important consequences for the Party's approach to incomes policy. As previously noted, this review resulted in the adoption of what may be termed a competition approach to economic affairs<sup>71</sup>, which contained a policy emphasis distinctly different from that pursued by the previous Conservative administration. Significantly, Heath, when he outlined the components of the new competition policy in the 1965 Budget Debate, made no mention of incomes policy<sup>72</sup>. This omission may be contrasted with Maudling's announcement, in November 1964, that incomes policy was "by far the most important economic problem we have".<sup>73</sup>

The adoption of a competition policy, with its stress upon conflict and individualism, seemed incompatible with the notion of a national incomes policy based on the concepts of harmony and consensus. This was underlined by a series of pamphlets commissioned from younger Conservatives by the Director of the CPC, David Howell<sup>74</sup>. Timothy Raison, in his contribution to the series, advocated the formulation of policies which would introduce more "tension" into the social system: thus incomes policy with its stress on harmony should be rejected and reliance should be placed upon competition and an increase in efficiency generally as the means by which incomes could be related more closely to "what we have earned".<sup>75</sup> This line of argument was extended in Howell's and Higgins' contributions to the series;

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70. Interview 16.

71. See above, Chapter Six.

72. H.C.Debs., Vol.710, Cols.514-519, 7 April 1965.

73. H.C.Debs., Vol.701, Col.240, 3 November 1964.

74. This series was entitled "New Tasks" and involved contributors whose views were in accordance with the new direction of Conservative policy. Interview 14.

75. Timothy Raison, Conflict and Conservatism, CPC 313, March 1965, p.6 and pp.11-12.

both rejected the idea of a national incomes policy and suggested that the answer lay in plant level bargaining<sup>76</sup>. The idea of plant level bargaining was also stressed in a Bow Group pamphlet which commented that a national incomes policy was "unworkable" and "undesirable".<sup>77</sup>

The contributions of the authors of the CPC pamphlets did not represent official party policy, and throughout 1965 the Leadership avoided making any specific statement about the Conservative approach to incomes policy. This silence may have been deliberate<sup>78</sup>. Incomes policy touched on the fundamentals of Conservative belief and, according to Butler and King, Heath in particular recalled the damaging electoral effects of the ideological schism which had bedevilled the Labour Party during its period in Opposition<sup>79</sup>. Laing goes further by claiming that it was Heath who decided to reverse the Party's commitment to incomes policy under the "outward cover of almost ignoring the question" and without even consulting or notifying his "shadow" Chancellor Macleod<sup>80</sup>. Certainly, as Laing notes, the issue of incomes policy was a "delicate" one for the Conservative Leaders<sup>81</sup> and every attempt was made to avoid the question. It was, for example, left out of the policy reformulation initiated by Heath, no policy group was established to consider the question and there were no references to it in any of the detailed official policy proposals published in 1965<sup>82</sup>. Even at the Party Conference the issue remained dormant, and The Economist commented that incomes policy had apparently dropped from sight altogether<sup>83</sup>.

Despite the attempt by the Leadership to ignore the issue, a distinct shift of opinion took place throughout 1965 within the Conserva-

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76. David Howell, Efficiency and Beyond, CPC 308, March 1965, pp.14-15. Terence Higgins, The Managerial Revolution, CPC 317, April 1965 pp.8-12.
77. Henry Bosch (ed.), The Confidence Trick, Bow Group, May 1965.
78. Interview 9.
79. D.E.Butler and Anthony King, The British General Election of 1966, London 1966, p.50.
80. Margaret Laing, Edward Heath: Prime Minister, London 1972, p.177.
81. Ibid.
82. A preliminary statement on policy was published in July 1965. See NCP 1965, No.14, 12 July 1965. See also Putting Britain Right Ahead, CCO, London October 1965; and NCP 1965, No.21, 22 November 1965.
83. "The Shake Out", 23 October 1965. For Conference see NUCUA 83rd Annual Conference Report, NUCUA, London 1965; and NCP 1965, No.20 1 November 1965.

tive Party. On the one hand the opponents of a national incomes policy had been gaining ground while, on the other, those who supported incomes policy, particularly Maudling and Boyle, appeared to do so with less fervour than on previous occasions<sup>84</sup>. This decline in support for an incomes policy had taken place in response to Government actions and as a result of the formulation of new Conservative policies. By the Autumn of 1965 these two developments converged and added momentum to the demands upon the Leadership for a clear statement on prices and incomes.

In September 1965, the Government indicated for the first time that they were considering the use of statutory powers so as to require the advance notification of price and pay increases and to enforce a compulsory standstill period<sup>85</sup>. Although these powers were not immediately taken up, the fact that the Labour Government was considering their use marked a significant movement away from the voluntary approach previously pursued by the Labour Government and its Conservative predecessor. This new development made it all the more pressing upon the Conservative Leadership to state their own position on incomes policy. In addition the Government's new proposals re-awakened the debate over incomes policy within the Conservative Party and the subsequent disagreement revealed that the Party Leadership remained divided over the issue. Powell resumed his attack upon the concept of an incomes policy, whilst Maudling entered the lists in its defence<sup>86</sup>. In a speech at Wellingborough in January 1966, Maudling conceded that incomes policy should be only one part of a general package of policies, but he rejected Powell's thesis by stressing that "there remained the need by effort, leadership and example to achieve restraint upon the growth of incomes as a whole".<sup>87</sup> Powell reacted by

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84. In November 1965, Maudling took a more cautious approach to incomes policy than he had in the previous year, H.C.Debs., Vol.720, Col. 1267, 9 November 1965. See also Sir Edward Boyle, Conservatives and Economic Planning, CPC No.335, January 1966, pp.26-27. Copy of a speech given in October 1965 in which Sir Edward conceded that incomes policy was "no panacea for our economic difficulties", but added that it had a part to play.
85. NCP 1965, No.17, 20 September 1965, p.482.
86. Speech by Powell at Leicester, The Times, 13 October 1965. Speech by Maudling at the Conservative Party Conference, The Times, 16 October 1965. See also speech by Reginald Bevins, urging the Conservatives "to go for an incomes policy", The Times, 26 November 1965.
87. The Times, 5 January 1966.

rejecting Maudling's views and attacked the concept of an incomes policy as administratively and theoretically "impossible".<sup>88</sup>

Faced with the challenge of the Government's new proposals and a public debate between two of his leading Front-Benchers, Heath attempted to outline the Party's position on incomes policy. In a speech on 15 January 1966 to the Bolton Conservatives, he suggested that the Labour Government's attempt to formulate an incomes policy had failed. Hence there was a real need to break with the past and formulate "a new and more coherent approach". This new approach should acknowledge that "an incomes policy is not enough on its own, it can only be one part of a general prices policy". Heath proceeded by outlining a "prices policy" which included action to "increase competition, efficiency and incentives, to produce better management and promote trade union reform", and which would be primarily concerned with "the firm and skilled management of our finances and the level of demand".<sup>89</sup> This speech marked the first official acceptance of the demotion of incomes policy from the position of the primary aim of Conservative economic policy to the position of a secondary objective. Maudling had already conceded this point in his Wellingborough speech and Heath merely recognised the process which had been taking place within the Conservative Party over the previous twelve months<sup>90</sup>.

2. Phase II: The Limitation in the Scope of Incomes Policy:  
January 1966 to July 1967

Heath's Bolton speech revealed the problem that an incomes policy posed for Conservative policy makers. His failure to define in detail Conservative Incomes Policy left an important gap in the Opposition's economic proposals. The "prices policy" outlined by the Leader contained measures which were basically long-term in nature: there still remained

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88. Speech in Manchester, The Times, 13 January 1966.

89. NCP 1966, No.2, 31 January 1966, p.30.

90. This new approach was also reflected in a television broadcast by Macleod some four days later: "We regard an incomes policy not as standing on its own but as one small part of our whole policy for keeping prices down", ibid., p.31. The same point was reiterated by both Heath and Macleod when speaking in the Commons in March, H.C.Debs., Vol.725, Cols.1141, 1143 and 1224, 1 March 1966.

the need to formulate a short term policy to deal with the immediate problems posed by inflation<sup>91</sup>. Heath suggested that this could be achieved by the management of demand; but such a policy offered an awkward political choice. For instance, as Nigel Birch noted, in combating inflation, one alternative to an incomes policy was deflation and the consequent creation of unemployment<sup>92</sup>. Politically this was not acceptable, nor did it square with the proposed aim of Conservative economic policy which was the achievement of faster growth. Thus the Leadership was caught in a dilemma over incomes policy. On the one hand, outright rejection of an incomes policy might leave the Opposition open to the accusation of seeking deliberately to create unemployment, and would also tie the hands of a future Conservative administration in tackling inflation. On the other, the retention of incomes policy appeared to be at variance with the new Conservative policies developed under the guidance of the Party Leader. Furthermore, a decision either way could effectively split the Party. Significantly, in Bolton the Party Leader avoided committing himself and kept the options open.

Although the Leadership did not reject incomes policy in total, the retreat from the 1964 commitment continued. This process was shaped mainly by two developments: first, by the development of the Government's policy; and second, in response to pressures from within the Conservative Party.

In 1966 the Labour Government introduced prices and incomes legislation. The Bill first appeared in February, but lapsed as a consequence of the advent of the General Election, and was re-introduced with some additions in the new session<sup>93</sup>. It contained two elements: the first dealt with the Constitution of the NBPI and proposed the granting of statutory powers to that body, enabling it to call witnesses and gather

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91. Commenting on the Conservative's 1966 Election Manifesto, "Action Not Words", The Times' Leader noted that the Conservatives made no mention of any policy to combat inflation, and commented that this was a grave error for it should be the most important issue in the election, 7 March 1966.
92. Nigel Birch, H.C.Debs., Vol.725, Col.1169, 1 March 1966.
93. The General Election provided the Conservative Leadership with a welcome reprieve, throughout January the "Shadow Cabinet" had tried to reach agreement over the Opposition attitude to the legislation and had failed to do so. See "Maudling v. Powell", The Spectator, 4 February 1966.

information; the second dealt with provisions for establishing an "early warning" system for price, wage and dividend increases, and included proposals for a "standstill" period of up to three months on references placed before the Board. The powers to enforce the early warning system and the three month standstill period were to be held in reserve by the Government for a period of twelve months and were capable of being renewed for further twelve months periods thereafter. The introduction of a statutory element, albeit in the form of reserve powers, marked a distinct break with the voluntary nature of the policies pursued by previous British Governments. The Bill did, however, oblige the Secretary of State to consult both the CBI and the TUC in relation to each particular reference before reverting to the use of statutory controls<sup>94</sup>. Thus the Government attempted to preserve a strong voluntary element in their policy.

In response to the Labour Government's proposals the Conservative Leaders considered their position. By early July they had agreed upon tabling a "reasoned amendment" declining to give a Second Reading to the Bill. The amendment began by suggesting that "price stability can only be achieved by a comprehensive economic policy" and went on to accept that a "Productivity, Prices and Incomes Board" had a useful function in such a policy. The Bill was opposed, however, because it made no contribution "to the solution of the serious problems facing the nation" and because it introduced an element of compulsion<sup>95</sup>.

The amendment did not satisfy a substantial section of the Parliamentary Party. The Times reported that up to a score of Conservative back-benchers would have preferred a direct vote against Second Reading<sup>96</sup>. One back-bencher, Geoffrey Hirst, attempted to kill the Bill by tabling a motion that the Bill "be read a second time upon this day six months".<sup>97</sup> Three days later Hirst resigned from the Parliamentary Conservative Party over the issue of incomes policy and, although his influence within the

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94. Prices and Incomes Act 1966, C.33, Part II, section 6(1).

95. H.C.Debs., Vol.731, Cols. 1760-1761, 14 July 1966.

96. The Times, 8 July 1966. My own assessment is that the number was much higher than this, but it must be remembered that not all back-benchers were interested in the issue.

97. The procedural device for killing a Bill.



Party was limited, his action reflected the strength of feeling among some back-benchers<sup>98</sup>. One long serving Conservative MP later indicated that at this time he came as close as he had ever been to resigning from the Party<sup>99</sup>. In the debate on the Second Reading of the Bill the Leadership's tactics were strongly criticised by back-bench-speakers and only one Conservative Member, Sir Cyril Osborne, spoke in support of the Leadership's position<sup>100</sup>. All other Conservative speakers were against the motion<sup>101</sup>. Mr T. L. Iremonger submitted an amendment which rejected the Bill and all its provisions, and called for a policy based on the "laws of supply and demand".<sup>102</sup> These indications of back-bench opinion illustrate that by mid-July 1966 the Party faced a long and electorally damaging internal debate. Fortunately, for the Conservative Party, this prospect was curtailed when they united in opposition to new and unexpected Government proposals.

On 20 July 1966 the Government announced a freeze on all price and income increases for a period of up to six months, followed by a six month period of "severe restraint".<sup>103</sup> The Government proposed to seek statutory powers in order to enforce their policy: these were to be temporary and were to be held in reserve for a period of twelve months after the passage of the necessary legislation<sup>104</sup>. The Government's proposals were embodied in what was to become Part IV of the 1966 Prices and Incomes Act.

The "Freeze" proposals were roundly condemned by the Opposition, and the intra-party debate about the relevance of incomes policy was temporarily shelved as the Conservatives united in opposing the Government's measures. The Opposition concentrated its attack upon two aspects of the

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98. See The Times, 11 July 1966. Hirst was MP for Shipley and although he received support for his action from his constituency association, he did not stand for re-election in 1970.
99. Interview 2.
100. H.C.Debs., Vol.731, Cols.1783-1784, 14 July 1966.
101. See in particular speeches by John Peyton, Ibid., Col.1800; Ray Mawby, ibid., Col.1816; Norman St. John Stevas, ibid., Col.1832; Peter Hordern, ibid., Col.1837.
102. Ibid., Col.1742.
103. H.C.Debs., Vol.732, Col.636, 20 July 1966.
104. Prices and Incomes Standstill, Cmnd. 3073, HMSO, London July 1966, paras. 1-2, 39-44.

policy. First, they attacked its compulsory nature, condemning it as "antilibertarian" and leading to "the complete control of the economy".<sup>105</sup> Heath announced that Britain had "reached a point of fundamental choice" which reflected "a great divide in which Conservatives are utterly opposed to Labour's path of compulsion and control"<sup>106</sup>. Maudling referred to the measure as the "first step down a slippery slope to complete Government control of the economy".<sup>107</sup> Some support for these views came from the CBI and the TUC who initially found the compulsory nature of the policy unpalatable.<sup>108</sup> After a council meeting attended by 300, however, the CBI decided with "reluctance" to collaborate with the Government<sup>109</sup>. Secondly, the Opposition concentrated their attack upon the manner in which the legislation was introduced and carried through Parliament. Because Part IV was added to the Bill when it was already being debated in Standing Committee, and because amendments were introduced in the Upper House before the Bill had even passed the Commons, the Opposition accused the Government of treating the Lower House with contempt<sup>110</sup>. Further, the Conservatives claimed that the Government had infringed the "customary rights" of the Opposition and the back-benchers by using the guillotine in an attempt to "bulldoze" the Bill through Parliament<sup>111</sup>. The Shadow Cabinet arranged for a Parliamentary Debate to discuss these points and called for the Bill to be removed from Standing Committee B and placed before a Committee of the Whole House<sup>112</sup>.

Despite these criticisms the Conservative Leaders did not attempt to delay the Bill. They accepted that as a "result of the Labour Government's Policy" a measure of restraint was necessary in the national interest<sup>113</sup>. In the words of one commentator, "Part IV was an Aunt Sally against which the Conservatives could unite"<sup>114</sup>, and party spokesmen

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105. H.C.Debs., Vol.733, Cols.492-528, 3 August 1966.

106. NGP 1966, No.14, 22 August 1966, p.377

107. In a speech at Finchley, Macleod made much the same point. The Times, 1 August 1966.

108. When the White Paper was published the CBI threatened to refuse their support and the TUC was "intransigent". The Times, 29 July 1966.

109. The Times, 4 August 1966.

110. H.C.Debs., Vol.733, Col.403, 3 August 1966.

111. Ibid., Col.492. See also The Times, Editorial, 1 August 1966.

112. The Times, 2 August 1966.

113. H.C.Debs., Vol.733, Col.493, 3 August 1966.

114. See Ian Trethowan, "Opposition in Search of an Incomes Policy", The Times, 2 March 1967.

limited the debate specifically to the details and effects of the Labour Government's legislation. Thus, when in October 1966, as a result of a legal challenge to the pay standstill, the Government requested that Part IV should be activated, Macleod committed the Conservatives to oppose this development and all the orders resulting from it<sup>115</sup>. He added that the Opposition would demand a debate on each order<sup>116</sup> and, from November 1966, when the first "freeze" order was introduced<sup>117</sup>, until the end of July 1967 when Part IV expired, the Conservatives opposed all fifteen orders tabled by the Government<sup>118</sup>.

Part IV provided only a temporary diversion, and the basic point of contention remained whether or not the Conservatives should accept or reject the notion of a national incomes policy. As indicated above, many members of the Leadership preferred to avoid making a decision on this issue, but by the Autumn of 1966 pressures to reject incomes policy were exerted upon them from both the Mass Party and the Parliamentary Party. As Shadow Chancellor of the Exchequer, Macleod was to play a leading part in the Debate and his political skill was invaluable in helping to maintain party unity<sup>119</sup>. Macleod's position on the issue of incomes policy seemed straightforward. He was neither for it nor against it. In many ways he regarded the whole issue as purely rhetorical and if it was liable to split the party it was not really worth discussing<sup>120</sup>.

After a Summer of comparative calm the issue of incomes policy re-emerged at the Party Conference in October 1966. In the Debate on Economic Policy a number of speakers from the floor argued that an incomes policy had no part to play in Conservative economic policy<sup>121</sup>, and one

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115. S.I. 1966, No.1262, 6 October 1966.  
 116. H.C.Debs., Vol.734, Cols.863 and 954, 25 October 1966.  
 117. S.I. 1966, No.1444, introduced 18 November 1966; H.C.Debs., Vol. 740, Cols.389-412, 31 January 1967.  
 118. H.C.Debs., Vol.748, Cols.395-398, 13 June 1967.  
 119. For an assessment of Macleod's appointment, see Robert Rhodes James, Ambitions and Realities: British Politics, 1964-1970, London 1972, p.137.  
 120. This is an outline of his views on the issue which I have constructed from his speeches and a number of interviews. See also Nigel Fisher, Iain Macleod, London 1973, p.62 and pp.268-69.  
 121. See contributions to the Debate on Economic Policy by J.Bellak (Ripon) and David Clarke (Watford), NUCUA 84th Annual Conference Report 1966, NUCUA, London 1966, pp.91-92.

speaker suggested that the Government must concentrate on setting an example in the public sector<sup>122</sup>. In reply, Macleod dealt skilfully with these criticisms: first, by suggesting that it was too early for the Opposition to make detailed commitments for the future; and secondly, by outlining a view of incomes policy which diluted the Leadership's commitment to a minimum by stating that "there is a useful but a minor or, anyway, a marginal part to be played in this field"<sup>123</sup>. Macleod was also willing to make concessions, and in October 1966 removed prices from the scope of Conservative incomes policy, because, he maintained, prices were beyond control<sup>124</sup>. Despite the Shadow Chancellor's tactics, further indications of dissent within the Mass Party emerged over the next few months. In February 1967, the Young Conservatives at their annual conference carried a motion opposing any sort of incomes policy<sup>125</sup>. At the Party's Central Council meeting a month later a motion was submitted calling for a complete rejection of a prices and incomes policy<sup>126</sup>.

This movement against incomes policy was reflected in the Parliamentary Party. As on previous occasions, Enoch Powell set the context for the debate and precipitated a division within the Party by launching an attack on employers' and workers' organisations. After some months of comparative silence Powell had resumed his attack upon incomes policy in a series of speeches delivered between October 1966 and March 1967<sup>127</sup>. When, in early 1967, John Davies, Director General of the CBI, suggested an incomes and prices initiative by the TUC and the CBI<sup>128</sup> Powell responded by criticising the increasing delegation of authority to bodies like the TUC and the CBI. He suggested that steps should be taken to limit and disperse their powers, and proposed that wage bargaining

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122. Speech by Nigel Vinson (Guildford), ibid., p.89.

123. Ibid., pp.96-97.

124. H.C.Debs., Vol.734, Col.869, 25 October 1966.

125. See The Times, 6 February 1967.

126. Motion No.19, Agenda and Handbook, National Union Central Council Meeting, 3-4 March 1967, NUCUA, London 1967.

127. See Enoch Powell, Freedom and Reality, London 1969, pp.101-126.

128. The Times, 25 February 1967.

should be devolved to the local level<sup>129</sup>. According to one commentator Powell's speech was discussed three days later in the Shadow Cabinet. A sharp conflict developed but no decision was taken. The following day the Conservative Parliamentary Groups on Labour and Finance discussed the topic and, with only one dissenting voice, endorsed the Powell line<sup>130</sup>. Faced with a rebellion on the back-benches the Leadership was in an awkward position. A commitment to the devolution of wage bargaining would require an attack upon employers' and workers' organisations, and risk alienating these bodies. Both the CBI and the City, although critical, continued to support the Government's attempts to formulate a national incomes policy<sup>131</sup>. Furthermore, some firms indicated that they would drop financial support from a party dedicated to dismantling centralised controls<sup>132</sup>.

Given the climate of opinion within the Mass and Parliamentary sections of the Party, the Leadership could not for long maintain an ambiguous position on the issue of incomes policy and, in anticipation of new Government measures, the Leadership had already begun to reconsider its position. According to Trethowan, by early March 1967, the Leadership, with the exception of Powell, had agreed that the Conservatives could not opt out of incomes policy altogether. Having reached this conclusion the problem remained as to how it might "be sold to the Party".<sup>133</sup> Clearly the Leadership could afford to make concessions so long as they did not entail the rejection of incomes policy. But primarily the need was to arrive at a form of words which would placate the divisions within the Party whilst at the same time maintaining the Leadership's flexibility. The need for such a statement was further underlined by Government actions.

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129. Powell 1969, op.cit., pp.122-125. Powell's speech followed an exchange of views between Maurice Macmillan, MP, and Aubrey Jones, Chairman of the NBPI, in which the former accused the latter of leading the country towards a state of "co-operative fascism".

130. The Observer, 19 March 1967.

131. In his February speech John Davies referred to the popularity of the incomes policy abroad; he claimed that Britain was being applauded for what had been achieved by incomes policy during the "freeze". The Times, 25 February 1967.

132. The Observer, op.cit.

133. Trethowan, The Times, 2 March 1967, op.cit.

Following the periods of "freeze" and "severe restraint", the Government proposed new legislation which would extend the possible standstill period under Part II of the 1966 Act by a further three months<sup>134</sup>. These proposals were contained in the 1967 Prices and Incomes Bill. The Conservative Leadership agreed to oppose this measure and recommended that the Party vote against it. As before, the Conservatives were opposed to its compulsory nature but Carr, speaking from the Opposition Front-Bench, conceded that a policy based on the co-operation of both sides of industry might be unworkable because the TUC and the CBI did not have enough power to control their members<sup>135</sup>. Carr's speech indicated that on grounds of workability the Conservative Leadership were willing to concede the idea of a national incomes policy covering all sections of the community.

This was a significant concession and it gained authoritative expression in a speech by Heath at Carshalton in July 1967. It is important to note that as far as the sections of his speech which were relevant to incomes policy were concerned, the Party Leader did not go into detail but simply stated certain general principles on which all members of the Party could agree. Thus he suggested that an incomes policy in the form of "a general educational programme demonstrating the relationship between incomes, productivity and prices" could be supported by all Conservatives. Equally all Conservatives could agree on opposing an incomes policy which meant "Government control over all incomes and prices", but quite what should come in the middle Heath did not divulge. He proceeded to concede that an incomes policy was "workable and desirable" if it meant that the Government pursued "a policy of relating prices and incomes to productivity in those spheres where it has direct responsibility".<sup>136</sup> This was the first official statement accepting that an incomes policy might only be operable if limited in scope to the public

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134. Indications that the Government were working on a variant of Part II of the 1966 Act to replace Part IV appeared in March with the publication of a White Paper, The Prices and Incomes Policy After 30th June, Cmnd. 3235, HMSO, London March 1967. This document laid down no norm; all increases were to be justified against Cmnd. 2639, April 1965, criteria.

135. H.C.Debs., Vol.748, Col.349, 13 June 1967.

136. NCF 1967, No.14, 24 July 1967, pp.312-313. The Carshalton speech was delivered on 8 July 1967.

sector. In a sense this represented a concession to the critics of incomes policy, in that it implicitly questioned the worth of a policy which covered the whole of the economy through the co-operation of employers and employees organisations. But Heath was careful to limit his discussion to the minimum scope of incomes policy. By avoiding the question of maximum scope the Party Leader had kept the options open and maintained a flexible position. It remained to be seen whether he had maintained party unity.

As a result of the Bolton and Carshalton speeches and the events surrounding them, the official Conservative position on incomes policy had altered significantly since the 1964 Election. By mid 1967 incomes policy had been reduced from the status of the primary short term objective of Conservative economic policy to a secondary one, prices had been removed from its ambit, and its scope had been limited, at least, to the public sector. Two developments had largely shaped this retreat from the Leadership's 1964 commitment: first, the actions of the Labour Government, and secondly, alterations of opinion within the Conservative Party.

Throughout the first two and a half years of Opposition the Conservative Leadership had been under persistent and growing pressure from certain members of the Party to reject incomes policy altogether. However, the majority of the Party Leaders, including Heath, had whenever possible avoided making any pronouncements about the validity and acceptability of incomes policy. Experience had shown that discussion of the matter was liable to raise deep and damaging disagreement at all levels within the Party. The Party Leader's Bolton and Carshalton speeches may have served to preserve the Leadership's flexibility but they left Conservative incomes policy undefined except in terms of its boundaries and minimal scope. To some members of the Party this uncommitted stand was "unconvincing"<sup>137</sup>. More importantly, the Opposition still lacked a short term policy to deal with an immediate inflationary situation.

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137. Interview 1.

3. Phase III: The Attempt to Formulate an Alternative Incomes Policy: July 1967 to January 1969'

In the months following Heath's Carshalton speech two developments relevant to incomes policy took place within the Conservative Leadership. First, some members tried to close the gap in their Party's proposals by attempting to formulate a short-term policy, and secondly, Maudling attempted to re-assert the case for an incomes policy. Both these developments took place concurrently and their nature and consequences form the subject matter of Phase III.

The attempt to formulate a short-term policy was mainly concentrated on the machinery of incomes policy, and in particular upon the role of the NBPI under a future Conservative Administration. Since the Board's inception in 1964, the Party's attitude to it had varied but on the whole had been favourable. Heath had praised it in 1966 for its useful work "in dealing with restrictive practices and limitations on growth" and added that there was "every reason why it should go on".<sup>138</sup> Both Selwyn Lloyd and Maudling had argued that the NBPI was a continuation of the previous Conservative Administration's National Incomes Commission<sup>139</sup>. It may be recalled that the only part of the 1966 Prices and Incomes Bill which the Shadow Cabinet found acceptable was Part I, dealing with the establishment of the Board. Within the Parliamentary Party, even opponents of incomes policy such as David Howell accepted that the Board "had been useful in promoting greater efficiency, competitiveness and new wage structures".<sup>140</sup>

In September 1967, the Party Leader attempted to salvage the acceptable features of the Board and provided some guidelines for a short-term policy. Heath outlined the role to be played by the Board under a future Conservative Government, and he suggested that it should be reconstituted as a Productivity Board with powers to investigate employment practices or methods of working<sup>141</sup>.

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138. H.C.Debs., Vol.725, Col.1142, 1 March 1966.

139. H.C.Debs., Vol.732, Col.1786, 27 July 1966; and Vol.701, Col.241, 4 November 1964.

140. H.C.Debs., Vol.748, Col.383, 13 June 1967.

141. Speech in Newcastle, The Times, 15 September 1967.



Nine months later, in May 1968, Carr outlined the policy in greater detail. He re-affirmed the Party Leadership's support for a voluntary national incomes policy<sup>142</sup>. He maintained, however, that under a future Conservative Government such a policy "would have a minor but nonetheless significant role to play"<sup>143</sup> and he went on to consider how the policy would be operated. Central to its operation was <sup>the</sup> NBPI which would be "reconstituted as a Productivity Board". As such it was to be used in a sparing and selective manner and would operate entirely by "a process of enquiry and report". It would seek to influence the parties before they reached their settlements and to provide them with information, thus helping to mobilise and educate opinion. Above all, in its educative and informative capacity it was to become "an increasingly important agency for encouraging the development of productivity bargaining and efficient systems of payment by results"<sup>144</sup>. Carr emphasised, however, that more important than the productivity board was the need for the Government to "set an example in relation to their own employees".<sup>145</sup>

Carr's outline provided a credible short-term policy: the Government would give a lead and set an example within its own sector, whilst the Board would attempt to influence the private sector by persuasion and exhortation, a concept not unlike the earlier NIC. Equally important, the policy might serve to unite both factions within the Party: under the proposals outlined by Carr an incomes policy was to be operated at the national level but it was to be mainly concerned with achieving wage structures related to productivity, a process which would be best carried out on the shop floor. Thus, although a national policy, it contained a strong bias towards the decentralisation of wage bargaining.

Parallel with the discussion about the role of the NBPI, there developed an attempt by Maudling to re-assert the case for an incomes policy. In part, this may have been a product of the Leadership's review of incomes policy, but the immediate stimulus was provided by the

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142. H.C.Debs., Vol.765, Col.315, 21 May 1968.

143. Ibid., Col.323.

144. Ibid., Col.324.

145. Ibid.

Government's decision, in November 1967, to devalue sterling by 14.3 per cent. This development underlined Maudling's belief that some form of wage restraint was imperative. Throughout the early part of 1968, Maudling used his influence in the Shadow Cabinet in the argument over incomes policy<sup>146</sup>. In March, in response to the US dollar crisis, he outlined a "solemn proposal" that the Conservatives should support the Government on immediate measures to exploit devaluation on the condition that an early election was promised<sup>147</sup>. He added that the Chancellor "must take firm measures to prevent incomes from galloping ahead in advance of anything justified by increased productivity".<sup>148</sup> On the same day Heath had delivered a speech on the same topic and had taken up a contrary position. Far from offering support to the Government, Heath attacked them and placed most of the blame for the US dollar crisis upon the British Government's decision to devalue<sup>149</sup>. Maudling continued his campaign into the Summer. He argued in favour of a "managed" incomes policy working through the NEDC, and backed his arguments with the claim that this concept enjoyed widespread public support<sup>150</sup>. His efforts, however, aroused as much opposition as support and served, once more, to reveal the deep divisions within the Party<sup>151</sup>.

Maudling's campaign and the attempt to salvage the more acceptable features of the NBPI and to mould them into the framework of a short-term policy, seemed to indicate a renewed concern about incomes policy on the part of some leading Conservatives. Moreover, their influence within the Party Leadership may have been strengthened by the dismissal of Enoch Powell from the Shadow Cabinet in April 1968. The interest in

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146. See "Top Tories Split Over Incomes", The Times, 18 March 1968.  
 147. Speech to Conservative Central Council Meeting at Bath, The Times, 16 March 1968.  
 148. The Times, *ibid.*  
 149. Party Officials argued that the disparity between the two speakers was due to a lack of consultation. See The Times, 18 March 1968.  
 150. See speech at St. Anne's-on-Sea, The Times, 26 September 1968. Also interview in The Banker, June 1968, pp.486-492. Maudling's claim was to some extent substantiated by the results of a poll carried out by Conrad Jameson and Associates, see The Times, 13 August 1968.  
 151. See Statement issued by Duncan Sandys in response to Maudling's "solemn proposal", The Times, 18 March 1968. See also speeches by John Biffen, H.C.Debs., Vol.765, Col.354, 21 May 1968; and Terence Higgins, H.C.Debs., Col.769, Col.157, 22 July 1968.

incomes policy within the Party Leadership was, however, shortlived. After his speech at St. Anne's on 25 September 1968, Maudling was not to make another major pronouncement on the issue of incomes policy. Nearly two weeks later, on 6 October 1968, the Conservatives published a major policy statement entitled Make Life Better<sup>152</sup>. In this document it was stated that "Conservatives reject compulsory Government control of wages" but it was accepted that "in key wage negotiations a Government may need to exert its influence on the side of lower costs".<sup>153</sup> Significantly, no mention was made of either the proposals outlined by Carr or the NBPI.

A few days after the publication of Make Life Better, on 9 October 1968, the Conservatives met in annual conference at Blackpool. In their third session delegates debated a motion which held that: "This Conference states that attempts to control prices and incomes by statute are at complete variance with the basic Conservative principle of free enterprise".<sup>154</sup> The proposer of the motion argued in favour of the repeal of the "Whole Prices and Incomes Act" and the abolition of the NBPI<sup>155</sup>. Some felt that the motion did not go far enough and an amendment was proposed from the floor which, if it had been accepted, would have meant the rejection of any form of incomes policy, even a voluntary one<sup>156</sup>. Another speaker favoured the original motion and even suggested that a degree of statutory control over incomes was desirable<sup>157</sup>.

In his reply from the platform, Macleod argued that there was no real disagreement within the Party; or, if there was, it was "largely an argument about words, a debate on semantics". Nobody, he claimed, could deny "the facts of life", that the Government was the largest employer, customer and consumer, and it was "not conceivable" that it could avoid some concern about wages. Therefore, some form of wages policy had to

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152. CCO, London 1968.

153. Ibid., p.6 ff.

154. NUCUA 86th Annual Conference Report 1968, NUCUA, London 1968, p.6 and p.53.

155. See speech by Councillor David Samuel, ibid., p.54.

156. Ibid., p.6 and p.54. See speeches by Mr J. Addington (South East), the proposer of the amendment, ibid., and Nicholas Ridley, MP, ibid., p.56.

157. See speech by Mr Hugh Dyson-Laurie (Woking), ibid., p.56.

play a part in any economic policy and certainly had a part to play in Conservative economic policy<sup>158</sup>. Macleod, however, skirted around the question of what form this policy should take and he did not indicate the role that the NBPI or any similar agency might fulfil under a future Conservative Government. The motion was carried and the amendment was rejected by "overwhelming" majorities<sup>159</sup>.

Finally, in January 1969, Macleod announced that the NBPI in its existing form would be abolished by a future Conservative administration. His exact words were: "I cannot forecast a happy or indeed a long life for the Prices and Incomes Board under a future Conservative Government", and he went on to describe its work as "ill-informed".<sup>160</sup>

In sum, in a period of seven months, between May 1968 and January 1969, three significant developments relating to incomes policy seem to have taken place within the Conservative Leadership. First, from being sympathetic to certain aspects of the NBPI the Leadership had become almost wholly opposed to the agency. Secondly, the detailed proposals outlined by Carr in May 1968 were not reiterated or alluded to by any member of the Leadership thereafter. They were not contained in the Party's comprehensive mid-term policy statement, nor were they mentioned by the Shadow Chancellor when speaking on incomes policy at the 1968 Party Conference. Finally, the campaign conducted by Maudling to re-assert the validity of incomes policy appears to have been suddenly curtailed in late September 1968. It is difficult to ascertain why these developments took place but a number of factors appear to have been relevant.

As far as the NBPI was concerned, at least three developments may have influenced the Conservative Leaders' position. First, the Board's increasing powers and rather independent manner had aroused the criticism of the TUC and the CBI in particular. In the 1968 Prices and Incomes Act, for instance, the Government had taken powers to defer or

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158. Ibid., p.62.

159. Ibid., p.6.

160. Speech in London, The Times, 29 January 1969. See also the article by David Wood, The Times, 10 February 1969.

suspend increases in wages, salaries or prices for up to twelve months on references to the NBPI<sup>161</sup>. These new measures greatly enhanced the powers of the Board. Furthermore, in its Annual Reports, the Board had increasingly assumed the role of advising the Government on the formulation of policy<sup>162</sup>. The TUC and the CBI issued a joint statement complaining that the Board had no right to lay down policy<sup>163</sup>. The growing hostility towards the Board's powers and its manner of operation voiced by the TUC and the CBI may have been reflected within the Conservative Leadership.

Secondly, the Conservative Leaders' attitudes towards the NBPI may have been formed in response to alterations in the Labour Government's position. In the Autumn of 1968, for instance, the first indications of the Government's plans to integrate the NBPI and the Monopolies Commission were revealed<sup>164</sup>. If accepted these were liable to involve significant alterations in the role and constitution of the Board. Clearly the Opposition Leaders would have been ill-advised to outline detailed proposals for an agency which was liable, within a few months, to be radically altered.

Thirdly, the Conservative Leaders' attitudes may have been influenced by the fact that a policy involving the retention of the Board could not be easily sold to the Party. Within the Conservative Party there were expressions of concern about what may be termed "interventionism in economic affairs" and throughout 1968 a movement of opinion developed favouring the rejection of all "interventionist" agencies including the NBPI and the NEDC<sup>165</sup>. Furthermore, in the eyes of many Conservatives the

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161. The Government also took powers to cover rent and dividend increases. See Productivity, Prices and Incomes Policy in 1968 and 1969, Cmnd. 3590, HMSO, London April 1968, pp.11-12.

162. The Board's second Annual Report contained a bid for enlarged responsibility, National Board for Prices and Incomes, Second General Report, July 1966 to August 1967, HMSO, London 1967, paras. 72-80. In 1968, in its third Annual Report, the Board criticised the Government's policy and in particular its strategy for referring prices increases, National Board for Prices and Incomes, Third General Report, August 1967-July 1968, Cmnd. 3715, HMSO, London 1968, paras 18-30 and 80.

163. The Times, 19 September 1968.

164. The Times, 5 November 1968 and 30 December 1968; for the background to this development, see below, Chapter Ten, pp. 271-273.

165. See The Times, 26 September 1968; and 16 September 1968.

NBPI was part and parcel of the Government's statutory incomes policy and could not be divorced from it. For instance, the Party's 1970 Campaign Guide later claimed that the Board had been destroyed "by being harnessed to the absurdities of the Labour Government's policies".<sup>166</sup> Both these instances suggest that Conservative Leaders would have met some opposition from amongst their own supporters if they had continued to press their proposals for the NBPI.

As for the short-term policy outlined by Carr in May 1968, this also involved the NBPI and thus the three considerations outlined above must have made his outline less appealing to the Party Leadership. In addition, some Party Leaders were not as strongly committed as Carr seems to have been. Maudling, who had never been a strong supporter of the NIC concept, still believed in a voluntary incomes policy involving both sides of industry through the agency of the NEDC.<sup>167</sup> Sir Keith Joseph had little sympathy with the concept of an incomes policy in general<sup>168</sup>, and neither Barber nor Macleod appeared particularly interested in the idea<sup>169</sup>. Finally, as previously shown<sup>170</sup>, following the 1966 Election, Heath and his closest aides outlined a long-term plan for the conduct of the Opposition in the years ahead. It may be recalled that they envisaged that in the Autumn of 1968 the Party would begin its preparation for the next General Election. As Heath noted at the 1968 Party Conference the publication of Make Life Better marked the beginning of this final phase<sup>171</sup>. Maudling's campaign and the debate on economic

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166. The Campaign Guide: 1970, CCO, February 1970, p.55.

167. See interview in The Banker, June 1968, pp.488-489.

168. See Sir Keith Joseph, "Towards a High Earnings Economy", The Guardian, 9 October 1968. Also Sir Keith's speech to the Party Conference in October 1968 in which he proclaimed that "competition not incomes policy offers the best hope of economic advance", NCP 1968, No.17, 28 October 1968, p.314.

169. Barber in summing up from the Opposition Front-Bench in the Second Reading Debate on the 1968 Prices and Incomes Bill made no mention of Carr's proposals and spoke of income control "as a function of the overall management of the economy", H.C.Debs., Vol.765, Cols.403-4, 21 May 1968. In the same debate John Biffen stated that Macleod had maintained "a stout and welcome scepticism about the whole concept of productivity and productivity bargaining", Col.352. This remark was confirmed by interviews 5 and 16, and is supported by Macleod's biographer Nigel Fisher 1973, op.cit., p.269.

170. See above, Chapter Three, p.33.

171. NUCUA 86th Annual Conference Report 1968, NUCUA, London 1968, p.125.

policy at the 1968 Party Conference revealed that incomes policy still remained a deeply divisive issue within the Party. Such divisions within the Leadership and other sections of the Party might seriously detract the Opposition from the primary task of regaining power. Hence the attempt to formulate a short-term policy may perhaps have been dropped in order to ensure the preservation of party unity during the critical months ahead.

In sum, during the third phase in the development of the Conservative Opposition's attitude towards incomes policy attempts were made from within the Leadership to formulate a short-term policy and to re-assert the case for an incomes policy. Both these efforts proved unsuccessful and by January 1969 the Opposition Leaders had agreed to the abolition of the NBPI in its existing form. These events seemed to indicate a change in the Conservative Leaders' approach to incomes policy. This change, it has been suggested, was brought about as a result of a number of factors including the operation of the NBPI, alterations in the Labour Government's policy, shifts of opinion within the Conservative Party generally and the Leadership in particular, and considerations related to the Opposition Leaders' long-term strategic plans.

In the course of the developments summarised above the Conservative Leaders had managed to indicate what they were against, most notably a statutory policy. In addition, despite earlier sympathy, they had moved strongly against the NBPI. Party Leaders had not, however, indicated what they were for. The defeat of the amendment to the official motion at the 1968 Party Conference meant that the retention of a voluntary incomes policy was possible, but no positive commitment was made to this effect. So it could be said that by the beginning of 1969 there was no clear Conservative incomes policy. As on previous occasions the Party Leaders had left the options open and maintained flexibility.

#### 4. Phase IV: Preparation for the 1970 General Election: January 1969 to June 1970

As indicated in the previous sections of this chapter, the Conservative Opposition was not able to agree upon a detailed incomes policy. During their final eighteen months in Opposition, the Party Leaders, instead of attempting to refine the Conservative position, concentrated

their efforts: first, upon attacking the nature and the consequences of the Labour Government's incomes policy, and secondly, upon outlining their own long-term policy of economic management.

The Conservatives' attack upon the Government's incomes policy had two main targets. The first was inflation. This had been gathering momentum since late 1965<sup>172</sup> and continued up to, and beyond, the 1970 General Election. Between October 1964 and October 1969, for example, the Retail Price Index rose from 107.9 to 133.2, which represented an increase of 23.4 per cent or 4s.8d. in the £<sup>173</sup>. During the same period, the average annual increase in hourly wage earnings was 7.1 per cent. In 1965, at the time of the Labour Government's voluntary incomes policy, it reached a record 10.1 per cent, tailed off to 6.2 and 5.3 per cent during the 1966/67 period of "freeze" and "severe restraint", and increased once more to 7.2 and 7.1 per cent during 1968 and 1969<sup>174</sup>. The Conservatives argued that continued inflation was evidence of the failure of the Government's attempts to hold down wages and prices by the use of statutory powers<sup>175</sup>, and that, although the period of freeze and severe restraint had had some effect, they only served as a postponement after which the rate of inflation accelerated<sup>176</sup>.

The second focus of the Opposition's attack was industrial relations. The Conservatives' Leaders argued that the Government's incomes policy had not only failed to hold back inflation, but had further created "grave injustices" between individuals and groups, thereby encouraging militancy and producing a spate of industrial disputes<sup>177</sup>. This contention was supported with reference to statistics which showed that in 1968 the number of days lost by industrial disputes was 4.5 million, compared with 2.8 million in 1967 and 2.4 million in

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172. In November 1965 the Retail Price Index jumped half a point and in the following month the Federation of Wholesale Grocers reported that their index of wholesale prices had jumped two points in a month, this was the beginning of what has been termed the "price explosion".
173. The Retail Price Index is reproduced in The Department of Employment and Productivity Gazette (prior to 1968 entitled The Ministry of Labour Gazette), Vol.77, November 1969, pp.1086-7.
174. Department of Employment and Productivity Gazette, Vol.77, May 1969, p.490.
175. See speech by Heath, H.C.Debs., Vol.793, Col.1393, 17 December 1969.
176. The Campaign Guide 1970, op.cit., p.56.
177. H.C. Debs., op.cit., Col.1388.



1966<sup>178</sup>. Furthermore, this gave the Opposition an opportunity to publicise their own proposals for the reform of industrial relations. These had been outlined under the guidance of Robert Carr and by mid-1969 were in the process of being transformed into legislative form by a committee of lawyers under Geoffrey Howe<sup>179</sup>. Later these were to form a major plank in the Conservative programme and sometimes appeared to be used in lieu of an incomes policy<sup>180</sup>.

To some extent the Conservatives' concentration upon inflation and industrial relations reflected changes in the Government's own position. The acceleration in wage increases following the periods of "freeze" and "severe restraint" represented a set-back for the Administration's policy, while the 3½ per cent ceiling on wage increases laid down in 1968, was, in the following twelve months, consistently exceeded<sup>181</sup>. As previously noted, by late 1968 Government personnel were considering reforms involving the re-constitution of the NBPI and the re-allocation of its functions. Parallel with these developments in the prices and incomes policy field, the Government published a White Paper entitled In Place of Strife which contained proposals for widescale reforms in industrial relations<sup>182</sup>.

These two developments were drawn together by the Chancellor of the Exchequer, Roy Jenkins, who in April 1969 announced that compulsory powers to freeze wage increases under the Prices and Incomes Acts were to be abandoned, and that legislation was to be introduced to implement some of the provisions incorporated in In Place of Strife<sup>183</sup>. The

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178. NCP 1969, No.8, 12 May 1969, p.152.

179. See Fair Deal at Work, CPC, March 1968. These reforms were first suggested in the 1965 policy statement Putting Britain Right Ahead, CCO, London 1965; and re-affirmed in the 1966 Election Manifesto, Action Not Words, CCO, London 1966.

180. NCP 1968, No.15, September, p.266; speech by Carr, H.C.Debs., Vol.786, Cols.62-75, 3 March 1969; speech by Heath, The Times, 30 October 1969; for similar criticisms from two academic observers see R.G. Lipsey, and J.M. Parkin, "Incomes Policy: A Reappraisal", Economica, May 1970.

181. Productivity, Prices and Incomes Policy in 1968 and 1969, Cmnd. 3590, HMSO, London April 1969.

182. Cmnd. 3888, HMSO, London January 1969

183. H.C.Debs., Vol.781, Cols.1004-6, 15 April 1969.

nature of the proposed legislation aroused strong opposition from both the TUC and certain members of the Labour Party, and the measure was eventually dropped by the Government<sup>184</sup>.

Thus, by late 1968, it appears that the Labour Cabinet had lost some of its earlier faith in incomes policy as the sole means of containing wage inflation. That is to say that the Government no longer placed singular emphasis upon a policy designed to deal with the symptoms of wage inflation through attempting to control the outcome of the collective bargaining process. Instead, like the Conservatives, they showed a growing concern with the reform of industrial relations. That is, with policies designed to deal with the causes of wage inflation through attempting to control the process of collective bargaining itself. Hence the Opposition's concentration upon the issues of inflation and industrial relations paralleled and, perhaps, reflected the alteration which took place in the Government's policy.

The Government's retreat over its proposed industrial relations bill had two consequences of particular significance to the subject of this study. First, their action undermined the last vestiges of support for an incomes policy on the Conservative back-benches. Kenneth Lewis, for example, who had been one of the staunchest and most consistent Conservative supporters of the concept of a voluntary incomes policy, announced in December 1969 that he had come to the conclusion that a voluntary policy could not be achieved<sup>185</sup> and that, although it might be possible to try again in the future, "the monopoly power of the unions" would need to be looked into first<sup>186</sup>. Lewis also stated that for "almost the first time" on prices and incomes he would vote with the Opposition<sup>187</sup>.

Secondly, the Government's retreat on industrial relations left it once more dependent upon prices and incomes policy as the main means of

184. For a detailed outline of the events surrounding the development and abandonment of the Labour Government's Industrial relations policy, see Peter Jenkins, The Battle of Downing Street, London 1970.

185. H.C.Debs., Vol.793, Col.1441, 17 December 1969.

186. Ibid., Cols.1444-5.

187. Ibid., Col.1442.

dealing with inflation. As previously shown, existing policy in this field had proved inadequate and the Government was considering important adjustments in the machinery of incomes policy. In September 1969 the Government announced that as a "bridging measure" between the lapse of the existing prices and incomes legislation in December and the introduction of new measures, it would be necessary to re-activate Part II of the 1966 Prices and Incomes Act for a period of three months. This announcement was followed in October by a statement indicating that the Government had decided to merge the NBPI with the Monopolies Commission in a new Commission for Industry and Manpower<sup>188</sup>. The Conservatives opposed both these proposals and, when in April 1970 a Bill was introduced outlining the nature and functions of the CIM, the Party Leadership attacked the new body as just "another instalment in the Government's ineffective and damaging incomes policy".<sup>189</sup> It was regarded by the Conservatives as being primarily concerned with price restraint<sup>190</sup>, and they objected in particular to Part II of the Bill which dealt with the compulsory notification of increases in prices, charges, incomes and dividends<sup>191</sup>. Despite these criticisms the Opposition seemed willing to accept some of the provisions of the Bill, and indicated that, if established, the CIM would be reformed rather than abolished by a future Conservative administration<sup>192</sup>.

However, the Conservative Leaders did not specify in any detail whatever plans they might have had for the CIM and, throughout the final eighteen months of Opposition, they consistently avoided making any precise statement about the machinery and operation of the Conservative alternative to the Government's prices and incomes policy. Instead, Opposition spokesmen confined themselves to two types of pronouncements. On the one hand, they made general statements of a rather ambiguous nature such as, for example, Macleod's contention that nobody could be an "Economic Minister in this country and not have a sort of incomes policy".<sup>193</sup> On the other hand, they concentrated upon outlining more

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188. Department of Employment and Productivity, Commission for Industry and Manpower, HMSO, London January 1970.

189. Speech by Robert Carr, H.C.Debs., Vol.799, Col.575, 8 April 1970.

190. Ibid., Cols. 666-667.

191. Ibid., Col.590.

192. Ibid., Col.283.

193. BBC Radio 4 Broadcast, 16 April 1969; NCP 1969, No.8, 12 May 1969, pp.152-3.

long-term policies involving proposals for the management of demand and the provision of incentives. Heath, for example, outlined three actions that could be taken by the Government to deal with price inflation: the encouragement of savings by providing incentives to save, the introduction of cuts in state spending, and the reduction of taxes so as to provide greater incentives to productivity<sup>194</sup>. At a later date, it was suggested that the answer to inflation was to be found in a "return to a 'virtuous circle' through reducing direct taxation, leading to more savings, higher investment and cost reductions".<sup>195</sup>

By the time of the 1970 Election, the emphasis upon long-term solutions had become paramount in Conservative policy statements. In their election manifesto the Conservatives rejected the Labour Government's prices and incomes policy because of its statutory nature and offered instead a "competition policy" to curb inflation. This policy included the reduction of taxes, the reform of industrial relations, and the improvement of efficiency in Government and industry<sup>196</sup>. In addition, the Conservatives pledged that they would "subject all proposed price rises in the public sector to the most searching scrutiny".<sup>197</sup> But this did not signify the total rejection of a more widely based policy. In a more comprehensive review of the Party's proposals released in preparation for the election, emphasis was placed both upon the decision in January 1966 that incomes policy had "a useful but marginal role to play", and upon the Leader's Carshalton speech in which he dealt with the scope of the policy<sup>198</sup>.

During the final phase in the development of the Conservative Opposition's approach to incomes policy the Party Leaders concentrated upon attacking the Labour Government's policy. They emphasised what they considered to be its inflationary effects and its consequences for human relations in industry. At the same time Government personnel attempted to supplement their anti-inflationary efforts in the prices and incomes

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194. Speech to NUCVA Central Council, Scarborough, 22 March 1969, NCP 1969, No.7, 7 April 1969, pp.110-11.

195. NCP 1970, No.9, 28 May 1970, p.219.

196. A Better Tomorrow, CCO, London May 1970, p.11.

197. Ibid., p.12.

198. The Campaign Guide 1970, op.cit., pp.51-52.

field with legislation designed to deal with industrial relations. Throughout the period Opposition Leaders avoided outlining in any detail the Conservative approach to incomes policy, and instead, in addition to attacking the Government's policy, concentrated upon outlining their own long-term proposals. So that, in June 1970, the Conservatives fought a General Election in which inflation was a major issue, without having formulated a short-term policy to deal with it<sup>199</sup>. The Leadership had, however, managed to maintain a flexible position, and had at no stage rejected an incomes policy altogether. Their avoidance of the issue, particularly prior to the Election, suggested that incomes policy had been excluded altogether. The door in fact remained open, even if the gap was only barely perceptible.

### III Conclusion

The development of the Conservative Party's position on prices and incomes policy during its period in Opposition was characterised by at least one distinctive feature: namely that the Conservative Leaders retreated from their pre-1964 commitment to the achievement of a permanent and voluntary national policy covering not only incomes, but also prices and profits. They failed, however, to formulate an alternative.

It may be recalled that upon entering Opposition the Conservatives were able to observe a Labour Government pursuing much the same policy guidelines as they had themselves supported in Government. Initially, the Conservative Leaders avoided criticising specific aspects of the Administration's approach and concentrated instead upon questioning its chances of success in the light of the Government's broader economic actions. However, the Conservative Leaders adoption of a more liberal policy stance and alterations of opinion within the Conservative Party more generally, implied at least a modification in the Party's Opposition standpoint, but the issue remained contentious and discussion was discouraged. Yet, once it became clear that the Government was seriously considering the introduction of statutory measures, the alteration in the Opposition's position was officially acknowledged and the retreat began in earnest.

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199. See Nigel Fisher 1973, op.cit., pp.302-3.

Thus, by July 1967, the achievement of an incomes policy had ceased to be a primary objective of the Conservative economic programme, its relevance to price control had been rejected, and its applicability to the private sector had been questioned. In the remaining three years of Opposition, some leading Conservatives attempted to formulate an alternative policy but it roused deep divisions within the Party and in the long run proved unfruitful. After pledging to abolish the NBPI in its existing form, from January 1969 onwards the Party Leadership concentrated, not upon clarifying its own position, but upon attacking certain aspects of the Labour Government's programme and outlining long-term proposals for the containment of inflation.

At least two factors seem to have contributed to the Conservative Leadership's failure to formulate a coherent alternative policy. First, some leading Conservatives did not regard the issue of incomes policy as a matter of great urgency or even importance. Macleod in particular, who as Shadow Chancellor of the Exchequer was primarily responsible for the development of Conservative economic policy, appeared to be unconcerned about and somewhat disinterested in the matter and made no effort to encourage the development of a clear Conservative view on incomes policy<sup>200</sup>. Secondly, other leading Conservatives, most notably the Party Leader, seemed concerned to avoid, whenever possible, any discussion of incomes policy because of the effects that it was liable to have upon party unity. Thus the opportunities to develop an alternative policy were severely limited.

The latter point suggests that in the incomes policy field, as in the case of economic planning, the production of policy was very often subordinated to considerations of party performance. For instance, the debate which took place within the Conservative Opposition on the issue of prices and incomes was not only concerned with the detailed shape and content of the Conservatives' own approach, but also, and more fundamentally, with the desirability of any form of national incomes policy whatsoever. The Conservative Leaders, with the exceptions of Maudling and Powell, generally avoided making any clear pronouncement on the issue.

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200. Ibid., p.269.

To have done so might have proved damaging to the Party's prospects in at least three ways. First, any attempt by the Leadership to reject incomes policy altogether appeared liable to undermine party unity. Secondly, an outright rejection of incomes policy might have weakened the Opposition's credibility as a viable alternative administration. Finally, a clear cut decision either for or against, could have seriously limited the flexibility and freedom of manoeuvre of a future Conservative administration. In these circumstances, the strategy most likely to commend itself was the one which appears to have been pursued by the Conservative Leaders: namely, to avoid a decision, keep the party united, and keep open as many options as possible.

Thus in the case of prices and incomes policy, as in the case of economic planning, the Conservative Leaders retreated from a policy position maintained by them when in Government which was controversial in terms of party beliefs and values and which was adopted and maintained by their successors in office. In doing so they were able to differentiate themselves from the approach pursued by the Labour Government. Also the production of policy proposals appears to have been subordinated to other considerations relating to party performance, namely the maintenance of party unity. The closer attention shown by the Leadership to opinions within the Party during the Opposition period may be contrasted with the position prior to 1964 when the Conservative policy on prices and incomes was mainly inspired and developed by a few senior ministers with the assistance of extra-party personnel. In contrast to economic planning, however, no alternative Conservative, policy was developed in the incomes policy field. For, while national economic planning ceased to be a major issue of public controversy, prices and incomes policy continued to be so, and Conservatives appeared unable to agree upon a specific course of action.

## CHAPTER NINE

## REGIONAL POLICY

I. Introduction

During the 1960s both Conservative and Labour spokesmen tended to accept that those areas of the UK which were characterised by above average unemployment, high net emigration, low activity rates and relatively low incomes, were deserving of special Government assistance. They disagreed, however, about the causes of regional decline and the desirability of the specific measures designed to mitigate the problem. Yet, even on these points the contrast between the parties' positions was never absolute and their differences were ones of emphasis rather than substance. These variations in policy emphasis are outlined in the detailed case study which follows. In order to place this in context two aspects of regional policy in Britain are considered in this section. In the first place some of the main issues of contention which surrounded the formulation of regional policy during the 1960s are examined. This is followed by a brief outline of the development of regional measures prior to the decade under study.

1. Approaches to Regional Policy

According to McCrone there are at least two ways in which the problems of declining regions may be approached. The first stresses that a region's problems are a product of locational disadvantages such as its distance from communication and growth centres or its peripheral situation in relation to the centre of the economy. If this analysis is accepted, policy will be aimed, not at the regeneration of the region, but upon facilitating the occupational and geographical mobility of labour, so as to move the workers to the work. In contrast the second approach emphasises that a region's problems are a product of structural disadvantages such as declining industries, inadequate communications and restricted



amenities. If this analysis is accepted, policy will be aimed at regenerating the region by developing its infrastructure or by providing inducements so as to attract new industry to it and thus bringing the work to the workers<sup>1</sup>.

The high social and political costs of a predominantly locational solution have so far proved prohibitive in Britain. Although, as will be shown, the Conservatives have been more sympathetic than the Labour Party to locational arguments, they, like their opponents, have consistently given priority to structural reforms. Thus, regional policy has mainly consisted of measures to facilitate regional regeneration by the provision of inducements to attract new industry.

During the 1960s, however, attempts were made, particularly by Conservatives, to combine the locational and structural approaches in what was termed a growth points strategy. This phrase, as employed in political usage, involved an acceptance of the view that not all districts were viable. But regions would be viable if aid were to be focussed upon sub (intra) regional growth areas: i.e. areas of great potential economic growth. These areas, it was suggested, would be capable of acting as regenerating points for the region as a whole. Such an approach implied that other parts of the region should be allowed to decline, while the resulting unemployment would be mopped up by the adjacent, prospering growth areas. In sum, a growth points strategy involved a concentration of governmental resources in a selective and discriminatory manner. It placed emphasis upon economic (growth) criteria rather than social (unemployment) criteria, was long term rather than short term in nature, and involved planned intra regional mobility of labour as an alternative to unplanned inter regional drift of labour. Thus, the concept represented a combination of industrial mobility (i.e. work to the workers) and

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1. Gavin McCrone, Regional Policy in Britain, London 1969, p. 169.

and labour mobility (i.e. workers to the work), and a unification of the structural and locational approaches.

As well as the approaches to the regional problem, the specific measures adopted to aid declining localities have also been the issue of heated political debate. In particular, the argument has centred around four issues. First, the criteria for scheduling and demarcating assisted areas, which has raised problems of definition and the drawing of boundaries. Secondly, the comprehensiveness and the use of controls such as Industrial Development and Office Development Certificates. Thirdly, the range and nature of incentives and inducements: whether these should be mainly in the form of direct assistance to industry in the shape of cash grants and/or tax allowances, or indirect assistance through measures of infrastructural reform designed to make the region a more attractive place for industry to go to. Closely related to this question is the fourth issue of how the inducements should be apportioned within an assisted area: whether, for example, aid should be equally available to all or preference should be given to certain types of industry and/or sub-locations within the larger area<sup>2</sup>.

Moreover, as the case study shows, decisions about the type and scale of British regional policy engendered a distinctive form of political controversy in which party political boundaries were, to some extent, obscured by local interests. The process of drawing boundaries was shown to involve a delicate balance between national party purpose and local constituency demands.

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2. See Harry W. Richardson, Elements of Regional Economics, Middlesex 1969, pp. 120-8.

## 2. The Development of British Regional Policy Prior to 1960<sup>3</sup>

In Britain aid to depressed regions was started in 1934, but no clear strategy for the dispersal of industry emerged until the Report of the Barlow Commission in 1940<sup>4</sup>. Following the Commission's report, the war time Coalition Government made a strong commitment to regional measures in their 1944 White Paper on Employment Policy<sup>5</sup>. Legislative effect was given to the proposals contained in the White Paper by the passage of the Distribution of Industry Act 1945. This Act established certain "Development Areas" in which the Board of Trade could provide special assistance in the form of factory building, public investment in the areas' public services, and loans and grants for industrial estate companies and specific undertakings<sup>6</sup>.

The vigour with which the 1945 legislation was applied varied considerably over the next fifteen years. Initially the post war Labour Government gave a high priority to regional policy. Following balance of payments difficulties in 1947, however, the building of advance factories was stopped and at the same time the pressure upon businessmen to go to Development Areas was relaxed<sup>7</sup>. Despite the introduction of a system of

3. There are numerous surveys of regional policy in Britain, the most comprehensive remains, McCrone 1969, *op. cit.*, pp. 91-119. A less detailed but more up to date account may be found in Commission of the European Communities, General Directorate for Regional Policy, Regional Economic Structures and Policies in the United Kingdom, XIV/23/72-E, Brussels 1972. See also EFTA, Industrial Estates, March 1970, pp. 29-47; M.F.W. Hemming, "The Regional Problem", Economic Review, No. 25, August 1963, pp. 40-57; B.J. Loasby, "Location of Industry: Thirty Years of 'Planning'", District Bank Review, No. 156, December 1965, pp. 29-52; L. Needleman & B. Scott, "Regional Problems and the Location of Industry Policy in Great Britain", Urban Studies, Vol. 1, 1964, pp. 153-73.
4. Report of the Royal Commission on the Distribution of the Industrial Population, Cmd 6153, HMSO, London 1940.
5. Employment Policy, Cmd 6527, HMSO, London 1944, para. 29.
6. For a list of the areas demarcated under the 1945 Act, including additions made after 1945 see McCrone 1969, *op. cit.*, p. 108.
7. Ibid., p. 115.

Industrial Development Certificates (IDCs) under the Town and Country Planning Act 1947, this trend continued into the 1950s. The relaxation was in part a consequence of the low level of post war unemployment which effectively removed one of the main reasons for the 1945 Act. In addition, during the early 1950s the traditional industries underwent a boom<sup>8</sup> and as a result unemployment remained low and the regional economies buoyant.

By 1958 the boom in the traditional industries had collapsed and unemployment increased once more<sup>9</sup>. Between December 1957 and December 1958 it rose by almost one per cent to a total of 2.4. More importantly, the brunt of this rise was borne by what might be termed persistent problem areas such as the North West, the North, Scotland and Wales, where the percentage rise in unemployment was 1.7, 1.4, 1.5 and 1.1 respectively<sup>10</sup>. In an attempt to deal with these persistent pockets of unemployment the Government (by the Distribution of Industry (Industrial Finance) Act 1958) tightened up their controls over IDCs and extended the provisions of the 1945 Act to cover certain smaller "development places"<sup>11</sup>. The problem of unemployment remained, however, and in their 1959 General Election Manifesto the Conservative Leaders promised early legislation to strengthen the Government's powers for dealing with unemployment<sup>12</sup>. The need for an alteration in policy was further underlined by the election results. Although the Conservatives were returned with an overall majority of 101, their performances in the North of England and industrial Wales were well below the national average, and in Scotland and North West England there was a marked swing against them<sup>13</sup>.

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8. J.R. Cable, "Industry and Commerce", in A.R. Prest (ed.), A Manual of Applied Economics, London 1966, pp. 151-4.
  9. McCrone 1969, op. cit., p. 117.
  10. Source: Ministry of Labour Gazette, Vols LXVI and LXVII, 1958 and 1959.
  11. Distribution of Industry (Industrial Finance) Act 1958, c. 41.
  12. "The Next Five Years", in D.E. Butler and Richard Rose, The British General Election of 1959, London 1960, p. 258.
  13. Ibid., p. 194 and pp. 202-18.

## II. The Conservatives in Government: 1960-1964

In 1960, in keeping with their election pledge, the Conservative Government replaced existing legislation for the distribution of industry with a new Local Employment Act<sup>14</sup>. This legislation provides a useful starting point for an analysis of the emergence of Conservative policy during the early 1960s. I have divided the period under four headings. First, the 1960 Act and its shortcomings are outlined. Secondly, the Government's reassessment of regional measures is considered. Thirdly, the nature and influence of Conservative Party opinion upon the development of Government policy is analysed. Finally, the content of the Conservative Party's regional policy at the time of the 1964 General Election is described and assessed.

### 1. The Local Employment Act 1960 and its Shortcomings

Under the 1960 Act any place in which high unemployment existed could be scheduled by administrative decision as a Development District and become eligible for a wide range of assistance. If unemployment fell, the area could be removed by administrative decision from the list of Development Districts<sup>15</sup>. In practice, 4.5 per cent was adopted as the unemployment rate at which a district was scheduled. The assistance available under the Act included the provision of factories for rent or purchase on mortgage, building grants for firms preferring to build their own factories, loans or grants for general purposes, and grants for special expenses incurred as a result of setting up in a Development District. The amount of assistance granted was related to the capacity of firms to provide new jobs<sup>16</sup>. As under previous legislation, powers for the clearance of derelict land and the provision of basic services were continued. Also, the

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14. Local Employment Act 1960, 8 and 9, Eliz. 2, Ch. 18.

15. Ibid., Sect. 1(2).

16. Ibid., Sect. 1(3).

Ministry of Labour continued to provide assistance towards the removal and resettlement of key workers<sup>17</sup>.

The 1960 Act represented a culmination of the post 1945 policy. For instance, it involved short term rescue operations based on social need rather than economic potential, or even viability and, although it was to remain the foundation of regional policy, it was substantially strengthened and amended during the 1960s.

The revision of regional policy carried through by the 1960 Act did little to satisfy the critics of previous policy. They pointed to at least three major shortcomings. First, some maintained that the criteria for scheduling under the Act were too rigid, and the provisions for assistance too limited for the legislation to be effective. In particular, they pointed out the futility of mere rescue operations and urged the need for a more comprehensive approach. This view was expressed on a number of occasions by the North East Development Council<sup>18</sup>, PEP<sup>19</sup>, The Economist newspaper<sup>20</sup>, and the Lancashire and Merseyside Industrial Development Association. Members of the latter were particularly concerned about what they termed the "fundamental inflexibility" of the 1960 Act which did not permit any concept of "grey or intermediate areas"<sup>21</sup>.

Other critics were concerned with the machinery of regional policy and the lack of coordination between the various government departments and agencies involved. Both The Economist and PEP

17. Ibid., Sect. 6; EFTA 1970, op. cit., pp. 34-37.
18. The Guardian, 6 April 1963; "Report of the North East Development Council", The Statist, June 1962.
19. Political and Economic Planning (PEP), The Location of Industry, London October 1962.
20. "Developing Durham", The Economist, 8 April 1961.
21. The Guardian, 25 August 1962.

criticised the functional specialisation in Whitehall which produced a situation whereby regional problems were the concern of at least five Ministries, each dealing with a different aspect of policy<sup>22</sup>. For example, IDCs were the responsibility of the Board of Trade, communications were partly the responsibility of the Ministry of Transport, the siting of new towns was the concern of the Ministry of Housing and Local Government, industrial training was dealt with by the Ministry of Labour, and overall control of finance was held by the Treasury. Little regional machinery existed by which the responsibilities of these Ministries could be co-ordinated on an area basis.

Finally, as McCrone notes, in the early 1960s the whole question of economic growth was receiving much greater emphasis than ever before and attention was directed to the "contributions which the regions might make to the achievement of a higher national rate of growth"<sup>23</sup>. Under the 1960 Act, however, the main criterion for scheduling Development Districts was not an area's growth potential but its level of unemployment.

The criticisms of the scope, machinery and objectives of regional policy considered above were all outlined in the Tothill Report published in 1961 by the Scottish Council (Development and Industry)<sup>24</sup>. In addition to providing a well argued critique of existing regional measures, at least two of the Report's

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22. PEP October 1962, op. cit. "Checking the Drift", The Economist, 11 November 1961; PEP Survey, Regional Development in the European Community, London 1962, pp. 55-85.

23. McCrone 1969, op.cit., p. 120.

24. Report of the Committee of Inquiry into the Scottish Economy, Scottish Council (Development and Industry), Edinburgh November 1961, especially Chapters 2, 20 and 21. The Scottish Council is a private, voluntary organisation bringing together businessmen and a few trade unionists; it maintains informal contacts with the Scottish Office, and members of that Ministry acted as assessors to the Tothill Committee. For comment upon the Report see "The Most Acute Case", The Economist, 25 November 1961.

recommendations served as pointers to a new policy. First, the authors recommended the establishment of a special section within the Scottish Office responsible for the co-ordination of regional measures<sup>25</sup>. Secondly, the authors recommended that Government assistance should be concentrated upon areas of potential growth, or growth points<sup>26</sup>.

Additional support for those who criticised the adequacy of regional measures was provided by the general trend of unemployment. Between 1960 and 1963 unemployment in the United Kingdom rose by over one per cent and by January 1963, during one of the coldest and harshest winters on record, reached a total of 861,047. The depressed regions suffered the worst decline in employment, and in Scotland, the North East and Wales by January 1963 unemployment had reached 5.9, 6.5 and 5.7 per cent respectively<sup>27</sup>. As Table 9:1 illustrates, this trend of rising unemployment became particularly pronounced after September 1962 and continued throughout most of 1963.

The rise in unemployment coincided with a growing dissatisfaction on the part of some members of the Conservative Party with the Government's regional policy. An early indication of Party feeling was expressed during the debate on the Finance Bill in June 1962. On this occasion, Dame Irene Ward and Sir Fitzroy Maclean voted with the Labour Opposition in favour of a clause, introduced by Sir Fitzroy, which advocated greater incentives for the regional dispersal of industry<sup>28</sup>. In December 1962 a delegation of Conservative MPs representing constituencies in the North East put their case to the Prime Minister. They

25. "Report of the Committee of Inquiry into the Scottish Economy", *op. cit.*, Chapter 22.

26. *Ibid.*, p. 154.

27. *Ministry of Labour Gazette*, Vol. 71, 1963, p. 67.

28. *H.C. Debs.*, Vol. 669, Col. 952, 17 December 1962; and Vol. 663, Cols 695-697, 19 July 1962.



TABLE 9:1

Percentage Rate of Unemployment by Region  
(May 1962 to November 1963)

Problem Regions	14.5.62	16.7.62	10.9.62	12.11.62	14.1.63	11.3.63	13.5.63	15.7.63	9.9.63	11.11.63
South Western	1.6	1.4	1.6	2.2	3.7	2.5	1.9	1.4	1.6	2.0
Yorks & Lincolnshire	1.5	1.4	1.7	2.0	3.0	2.6	2.1	1.6	1.7	1.6
North Western	2.4	2.3	2.8	2.9	3.9	3.7	3.2	2.6	3.0	2.6
Northern	3.5	3.2	3.8	4.7	6.5	6.0	4.8	4.0	4.4	4.5
Scotland	3.5	3.5	3.8	4.3	5.9	5.7	4.8	4.3	4.2	4.2
Wales	2.9	2.7	3.2	3.6	5.7	4.5	3.6	2.8	3.0	3.0
Great Britain: Total	1.9	1.8	2.1	2.4	3.6	3.1	2.4	2.0	2.1	2.1
Northern Ireland	7.6	7.2	6.9	7.1	9.5	9.3	8.0	7.3	7.1	6.8

Source: Ministry of Labour Gazette, Vols 70 and 71, 1962 and 1963.

urged that a single Minister should be placed in charge of the North East region and that the Government should launch a major planning policy to inject new life into the area<sup>29</sup>. In the same month the Opposition tabled a censure motion on unemployment and at least three Conservative MPs, all from the North East, indicated their dissatisfaction with Government policy by abstaining from voting in the division<sup>30</sup>.

In addition to Conservative back-benchers, during December 1962, at least six organisations closely concerned with regional matters petitioned the Government for a change in policy. These included the Scottish Council<sup>31</sup>, the Lancashire and Merseyside Industrial Development Association<sup>32</sup>, the North East Development Council<sup>33</sup>, the Town and Country Planning Association<sup>34</sup>, the Federation of Industrial Development Associations<sup>35</sup> and the TUC<sup>36</sup>.

## 2. The Government's Reassessment of Policy

In the face of mounting criticisms of existing policy and the rising level of unemployment the Government did not remain inactive. In the Autumn of 1962 a Cabinet Committee was established to consider reforms and adjustments in regional policy, and in November the Government announced that expenditure on roads in the North East was to be doubled and that new advanced factories were to be built both there and in Scotland<sup>37</sup>. Clear

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29. The deputation included one Labour member, Edward Short (Newcastle upon Tyne, Central); H.C. Debs., Vol. 669, Col. 926, 17 December 1962.
30. These were Dame Irene Ward (Tynemouth), Commander J.S. Kerans (Hartlepool), and Fergus Montgomery (Newcastle upon Tyne, East). For the debate see ibid., Cols 902-1027.
31. The Times, 18 December 1962.
32. The Guardian, 15 December 1962.
33. Ibid.
34. The Guardian, 5 December 1962.
35. Ibid., 6 December 1962.
36. Ibid., 20 December 1962.
37. Speech by the Chancellor of the Exchequer, Reginald Maudling, H.C. Debs., Vol. 666, Col. 634, 5 November 1962; Written Answer by Mr Erroll, President of the Board of Trade, H.C. Debs., Vol. 666, Col. 88, 8 November 1962; Speech by John Hare, Minister of Labour, H.C. Debs., Vol. 671, Cols 60-64, 4 February 1963.

indications of a new approach did not, however, begin to emerge until the early months of 1963 when the Government introduced a series of measures of which two dealt with the problems of congestion in the South East. The first was the establishment in April 1963 of the Location of Offices Bureau<sup>38</sup>. It was this organisation's task to provide firms working in Central London, or those contemplating setting up office employment there, with information and advice upon the advantages of decentralising their undertakings<sup>39</sup>. In addition, the Government began to decentralise its own offices and plans were drawn up to move out some 50,000 of the 133,000 Civil Servants then working in Inner London<sup>40</sup>.

As well as dealing with the problems of the congested areas, the Government took initiatives in relation to the depressed regions. In January 1963, Lord Hailsham was appointed to lead an interministerial group with Special Responsibility for the North East, a review of Central Scotland was set in hand under the auspices of the Scottish Office<sup>41</sup>, and Merseyside was rescheduled as a Development District<sup>42</sup>. In April, the Prime Minister announced that the Welsh Office was to be strengthened and that work was already taking place on a survey of long term prospects for Wales<sup>43</sup>.

Moreover, the Government introduced two measures designed to

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38. This followed the publication of a White Paper dealing with the problems of land use in the London area, which revealed that of the 40,000 jobs created annually in the London conurbation only 20 per cent were in manufacturing industry. London: Employment, Housing, Land, Cmd 1952, HMSO, London 1963.
39. See speech by Sir Keith Joseph, H.C. Debs., Vol. 674, Cols 1649-50, 28 March 1963.
40. The Campaign Guide: 1970, CCO, London 1970, p. 218.
41. See The Times, 10 January 1963; speech by Lord Dundee, H.L. Debs., Vol. 246, Cols 43-46, 23 January 1963.
42. H.C. Debs., Vol. 671, Cols 59-61, 4 February 1963.
43. NCP 1963, No. 18, 23 September 1963, p. 3.

increase the assistance available to the depressed regions. One was in the form of a 'free depreciation' section in the 1963 Finance Act, which enabled firms in Development Districts to offset the full cost of investment in plant and machinery against profits at any rate they chose<sup>44</sup>. The other was the Local Employment Act 1963. This legislation left the general provisions of the 1960 Act unchanged, but made assistance both more generous and more predictable. In place of the previous formula for building grants, the 1963 Act established a standard grant of 25 per cent of the cost of building; and secondly, it provided for a standard grant of 10 per cent of the cost of acquiring and installing plant and machinery in industrial undertakings<sup>45</sup>.

The measures introduced during the early part of 1963 indicated that the Government was according regional problems a high priority, but they did not form a comprehensive or co-ordinated approach. Strong support for a more coherent policy was contained in the second report of the NEDC published in April 1963. As in the case of the Toothill Report, the members of the NEDC recommended that assistance should be concentrated on growth points within widely defined development areas<sup>46</sup>.

In July 1963 the Prime Minister announced that the Government was evolving a new approach to regional policy based on the concept of growth points. He went on to reveal that two White Papers, on

44. Finance Act 1963, Ch. 25, Section 38.

45. Local Employment Act 1963, Ch. 19, Section 2(1) and Section 1; Speech by David Price, H.C. Debs., Vol. 676, Cols 1196-1198, 1 May 1963.

46. NEDC, Conditions Favourable to Faster Growth, HMSO, London April 1963, pp. 26-26. The idea of growth points was strongly supported by the Federation of British Industries, see FBI, The Regional Problem: A Study of the Areas of High Unemployment, May 1963, p. 4.

the North East and Central Scotland, were due to be published shortly and indicated that others were in the pipeline<sup>47</sup>. The task of completing the development of the Government's long term strategy, however, fell to Edward Heath as Secretary of State for Industry, Trade and Regional Development and President of the Board of Trade, in the Home administration.

Heath's work in the regional development field was largely a continuation of the measures being developed under the previous Macmillan administration, although the new appointment did herald some important developments. In November 1963, Howe announced changes in the machinery of Government<sup>48</sup>. At the Board of Trade a Directorate for Regional Development and an inter-ministerial group was formed to consider future regional policies and plans. Moreover, administration was slightly decentralised with more extensive powers being given to the Ministry's regional offices.

Further indications of the Government's new approach were contained in the White Papers on the North East and Central Scotland published in November 1963. Both documents stated that public expenditure on regional infrastructure would be increased in areas selected as "growth zones". In these areas, existing forms of assistance were to be guaranteed until there was evidence of general and sustained improvements in prospects over both regions as a whole<sup>49</sup>. Both documents also proposed important reforms in the machinery of regional policy in the North East and Central Scotland. Existing regional offices of Government Departments in the North East were to be strengthened and brought together in a single building

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47. The Times, 3 July 1963. See also The Times, 2 August 1963 and 21 October 1963.

48. The Times, 6 November 1963 and 13 November 1963.

49. Central Scotland: A Programme for Development and Growth, Cmd 2188, HMSO, Edinburgh 1963, esp. Ch. 8; The North East: A Programme for Development and Growth, Cmd 2206, HMSO, London 1963, paras 38-42.

in Newcastle<sup>50</sup>, while in Scotland, the inter-departmental Scottish Development Group, which had been largely responsible for the production of the White Paper, was to continue in being with the specific responsibility of co-ordinating the development of the policy<sup>51</sup>.

In the Parliamentary Debate on the two White Papers, Heath referred to them and the reforms of regional planning machinery as the beginning of a "comprehensive policy for regional development"<sup>52</sup>. He stressed the need for a small central planning staff "with the powers necessary to ensure that the plans of the local authorities, the Ministry of Transport, the Ministry of Housing and Local Government and those of the Board of Trade" all fitted together<sup>53</sup>.

The initiatives taken in relation to the North East and Central Scotland were later extended to other regions. In March 1964, a Government study group published a report on the South East of England<sup>54</sup> and, during the next few months, groups of officials were formed to carry out similar studies for the North West, West Midlands, the Scottish Highlands and Borders, and the East and West Ridings of Yorkshire<sup>55</sup>. The Government also assisted and helped to finance local studies of the South West, Dorset, Devonshire, Cornwall, and the Exeter and Plymouth areas<sup>56</sup>. Most of these studies were not published, however, until after the Conservatives had left office<sup>57</sup>.

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50. The North East 1963, op. cit., paras 129-30.  
 51. Central Scotland 1963, op. cit., para. 160.  
 52. H.C. Debs., Vol. 685, Col. 987, 3 December 1963.  
 53. Ibid., Col. 1002.  
 54. Ministry of Housing and Local Government, The South East Study (1961-81), HMSO, London March 1964; South East England, Cmd 2308, HMSO, London March 1964.  
 55. NCP 1964, No. 16, 17 August 1964, pp. 22-24.  
 56. NCP 1965, No. 15, 26 July 1965, p. 416.  
 57. For a comprehensive list of these studies see Harry W. Richardson 1969, op. cit., Footnote, p. 134.

In sum, by early 1963, there were clear indications that the Government was making strenuous efforts to overcome the apparent shortcomings in the scope, machinery and objectives of existing regional policy. The publication in November 1963 of the two White Papers on the North East and Central Scotland, was the first clear outline of the Government's new approach, although its origins may be traced to events which took place at least ten months previously. Central to this new approach was the concept of growth points, and these, in that they involved selective and discriminatory action, implied an increase in state intervention and at least a modification in the liberal Conservative conception of the role of the state. Because the policy touched on the fundamentals of party belief, the state of Conservative opinion may be usefully, if briefly, considered.

### 3. Opinion Within the Conservative Party

As previously shown, Conservative MPs representing the problem regions, particularly the North East, played some part in shaping the development of Government policy. Moreover, in general there is little evidence of widescale intra-party opposition to the Government's post 1963 reforms. However, there were critics. On the one hand, some Conservative Members, although not opposed to regional measures on principle, objected to the provision of assistance which appeared unlikely to benefit their own localities. This was the case with some Conservative MPs who represented constituencies in the South West and North of England, and the Highlands and Borders of Scotland<sup>58</sup>. For example, objections were made to the concept of growth points because of the danger of producing a miniature, sub-regional version of the national pattern

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58. See speeches by A. Bourne Arton (Darlington), H.C. Debs., Vol. 676, Col. 1219, 1 May 1963; Dame Irene Ward, ibid., Cols 1225-6; Forbes Henry (Aberdeenshire W), ibid., Col. 1246; Sir John Macleod (Ross and Cromarty), H.C. Debs., Col. 685, Cols 1069-76, 3 December 1963.

of congested and declining areas<sup>59</sup>.

The second group based their objections, not upon local interests, but on ideological grounds. Arguing from an almost laissez-faire position they opposed the whole concept of measures to deal with the regional problem and maintained that the answer lay in the free operation of market forces<sup>60</sup>. The most voluble and articulate exponent of this viewpoint was Enoch Powell who, after his refusal to serve in the Home Government, launched a detailed attack upon the concept of regional policy<sup>61</sup>. Powell viewed the regional problem as purely locational in nature and the Government's role as being limited to removing restrictions upon the mobility of labour and industry<sup>62</sup>. He applied a similar analysis to the problems of congestion in the South East by arguing that in time the economic costs of congestion would prove prohibitive and discourage further migration to the area. In the meantime the Government's role was to remove the means by which these costs were being kept at an "unrealistically low" level, by abolishing housing and travel subsidies and rent control<sup>63</sup>.

Although other Conservatives may have agreed with Powell, there is no evidence to suggest that the views expressed by him enjoyed widespread support within the Party. To repeat, throughout the period the overwhelming majority of Conservatives seemed in agreement, either tacitly or overtly, upon the need for some form

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59. See speeches by Patrick Wolrige-Gordon (Aberdeenshire East), H.C. Debs., Vol. 685, Col. 1019, 3 December 1963; John Brewis (Galloway), H.C. Debs., Vol. 676, Col. 1216, 1 May 1963.
60. See speech by Viscount Hinchinbrooke (Dorset S), H.C. Debs., Vol. 613, Cols 95-102, 9 November 1959.
61. Speech at Glasgow, 3 April 1964, in John Wood (ed.), A Nation Not Afraid, London 1965, pp. 87-91.
62. Enoch Powell, "More Freedom to Move to a Job", Sunday Telegraph, 3 May 1964.
63. Enoch Powell, "Fact and Fake in the South", Sunday Telegraph, 22 March 1964.



of Government assistance for the regions and supported, or at least did not openly oppose, the approach adopted by their Leaders.

#### 4. The Conservative's Regional Policy at the Time of the 1964 General Election

Overall, during the 1961 to 1964 period Government policy for the regions underwent three major changes. First, the scale and scope of assistance available for Development Districts were increased. Second, considerations relating to questions of economic growth played a more central part in the formulation of regional policy. Third, machinery had begun to be established whereby regional measures could be more effectively co-ordinated. These three developments indicated that by 1964 the Government was placing a far higher priority on regional policy than ever before.

By the time of the 1964 General Election, the Conservative Government had assembled a comprehensive range of measures to deal with the regional problem. In the first place, although the provisions for scheduling Development Districts under the 1960 Act remained constant throughout the period, the Conservatives appeared to be moving towards a concept of wider and more permanent districts in which assistance would be available throughout the whole area, while public expenditure would be concentrated on particular growth zones. In addition, the range of incentives and inducements available in Development Districts had been extended and by 1964 included the provision of factories, standard grants, and tax allowances. In attempting to move industry from the congested to the depressed regions emphasis had been placed upon persuasion and inducement rather than the use of controls. Hence the provision of financial incentives and the establishment of the Location of Offices Bureau. The application of IDCs, however, continued to be tightened up during the period and remained a central part of the Conservative Government's policy.

In their 1964 Election manifesto the Conservative Leaders

reiterated their commitment to the provision of special measures to deal with the regional problem, and claimed that their programme combined

the provision of better communications, up to date social services and improved amenities with generous inducements to build new factories, install modern equipment and provide fresh jobs where they are most required. Its object is to make each region a more efficient place to work in and a more attractive place to live in.<sup>64</sup>

Party Leaders made particular mention of their programmes for the North East of England and Central Scotland, which they claimed to be "without precedent in conception and scale", and mention was made of their plans for dealing with congestion in the South East<sup>65</sup>. It was on the basis of this policy that, in October 1964, the Conservative Party entered Opposition.

### III. The Conservative Party in Opposition: 1964-70

In the remainder of this chapter the development of the Conservative Party's regional policy is handled mainly in a thematic manner. Three main themes are emphasised: changes in the nature of the regional problem, changes in the Government's regional policy, and changes of opinion within the Conservative Party leading towards the formulation of an alternative policy. However, in order to explore these themes adequately, I have divided the material into two chronological sections. In the first, from October 1964 to January 1966, no significant alteration was made, by either Government or Opposition, to the regional policy guidelines established by the previous Conservative Administration. In the second, from January 1966 to June 1970, more intense activity took place and substantial alterations were made in the regional policy of both Government and Opposition.

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64. "Prosperity With a Purpose", in F.W.S. Craig (ed.), British General Election Manifestos: 1918-1966, Chichester 1970, p. 219.

65. Ibid.

1. Regional Policy: October 1964 to January 1966

Soon after entering Opposition, Heath, in his capacity as Conservative policy chief, decided that a substantial review of his Party's regional policy was not required. It was generally accepted within the Party that the corpus of policy which had accumulated during the Government period required little alteration<sup>66</sup>. Moreover, the Opposition needed time to see what the Labour Government would do to assist the problem regions. Thus, regional policy was not a central issue of intra-party debate during this early period. There were, however, some alterations in Conservative policy as a result both of the Labour Government's activities and the Conservative Leadership's adoption of a competition approach to economic affairs.

In November 1964, the Labour Government announced proposals both for the reform of regional planning machinery and for the control of office development in congested areas. Under the former proposals England was divided into eight planning regions, making a UK total of eleven with the addition of Scotland, Wales and Northern Ireland. Each region was served by a Regional Economic Planning Council, staffed by local politicians, academics, businessmen and trade unionists. These were appointed by the DEA and each Council was supported by a Planning Board of Civil Servants. The Councils had no executive powers and were purely advisory in nature. Their work was co-ordinated by the DEA through a newly established regional planning unit and regional directorate<sup>67</sup>. In addition some of the functions which had previously been the responsibility of the Board of Trade were transferred to the DEA. The vital executive functions were, however, still

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66. NCP 1965, No. 15, 26 July 1965, p. 416.

67. See speeches by George Brown, H.C. Debs., Vol. 701, Cols 228-9, 4 November 1964; H.C. Debs., Vol. 703, Cols 1829-31, 10 December 1964.

distributed among separate departments.

Conservative Leaders argued that the Labour Government's new regional planning machinery represented a continuation and rationalisation of the previous Government's approach. They claimed, for example, that the designated regions were much the same as those on which the Conservatives had been working<sup>68</sup>. Moreover, the Opposition maintained that the reforms represented an unnecessary extension in the scope of state bureaucracy and merely duplicated the work already being carried out by existing governmental and voluntary bodies<sup>69</sup>. Later the Conservatives expressed concern about the accountability of the new Regional Councils, arguing that they should be subject to "proper" democratic control<sup>70</sup>.

The second of the Labour Government's early initiatives was the Control of Offices and Industrial Development Act 1965. Under this legislation any new offices, in stated areas, required, in addition to the normal planning permission, an office development permit (ODP) from the Board of Trade, the only exemptions being buildings of less than 3,000 square feet<sup>71</sup>. For the London Metropolitan Region (within forty miles of Charing Cross), the first area to be designated, the Act had retrospective effect from midnight, 14 November 1964<sup>72</sup>. In relation to the rest of the United Kingdom the Board of Trade was given powers to apply control

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68. Michael Noble, H.C. Debs., Vol. 703, Col. 1836, 10 December 1964.
69. Edward Heath, ibid., Cols 1831-3; NCP 1964, No. 21, 21 November 1964.
70. NCP 1966, No. 2, 31 January 1966, p. 48; NCP 1965, No. 21, 22 November 1965, p. 614.
71. Under the original Bill the exemption limit was set at 2,500 square feet; however, this was amended to 3,000 square feet during the Committee stage. H.C. Debs., Vol. 705, Cols 733-822, 1 February 1965, see especially the speech by Douglas Jay, Cols 734-37.
72. Speech by George Brown, H.C. Debs., Vol. 701, Cols 230-32, 4 November 1964.

by statutory instrument, if the need arose. The Act also provided for a reduction in the lower size limit for which an Industrial Development Certificate was required, from 5,000 to 1,000 square feet in the Midlands and South East<sup>73</sup>. A year later, in August 1966, this was raised to 3,000 square feet.

The Conservatives were opposed to the use of controls<sup>74</sup>. Yet the alternative approach, the use of inducement and persuasion as institutionalised in the Location of Offices Bureau, had only had a limited effect. In the first sixteen months of its operation, for example, the Bureau was consulted by 784 firms representing 82,000 office jobs, and of these only 116 firms, representing 12,100 jobs, moved outside London<sup>75</sup>. Thus the Opposition Front-Bench maintained an ambiguous position: they welcomed the aims of the legislation but were undecided about the means. John Hall wondered whether controls were necessary and suggested that the problem would in time solve itself according to the dictates of the property market, but he did not specifically rule out controls<sup>76</sup>. Certain Conservative back-benchers were more critical, however: they rejected the use of controls and maintained that the approach embodied in the Location of Offices Bureau was the right one<sup>77</sup>. Yet despite back-bench concern, members of the Conservative Front-Bench accepted the provisions of the Act, although with reservations, and the Parliamentary Party did not vote against it.

A similar approach was maintained by the Leadership in relation to the application of the Act. At first, no permits were granted

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73. Control of Office and Industrial Development Act 1965, Ch. 33, Sect. 19.

74. Peter Emery, H.C. Debs., Vol. 710, Col. 1620, 14 April 1965.

75. John Hall, H.C. Debs., Vol. 705, Col. 746, 1 February 1965.

76. Ibid., Cols 753-4. See also speech by Peter Emery,

H.C. Debs., Vol. 710, Cols 1621-2, 14 April 1965.

77. See speeches by A.P. Costain, H.C. Debs., Vol. 705, Cols 707-71, 1 February 1965; Captain Walter Elliot, ibid., Col. 802; A.E. Cooper, H.C. Debs., Vol. 701, Col. 297, 4 November 1964.

in the Greater London Council Area except under very special circumstances. Later other areas were brought under control: Birmingham, in August 1965, and the whole of the South East, East Anglia and the West and East Midlands in July 1966<sup>78</sup>. In July 1967 the exemption limit was raised to 10,000 square feet outside the London Metropolitan Region, and in January 1969 to 10,000 square feet in the Outer Metropolitan Region, while East Anglia and rural parts of the Midlands were exempted from control. The Conservatives criticised the extension of controls, without actually opposing them, and welcomed their relaxation as evidence that the Government "had at last recognised" that control was unnecessary outside London<sup>79</sup>.

Although neither of the measures introduced by the Labour Government during their early period in office aroused fierce party passions, the presentation and the emphasis of the Opposition's proposals underwent alteration. The decision of the Party Leadership to adopt a competition approach to economic affairs in early 1965 meant that greater emphasis was placed on those aspects of existing Conservative regional policy which were in keeping with the general aim of creating a more competitive economic environment within the regions<sup>80</sup>. Three elements of policy were singled out for attention: growth points, financial incentives and infrastructural reform. In January 1965, for example, Heath called for an amendment of the existing location of industry legislation so as to bring it up to date with the potentialities of growth points and growth areas both within and outside the actual Development Districts. He also suggested that any further financial inducements for firms should come in the

78. McCrone 1969, *op. cit.*, p. 130.

79. Campaign Guide 1970, *op. cit.*, p. 218

80. The background to this change in policy approach is discussed in Chapter Six above. See also *NCP* 1965, No. 14, 12 July 1965, p. 382.

form of discrimination in taxation, and added that measures were also needed to speed up the clearance of derelict sites and to provide for the improvement of amenities<sup>81</sup>. This triple change in policy emphasis was carried through into both the Party's policy statement published in October 1965 and the 1966 Election Manifesto<sup>82</sup>.

In addition to the changes in the presentation and emphasis of Conservative regional policy there were also signs of new thinking within the Party. At the Leadership Level Heath outlined a series of new proposals. His suggestion that location of industry legislation should be amended to take account of possible growth points implied the creation of more extensive Development Districts. He also suggested that the problem regions should be assisted by the discriminatory use of social service contributions and by the stipulation that a specified proportion of central and local government programmes should consist of goods produced in the Development Districts. Finally he argued that, for local Government to carry out its share of the regional programme, an extensive reform and rationalisation of its structure was required<sup>83</sup>.

Within the Parliamentary Party the viewpoint articulated by Powell was a matter of discussion<sup>84</sup>. Many Conservatives were not willing to go as far as Powell, however, and to reject regional policy outright. For example, Terence Higgins argued that efforts should be made to attract not only labour-intensive but also

81. NCP 1965, ibid., pp. 391, 419-20.

82. Putting Britain Right Ahead, CCO, October 1965; "Action Not Words" in F.W.S. Craig (ed.), British General Election Manifestos: 1918-1966, Chichester 1970, pp. 256-265.

83. NCP 1965, No. 15, 26 July 1965, pp. 419-420.

84. See "Tory Soul Searching on What to Conserve", The Times, 15 March 1965; The Times, 31 March 1965.

capital-intensive industry to the Development Districts and that within these areas a more flexible and discriminatory system of investment incentives, assessed on an 'opportunity cost' basis, should be applied<sup>85</sup>.

At the level of the Mass Party, and particularly amongst those Conservatives living in the depressed regions, pressure was applied for an extension in the scope and scale of regional measures. At their Annual Conference in April 1965 the Scottish Conservatives debated a motion urging the Party to explore additional methods of selective financial arrangements for the regions<sup>86</sup>. Amongst the motions submitted for the Conservative Party Conference in October 1965, four urged an extension of previous policy and one specifically requested an extension in the scope of Development Districts<sup>87</sup>.

Although during the first fourteen months of Opposition new ideas on regional questions were emerging within the Conservative Party, these were tentative and, in general, regional policy was not a central issue of internal or cross party debate. Neither the Labour Government's reform of regional planning machinery nor its measures to deal with office development in congested areas aroused deep inter-party debate, and with these two exceptions, from October 1964 to January 1966 both Government and Opposition more or less maintained existing policy intact.

## 2. The Labour Government's Policy: January 1966 - June 1970

During this period the Labour Government introduced measures

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85. Terence Higgins, *The Second Managerial Revolution*, CPC 317, April 1965, pp. 12-16 and 23.  
 86. *The Times*, 23 April 1965.  
 87. *Motions*, Nos 557-79 and 581, *NUCMA 1965 Conference Handbook and Programme of Proceedings*, NUCMA, London October 1965.



designed to alter the nature of the scheduled areas and the assistance available within them. These developments signified a substantial change in the nature of British regional policy and the Conservative Party's reaction to these measures played a large part in shaping the development of an alternative, Opposition policy. Thus, in this section an outline is provided of the Labour Government's measures and of the Conservative's response to them.

Four aspects of the Labour Government's regional policy particularly concerned the Opposition: Development Areas, investment grants, employment subsidies and intermediate areas. Proposals relating to the first two were originally outlined in a White Paper published in January 1966, and were given legislative form in the Industrial Development Act of the same year<sup>88</sup>. Under this Act the Development Districts were replaced by wider Development Areas covering almost all of Scotland and Wales, the whole of the Northern Region, most of Cornwall and North Devon and Merseyside<sup>89</sup>. In addition, the criteria for scheduling Development Areas were widened to include actual and prospective unemployment, population changes, migration, employment growth and the consequences for regional balance over the whole country<sup>90</sup>.

The Government claimed that the new Development Areas swept away the "misguided notion of small isolated development districts and substituted instead the principle of major continuous areas to be developed as a whole"<sup>91</sup>. Within these wider areas manufacturing firms qualified for investment grants on plant and machinery, at twice the national rate of 20 per cent. This innovation replaced

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88. Investment Incentives, Cmd 2874, HMSO, London January 1966.

89. See speech by George Brown, H.C. Debs., Vol. 724, Col. 1122, 15 February 1966.

90. Speech by Douglas Jay, H.C. Debs., Vol. 728, Col. 943, 16 May 1966. The criterion under the 1960 Act had been unemployment only.

91. Ibid., Cols 941-2.

the 10 per cent standard grants which had been available in Development Districts since 1963. Other Local Employment Act assistance was maintained, but free depreciation was discontinued. As a result of the Act the procedure for obtaining grants was simplified in that they no longer depended upon the provision of extra employment; however, they were available only to manufacturing industry.

In November 1967 the provisions of the Act were extended to cover "special" Development Areas. These were places already contained within the scheduled regions which were considered to require extra assistance as a result of colliery closures. In these areas, manufacturing industries moving in were eligible for building grants of up to 35 per cent; five years rent free tenure of a Board of Trade factory; and loans and operational grants<sup>92</sup>. In addition, as a special measure during 1967 and 1968, the rates of investment grants were raised to 45 per cent in Development Areas and 25 per cent elsewhere<sup>93</sup>.

The Conservatives voted against the Industrial Development Act and tabled a critical amendment on Second Reading. Opposition Leaders were mainly concerned with the new system of investment grants, and the Development Areas received only mild criticism from them. They argued that the wider areas would mean that available assistance would be more thinly spread and, consequently, less effective<sup>94</sup>. They also lamented the "abandonment" of a growth points strategy as a "retrograde step" and by doing so laid emphasis upon that aspect of their own policy<sup>95</sup>. Michael Noble,

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92. See speech by Peter Shore, H.C. Debs., Vol. 753, Col. 300, 1 November 1967.

93. Campaign Guide 1970, op. cit., p. 214.

94. See NCP 1966, No. 2, 31 January 1966, p. 48; speeches by Anthony Barber and Iain Macleod, H.C. Debs., Vol. 724, Cols 1144 and 1236 respectively, 15 February 1966.

95. See speeches by Barber, H.C. Debs., Vol. 728, Col. 969, 16 May 1966; Heath, quoted NCP 1966, No. 24, 29 December 1966, pp. 674-98.

however, on behalf of the Opposition Front-Bench, accepted that there were "new factors" which were becoming "more urgent" than unemployment alone as a means of determining the scope of a scheduled area<sup>96</sup>, and, as previously noted, Heath had already suggested the creation of wider Development Districts.

The Leadership's ambiguous and uncommitted position appears to have been supported by the substantial majority of their Parliamentary followers. But some back-benchers, whose constituencies were for the first time eligible for Government assistance, showed less caution and welcomed the changes<sup>97</sup>. In contrast, other back-benchers questioned the whole concept of scheduled areas and regional assistance<sup>98</sup>.

The Opposition maintained a more united position on investment grants. Broadly speaking the Party did not reject the concept of investment grants altogether, but were opposed to three aspects of the Labour Government's scheme. First, Opposition spokesmen argued that it discriminated against transport, construction and service industries and, consequently, undermined attempts to create a viable and attractive infrastructure in the regions. Secondly, the grants were to be allocated regardless of profitability and thus might assist inefficient and unprofitable businesses. Finally, Party Leaders were concerned about the administration of the scheme. Barber, for example, claimed that one thousand extra civil servants, at a cost of £2 million per year, would be needed<sup>99</sup>.

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96. H.C. Debs., Vol. 728, Col. 1038, 16 May 1966.

97. See speeches by W.H.K. Baker (Banff), H.C. Debs., Vol. 728, Col. 991, 16 May 1966; Sir Fitzroy Maclean (Bute and North Ayrshire), H.C. Debs., Vol. 724, Cols 1199-1204, 15 February 1966.

98. See speeches by John Biffen and Sir John Eden, H.C. Debs., Vol. 732, Col. 580, 19 July 1966; Geoffrey Hirst, H.C. Debs., Vol. 724, Cols 1190-91, 15 February 1966.

99. H.C. Debs., Vol. 724, Cols 1134-39, 15 February 1966; statement by Iain Macleod, NCP 1966, No. 2, 31 January 1966, pp. 36-37.

In contrast to the Government's proposals the Opposition emphasised their preference for tax allowances as the main means of investment incentive<sup>100</sup>. This proposal was strongly supported by industry. For example, the National Chamber of Trade expressed hostility to investment grants and the CBI carried out a survey of its members which revealed a marked preference for free depreciation and investment allowances<sup>101</sup>.

Investment grants remained an issue of party political debate throughout the Labour Party's term of office. In official publications the Conservatives claimed that the system was open to widespread abuse and that a situation had been created in which firms already in Development Areas, or likely to move there in any case, were receiving large sums of public money<sup>102</sup>. They also claimed that the scheme led to a concentration of "capital-intensive industry in Development Areas, and labour-intensive industry outside them"<sup>103</sup>. Towards the end of their period in Opposition there was a marked hardening of attitude amongst some Conservative back-benchers on the issue of regional investment. In the debate on Investment Grants in February 1969 two views were expressed from the Conservative back-benches. On the one hand, there were those who were opposed to any form of investment incentive in the regions<sup>104</sup>. On the other, there were those who were solely opposed to investment grants and urged that the existing system should be replaced by allowances<sup>105</sup>. The Party Leadership,

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100. H.C. Debs., Vol. 724, Cols 1208 and 1140-42, 15 February 1966.

101. H.C. Debs., Vol. 724, Cols 1235 and 1136, 15 February 1966.

102. NCF 1969, No. 20, 15 December 1969, p. 373.

103. The Campaign Guide 1970, op. cit., p. 214.

104. See speeches by Nicholas Ridley and Kenneth Baker, H.C. Debs., Vol. 777, Cols 254 and 258-262, 4 February 1969.

105. See speeches by A.P. Costain, Sir Spencer Summers, D. Waddington, Michael Shaw and Tom Boardman, ibid., Cols 242-50, 267-70, 272-74, 274-77, and 280-82 respectively.

however, did not commit their party to the abolition of all investment grants, and Sir Keith Joseph maintained a flexible position by claiming that it was "perfectly possible to reconsider investment incentives in general while still giving special investment advantage to the Development Areas"<sup>106</sup>.

The third aspect of the Labour Government's regional policy which particularly concerned the Opposition was the introduction of a system of employment subsidies. In April 1967 the Government published a Green Paper outlining proposals for a Regional Employment Premium (REP)<sup>107</sup>. Three months later a finalised version of the proposal was issued in the form of a White Paper<sup>108</sup>, and this was later included in the 1967 Finance Bill<sup>109</sup>. Under this legislation a manufacturer in a Development Area received a premium at the rate of thirty shillings a week for men, fifteen shillings for women and boys and nine shillings and sixpence for girls. The scheme was extended in April 1968 when manufacturers in Development Areas became eligible for a "selective employment tax premium" of seven shillings and sixpence for men, with lower rates for women and boys. Thus, in mid 1968, the total benefit to a manufacturer in the Development Areas of these employment premia was thirty-seven shillings and sixpence per week in respect of every man employed. Payments were made through the Selective Employment Tax network, and were guaranteed for not less than seven years.

At first the Conservative Leadership reacted cautiously to the proposal to establish a Regional Employment Premium and did not commit their Party either for or against the measure<sup>110</sup>. This

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106. Ibid., Col. 284.

107. The Development Areas: A Proposal for a Regional Employment Premium, HMSO, London April 1967.

108. The Development Areas: Regional Employment Premium, Cmd 3310, HMSO, London June 1967.

109. Written Answer, H.C. Debs., Vol. 743, Col. 113.

110. Speech by Iain Macleod, H.C. Debs., Vol. 744, Col. 245, 5 April 1967. Speech by Robert Carr, H.C. Debs., Vol. 745, Cols 1180-81, 24 April 1967.

cautious approach reflected a division of opinion within the Parliamentary Party; some with constituencies in the less prosperous regions found the proposal attractive<sup>111</sup>, others opposed the measure on economic grounds as liable to lead to an unprofitable use of labour<sup>112</sup>.

During the three month sounding period, however, the CBI, with the exception of its North Eastern area, came out solidly against the premium; so also did the Chambers of Commerce, and in June the Conservative attitude hardened into outright opposition<sup>113</sup>. At this later date Robert Carr, on behalf of the Conservative Leadership, argued that the REP was liable to be an extremely wasteful form of subsidy since assistance would be provided regardless of need or the number of new jobs created. He went on to argue that the money would be better spent on infrastructural reform<sup>114</sup>. Later, the Party Leaders pledged to remove the REP ("taking proper account of the undertakings that had been given") when returned to office<sup>115</sup>.

Despite the creation of Development Areas and the introduction of investment grants and the REP, national unemployment rose from an average of 1.6 per cent in 1966 to an average of 2.4 per cent in 1969. As on previous occasions, the depressed regions were the most affected, but the percentage increase in unemployment was greatest in the North Western Region and the Yorkshire and Humberside area, neither of which were scheduled as Development Areas. Between October 1966 and October 1969, for example, UK unemployment increased by 31.1 per cent, while in the North Western Region the increase was 42.7 per cent and in the Yorkshire and

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111. See speech by H. Clark (Antrim N), *ibid.*, Col. 1198.

112. See speeches by J. Bruce Gardyne and R.W. Elliot, *ibid.*, Cols 1213 and 1252 respectively.

113. See speech by Michael Noble, *H.C. Debs.*, Vol. 747, Cols 670-77, 5 June 1967.

114. Speech by Robert Carr, *ibid.*, Cols 733-43.

115. Campaign Guide 1970, *op. cit.*, p. 215.

Humberside area it was 79.2 per cent<sup>116</sup>. Conservative Leaders claimed that these disparities were a direct consequence of the Government's policies. They argued that the high level of assistance available in Development Areas had lured potential investors away from neighbouring areas where equivalent assistance was not available, and that the inflexibility of the Industrial Development Act had prevented these areas from being scheduled as the need arose<sup>117</sup>.

Conservative MPs, particularly from the North West, had for long been pressing upon the Government the claims of what came to be known as the "grey" areas<sup>118</sup>. In December 1966 regional authorities in the North of England, including Economic Planning Councils for the three Northern Regions, local authorities and industrial development associations, announced that they were to make a joint approach to the Government asking for the designation of "grey" areas covering most of the North of England outside the scheduled areas<sup>119</sup>. In addition, Planning Councils from East Anglia and the South West pressed the claims of their own areas for special treatment<sup>120</sup>. In September 1967 the Government appointed a Committee under the chairmanship of Sir Joseph Hunt with the following terms of reference:

To examine in relation to the economic welfare of the country as a whole and the needs of the Development Areas, the situation, in other areas where the rate of economic growth gives cause (or may give cause) for concern, and to suggest whether revised policies to influence economic growth in such areas are desirable and if so, what measures should be adopted.<sup>121</sup>

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116. Source: Department of Employment Gazette; see also NCP 1969, No. 20, 15 December 1969, p. 375.
117. Speech by Sir Keith Joseph, H.C. Debs., Vol. 790, Col. 1037, 5 November 1969.
118. See speeches by Charles Fletcher-Cooke (Darwen) and Sir Frank Pearson (Clitheroe), H.C. Debs., Vol. 745, Col. 1223, 24 April 1967, and Vol. 747, Cols 680-83, 5 June 1967, respectively.
119. The Guardian, 23 December 1966.
120. See DEA Progress Report: Industrial and Regional, No. 37, February 1968, p. 5.
121. Written Answers, H.C. Debs., Vol. 749, Col. 275.

Not all Conservatives were content with the appointment of the Hunt Committee: some would have preferred wider terms of reference covering the whole of the regional policy field, while others urged immediate Government action to assist the "grey" areas<sup>122</sup>. In November 1967 Selwyn Lloyd, chairman of the group of Conservative Members with constituencies in the North West, raised once more the plight of his region<sup>123</sup>. A month later he opened for the Opposition in a Debate on the economic problems of the North West, and urged the creation of an intermediate range of investment grants at the rate of 35 per cent<sup>124</sup>. All other Conservative back-benchers who spoke in the Debate represented constituencies in the North West area, and each reiterated Selwyn Lloyd's demand for immediate Government action<sup>125</sup>.

The Government postponed taking any action, however, until after the Hunt Committee had reported in April 1969. In their report the Committee recommended that in the North West and Yorkshire and Humberside regions the Government should introduce new measures including building grants at the rate of 25 per cent not linked to the provision of new jobs, training and direct training assistance as in the Development Areas, Government industrial estates, factory building and supporting investment, and 85 per cent grants for the clearance of derelict land. The Committee also recommended that the lower limit for IDC control should be raised to 10,000 square feet throughout the UK and that the Merseyside Development Area should be descheduled<sup>126</sup>.

The Government rejected the Committee's recommendation on

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- 122. Interviews 7 and 8.
  - 123. H.C. Debs., Vol. 753, Cols 209-11, 1 November 1967.
  - 124. H.C. Debs., Vol. 756, Cols 434-44, 13 December 1967.
  - 125. Ibid., Cols 461-544.
  - 126. The Intermediate Areas: Report of a Committee Under the Chairmanship of Sir Joseph Hunt, Cmd 3998, HMSO, London April 1969, paras 502-514.



IDCs and the Merseyside Development Area, and accepted in a modified form the proposals for the North Western and Yorkshire and Humberside Areas. Instead of designating the whole of these areas, the Government created seven smaller intermediate areas<sup>127</sup>. Within these areas building grants were made available at the rate of 25 per cent but were linked to the provision of new employment. Government built factories and the full range of Development Area training grants and training assistance were also made available. In addition, local authorities in the areas were eligible for 75 per cent grants towards the clearance of derelict land<sup>128</sup>. The cost of these additional measures was estimated at about £20 million per annum and this sum was to be met by the withdrawal of the selective employment tax premium. The new measures were later contained in the Employment Act 1970.

The Conservative Leadership welcomed the legislation but felt that it did not go far enough. Sir Keith Joseph questioned why certain areas had not been scheduled and specifically mentioned the wool textile region, the rest of the North West and East Anglia. But he supported the Government in rejecting the Hunt Committee's recommendations that buildings grants should not be tied to the provision of new jobs and that the lower limit of IDCs should be raised to 10,000 square feet. Sir Keith emphasised that the Conservatives would have preferred a more wide ranging review of regional policy and he pointed out that, in the long run, the Act might multiply the problem by creating a series of "inter-intermediate areas". Finally, he claimed that, if given the chance, his Party would divert resources away from employment subsidies and investment grants towards infrastructural reform in development and grey areas alike<sup>129</sup>.

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127. The full list covered 54 employment exchanges; see statement by Peter Shore, H.C. Debs., Vol. 785, Col. 1506, 25 June 1969.

128. Ibid., Cols 1506-08; speech by Peter Shore, H.C. Debs., Vol. 782, Cols 668-72, 24 April 1969.

129. H.C. Debs., Vol. 790, Cols 1034-44, 5 November 1969; see also H.C. Debs., Vol. 782, Cols 672-73, 24 April 1969.

Among Conservative back-benchers, two strands of opinion were discernible: there were those who, like the Leadership, supported the legislation but felt that it did not go far enough, and there were those who were opposed to the aims of the proposals. The former opinion was expressed by two distinctive groups: first, those representing constituencies in East Anglia, the North West, Humber-side and the South West, who criticised the limited scope of the areas scheduled under the Act<sup>130</sup>. Secondly, those representing constituencies in the West Midlands were particularly concerned about the Government's rejection of the Hunt Committee's recommendation on IDCs<sup>131</sup>. A small minority within the Party were totally opposed to the legislation on grounds of principle. Nicholas Ridley argued that the drawing of new boundaries would only produce more problems for the future, and that at some stage an end would have to be brought to the process. As an alternative he advocated the devolution of Government<sup>132</sup>.

The above outline of the Opposition's response to the development of the Labour Government's regional policy has indicated that four issues were of particular concern to Conservative politicians: namely Development Areas, investment grants, employment subsidies and intermediate areas. In addition, during the early

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130. See speeches by Eldon Griffiths (Bury St Edmonds), H.C. Debs., Vol. 782, Col. 683, 24 April 1969; Keith Stainton (Sudbury and Woodbridge), ibid., Vol. 785, Col. 1515, 25 June 1969; Charles Fletcher-Cooke (Darwen), ibid., Vol. 785, Col. 1510; Sir Frank Pearson (Clitheroe), ibid., Vol. 790, Cols 1078-81, 5 November 1969; Patrick Wall (Hatfield), ibid., Vol. 782, Col. 675; Peter Emery (Monitton), ibid., Vol. 782, Col. 681; Michael Heseltine (Tavistock), ibid., Vol. 785, Col. 1515.

131. See speeches by Reginald Eyre (Birmingham Hall Green), H.C. Debs., Vol. 782, Col. 682, 24 April 1969; G. Lloyd (Sutton Coldfield), ibid., Vol. 782, Col. 674.

132. H.C. Debs., Vol. 790, Cols 1117-27, 5 November 1969; see also speech by R.F. Wood, ibid., Vol. 785, Col. 1512, 25 June 1969.

period of Opposition, controls in the form of IDCs and ODPs formed a further issue of party debate. These five elements served as the main foci for party controversy and were the key points around which an alternative policy was developed. Furthermore, the Conservative Leadership attempted to draw a distinction between the Labour Government's and their own approach, by emphasising three aspects of policy which differed from that of their opponents: growth points, infrastructural reform and investment allowances. However, these did not represent a credible or comprehensive alternative policy. As will be shown in the following section, the nature of Conservative alternative was in fact far more complex.

### 3. Development of an Alternative Policy

The preceding outline of the Labour Government's policy has indicated that within the Conservative Party there were wide variations of opinion about both the need for and the content of regional measures. In an attempt to elucidate the variety of views amongst Conservatives, this account begins with an analysis of opinion at the various levels of the party hierarchy, from Leader to rank and file, and the role played by the various sections of the Party in the development of Conservative regional policy. This is followed by an outline of the Leadership's efforts to develop a coherent approach, and the section concludes with an assessment of policy prior to the 1970 General Election.

I argued in an earlier chapter that, although in theory the Party Leader is ultimately responsible for policy, in practice policy emerges from a much wider field of pressures and demands<sup>133</sup>. Nevertheless, because of his central role in the policy-making process, the influence of the Party Leader upon the formulation of policy is substantial and therefore deserves consideration. As

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133. For a more comprehensive outline of the Party Leader's policy-making status see above, Chapter Four, pp. 46ff.

previously noted, on entering Opposition Heath was a strong supporter of government assistance for the less prosperous regions. He maintained this support throughout the period of Opposition and made it clear on a number of occasions that he had little time for the arguments of his more extreme free market followers. In 1969, for example, he stated that he would not be a party to a policy which condemned large parts of Britain "to slow decline and decay, to dereliction and persistent unemployment in pursuit of old fangled nineteenth century doctrines of laissez-faire"<sup>134</sup>.

During the period 1964 to 1970, however, the Party Leader was not directly in charge of the formulation of his Party's detailed regional policy. The overall responsibility for this task was delegated to the four members of the Shadow Cabinet who held briefs directly relevant to regional affairs. Macleod, as Chief Opposition Spokesman on Treasury and Economic Affairs, was particularly concerned with the scale of Government assistance to the regions. Anthony Barber, as Spokesman on Trade, was also involved in regional matters until February 1967, when he was succeeded by Sir Keith Joseph, who in turn relinquished his post as Spokesman on Labour matters to Robert Carr<sup>135</sup>. As will be shown, of these four, Sir Keith Joseph played the most important role in developing and extending Conservative regional policy.

Among other members of the Shadow Cabinet, with the notable exception of Powell<sup>136</sup>, the need for some form of regional policy was generally accepted. However, the extent to which each Shadow Minister was committed to the idea of special measures for the regions varied widely. As far as can be ascertained from speeches and interviews, Sir Keith Joseph and Geoffrey Rippon, for example, were not as fervently pro-regional policy as Heath or Maulding,

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134. Speech at Dundee, NCP 1969, No. 20, 15 December 1969, p. 366.

135. The Times, 23 February 1967.

136. Powell resigned from the Shadow Cabinet in 1968.

while Macleod maintained a more ambivalent position<sup>137</sup>.

Within the remainder of the Parliamentary Party there were two distinct strands of thinking on the issue of regional policy. A small, but vocal, minority was critical of the concept of special measures for the regions on grounds of principle. This group tended to agree with the free market approach outlined by Enoch Powell and included John Biffen, Nicholas Ridley, Sir John Eden and Kenneth Baker<sup>138</sup>. Although small in number, these Conservative MPs were successful in holding up the development of policy; they were also highly articulate and policy statements on regional affairs often began by refuting free market arguments<sup>139</sup>. The substantial majority of Conservative MPs were, however, willing to accept the need for some form of regional policy, although opinions differed about its exact content.

Within the majority group of Conservative MPs the argument frequently tended to be dictated by local pressures and constituency demands. One of the main channels through which these pressures and demands were expressed were the Party's subject and area back-bench committees<sup>140</sup>. Among the subject committees those most relevant to regional policy were the Trade and Industry Co-ordinating Committee, the Trade Committee and the Employment and Productivity Committee<sup>141</sup>. In common with other back-bench

137. Interviews 8, 2 and 16. For Rippon's views see H.C. Debs., Vol. 753, Cols 190-4, 1 November 1967.

138. See H.C. Debs., Vol. 732, Col. 580, 19 July 1966; Vol. 777, Cols 254-58, and Cols 258-62, 4 February 1969, respectively.

139. NCP 1969, No. 20, 15 December 1969, p. 376 and p. 366; The Campaign Guide 1970, op. cit., p. 205.

140. For the distinction between subject and area committees, see above, Chapter Four, pp. 53-54.

141. These were the titles of the relevant committees during the last year and a half of Opposition: their titles changed during the Opposition period in keeping with changes in the Labour Government's departmental structure. Thus in 1965 the relevant committees were Labour and Trade.

subject committees, they were chaired by the relevant Front-Bench spokesman and served as a channel of communication between the Front and back-benches of the Party<sup>142</sup>. Members of the area committees tended to operate both within and independently of the subject committees, so that a spokesman for a given locality might utilize the subject committee as a means of publicising the interests of his region and of bringing pressure upon the Leadership while his own area committee provided a supplementary channel and source of pressure<sup>143</sup>.

According to those closely involved in policy formulation four regional groups of Conservative MPs were particularly effective in pressing the demands of their areas and shaping the development of policy<sup>144</sup>. I have already noted the part played by MPs from the North West in pursuing the claims of their region for intermediate status. Their efforts were complemented by those of their colleagues from the South West who, under the chairmanship of Peter Emery, were also active in demanding equivalent status for their locality. In addition, MPs from the Midlands, particularly those representing constituencies in the West Midlands, were mainly concerned with the operation of Industrial Development Certificates and consistently argued in favour of either their abolition or their relaxation. Finally, Conservative Members from the South East concentrated upon the problems of congestion and the limitations that these imposed upon developments in their area<sup>145</sup>.

Within the Party Organisation, two elements were involved in the development of regional policy: the Research Department, and the Party Area Organisations and regional associations. At least

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142. See above, Chapter Four, p. 55.

143. Interviews, 8, 7 and 22.

144. Interview 8.

145. The latter issue was of particular concern to the Greater London Members' Committee, chaired by John Boyd-Carpenter.

two members of the Research Department were particularly concerned with the development of the Party's regional policy, and they also briefed and gave secretarial assistance to the relevant Shadow Cabinet members and back-bench committee personnel<sup>146</sup>. In addition, they were responsible for producing public policy statements and propaganda. Through their research and publications, Department personnel showed themselves to be strong supporters of regional policy and they consistently advocated a growth points strategy<sup>147</sup>.

In contrast to the Research Department, the opportunities to influence policy content available to the Party Area Organisations and regional associations were less substantial, although their role varied according to the nature of the region they covered. As noted in Chapter Four, the British Conservative Party is a coalition of three separate regional organisations: the National Union of Conservative and Unionist Associations covering England and Wales, the Scottish Conservative and Unionist Association and the Ulster Unionist Association<sup>148</sup>. During the Opposition period the English and Welsh section was divided into eleven Area Organisations<sup>149</sup>. The Welsh Area Organisation, however, like the Scottish and Ulster Associations, possessed a larger bureaucracy than any of its English counterparts and also a research officer. Hence an initial distinction must be made between the Welsh, Scottish and Northern Ireland regional offices and the English Area Organisations: because of their extra resources all three of the former were more capable of thinking about regional policy and of applying direct pressure on the centre. They were, thus, more able to fulfill policy-making as well as organisational

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146. Interviews 7 and 8.

147. See NCP 1969, No. 20, 15 December 1969, p. 377.

148. See Robert McKenzie, British Political Parties, second edition, London 1963, p. 187.

149. For a full list see, Rules and Standing Orders of the National Union of Conservative and Unionist Associations, NUCUA, London 1970, Rule XXIV.

functions. In contrast, the English Area Organisations were mainly concerned with problems of party organisation and, according to interviews, in England the Party bureaucracy's role in policymaking was mainly confined to Headquarters in London. Consequently Conservatives in the English regions covered by the English Party Area Organisations tended to express their demands through their local MPs<sup>150</sup>.

Conservative Members of Parliament, particularly those representing English constituencies, thus served as a major channel for rank and file opinion. As far as this section of the Party was concerned, Conservative policymakers interviewed for this study were of the opinion that regional policy was too highly specialised to capture the interest of ordinary Party members. The few rank and file Conservatives who were concerned with the issue possessed either an "academic" interest in the subject or had direct experience of the matters involved through business or local government affairs. But, in general, the influence of the rank and file was considered minimal and although motions were submitted for each Party Conference, they were few in number and only one, in 1969, was actually chosen for debate<sup>151</sup>.

The debate over regional policy therefore mainly involved the Party Leadership, interested and informed Conservative back-benchers, the Research Department and, in the case of Wales, Scotland and Ulster, the Party Area Organisations and Regional Associations. A policy study group appointed by the Leader also played an important role, and I shall consider this in more detail

150. Interview 8.

151. See NUCUA 87th Annual Conference Report 1969, NUCUA, London, pp. 98-105. More motions were submitted on Regional Development at this Conference than at any other during the Opposition period. In total, 46 motions were submitted on this topic out of a total of 1,250. See Conference Handbook and Programme of Proceedings, NUCUA, London 1969, Motions Nos 681-726, pp. 161-68.



later. Amongst this small group of political actors I have been able to discern two strands of thinking. Some questioned the utility of regional policy on grounds of principle, while others accepted the need for a policy but differed about its form and content. Amongst some members of the latter group, the divisions of opinion tended to be influenced by local or constituency interests. This mixture of political principle and local interest made regional affairs a potentially difficult area for the development of policy. Yet, despite these obstacles, the Party Leadership attempted to develop a coherent Conservative programme. How successful were they? What form did the programme take?

In May 1966 Heath established a study group under the chairmanship of Frederick Corfield, MP, to consider the development of Conservative regional policy<sup>152</sup>. The exact composition of the group has never been publicly revealed. The basis of the group, however, consisted of at least seven Members of Parliament and three non-Parliamentary academic experts, although the particular individuals involved altered during the group's life-span<sup>153</sup>. An officer of the Research Department served the group mainly in the capacity of minutes secretary but also fulfilled information and research functions<sup>154</sup>. Meetings of the group were usually held in a committee room at the House of Commons and generally took place about eight times a year<sup>155</sup>.

It was originally intended that the group should submit their recommendations to the Advisory Committee on Policy by mid-1968 at the latest. In the event this deadline proved unattainable. After deliberating for four years the group produced a final report which was scheduled for publication in August 1970 but, as a result

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152. The Times, 9 May 1966.

153. Interview 25.

154. Interviews 25, 9 and 7.

155. Interview 25.

of the General Election in the same year, publication was cancelled and consequently the study group's final recommendations were never revealed to the public<sup>156</sup>.

There were at least three reasons why the policy group on Regional Development proved so unproductive. First, the personnel involved came from all parts of the United Kingdom and there was some difficulty in getting all group members together in one place at the same time. In addition, the nature of the regional policy field was continually changing. This meant that the group had continually to address itself to new problems and consequently progress was slowed down<sup>157</sup>. Finally, and most importantly, the group had difficulty in reaching agreement. The divisions within the group followed much the same pattern as those within the Party. Three members of the group, two MPs and one academic, were strongly against special governmental assistance for the regions on grounds of principle. The remainder were strongly in favour of special measures for the regions but differed amongst themselves about the form that the measures should take and the scope and scale of government assistance required<sup>158</sup>. The persistence of those who opposed regional policy meant that policy formulation was held up, and this problem was finally overcome only by allowing a minority report to be attached to the main report<sup>159</sup>.

As the study group's deliberations were never published it is difficult to assess the influence of its work upon the content of Conservative policy. Interviews with some of the participants involved have revealed that during its four year life-span the group was deeply concerned with at least three issues: the intermediate areas, REP and investment incentives. In relation to REP, the

156. Interviews 5, 7 and 8.

157. Interviews 7 and 8.

158. Interviews 5, 8, 16 and 25.

159. Interviews 7 and 8.

group recommended the abolition of the premium and also considered a number of possible alternatives, including a payroll tax, but failed to reach any conclusion on this matter<sup>160</sup>. On the question of investment incentives the majority of participants were in favour of the retention of cash grants but were concerned that they should be applied more selectively. The focus of discussion thus shifted to a consideration of the administrative machinery required for the operation of a more "selective" system but, as with REP, no conclusion was reached<sup>161</sup>. Apart from considering these issues in their final report the majority of the group came down strongly in favour of special measures for the regions and a policy was outlined which provided for both investment incentives (including cash grants) and infrastructural reform<sup>162</sup>. In contrast the authors of the minority report maintained a more laissez-faire position. In their proposals, the three dissenting members of the group gave a more central place to the operation of market forces and recommended that government intervention should be mainly limited to infrastructural reforms<sup>163</sup>. Despite its four years of existence, it may be concluded that, because the policy group on Regional Development was so late in submitting its final recommendations and met such difficulty in reaching agreement, the effect of its deliberations upon the content of Conservative policy published prior to the 1970 General Election was not substantial.

The study group's failure to produce a comprehensive alternative policy by mid-1968 meant that the responsibility for this task fell back upon the Party Leadership. From 1966 to 1968, while awaiting the policy group's report, Party Leaders continued to outline the threefold programme which had been highlighted during the first period in Opposition. Speeches by

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160. Interview 25.

161. Interview 16 and 25.

162. Interviews 5, 7, 8 and 25.

163. Interviews 7, 16 and 25.

Heath, Macleod, Barber, Rippon, Carr and Joseph revealed no significant development in policy<sup>164</sup>, and the emphasis upon growth points, infrastructural reform and investment allowances was carried through into the Party's mid-term manifesto published in October 1968<sup>165</sup>.

By late 1968 Conservative regional policy had in fact remained static for four years and existing policy no longer appeared adequate. First, it did not cover the new developments which had taken place under the Labour Government. For example, the Opposition repeatedly emphasised that they preferred allowances to grants, but they did not indicate in what proportion, nor how such a system would operate and to whom it would apply. They maintained an equally ambiguous position about the operation of controls and the scope and criteria for demarcating scheduled areas. Secondly, existing policy did not cover the changes which had taken place in the nature of the regional problem since 1964. Most importantly, the Party Leadership had made no detailed pronouncements about the problems of the intermediate areas, although these were a matter of some concern within the Party. At the National Union Central Council meeting in March 1968, for example, a motion calling attention to the economic plight of the "grey areas" was debated and carried by an "overwhelming majority"<sup>166</sup>. In addition the question of the intermediate areas involved electoral considerations: in both the 1964 and 1966 General Elections, for example, Conservative candidates won the majority

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164. For Heath see NUCUA 84th Annual Conference Report 1966, NUCUA, London 1966, p. 139; Macleod, H.C. Debs., Vol. 724, Col. 1236, 15 February 1966; Barber, ibid., Col. 1144; Rippon, H.C. Debs., Vol. 753, Col. 190, 1 November 1967; Carr, H.C. Debs., Vol. 747, Cols 733-43, 5 June 1967; Joseph, NUCUA 86th Annual Conference Report 1968, NUCUA, London 1968, p. 100.
165. Make Life Better, CCO, London September 1968. See also "The Tories Turn", The Times, 7 October 1968.
166. Central Council Minute Book, minutes of meeting 15-16 March 1968, NUCUA, London 1968, p. 7.

of seats in North Lancashire, East Yorkshire and the South West. Moreover, within these areas there were a number of marginally held Labour seats which would have to be won by the Conservatives if they seriously expected to be returned to power in any subsequent election<sup>167</sup>.

By late 1968, however, Conservative regional policy appeared not only inadequate but also unacceptable. It implied a strong commitment to a growth points strategy and this was liable to involve high social and political costs which might prove damaging to party support in the country. For example, as some Conservatives had already recognised, a growth points strategy could result in the creation of a series of regional variants of the national problem: congested areas surrounded by depressed localities. Once again the situation was further complicated by electoral factors. Most of the Conservative-held seats in the depressed regions were situated in the non-urban areas which were the least likely choice, on economic grounds, for the siting of new growth zones<sup>168</sup>. Consequently, it is possible that a policy which mainly emphasised growth points did not appeal either to those Conservative MPs who represented constituencies in the depressed regions or to their constituents.

On grounds of both adequacy and acceptability, therefore, existing Conservative regional policy appeared, by late 1968, to be in dire need of extension and amendment. In addition, the failure of the policy study group to make any progress by this date indicated that it could not be relied upon as a major source of future policy, and consequently, the responsibility for this task reverted to the Shadow Minister in overall charge of policy-

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167. D.E. Butler and Anthony King, The British General Election of 1964, London 1965, Appendix I, pp. 308-14; the same authors, The British General Election of 1966, London 1966, pp. 302-08.

168. Butler and King 1966, op. cit.

making in the regional field: Sir Keith Joseph<sup>169</sup>.

In formulating an alternative programme Sir Keith Joseph was able to call upon the assistance of members of the study group, Research Department personnel and colleagues in the Parliamentary Party. Amongst the latter those who were close to the Shadow Minister of Trade, Technology and Power included Frederick Corfield, Nicholas Ridley who was Junior Front-Bench spokesman on Trade, Alfred Hall-Davies who specialised in location of industry problems, and Charles Fletcher-Cooke and Michael Shaw who were Vice-Chairmen of the Conservative Back-Bench Committee on Trade.

In October 1969 Sir Keith was able to report to the Party Conference that a series of "firm decisions" had been taken about the nature of Conservative regional policy. His outline of these decisions and proposals was subsequently reiterated and elaborated in a number of speeches delivered by him during the early part of 1970. Taken together these speeches represented the Opposition's final public pronouncements on regional policy prior to the General Election in June 1970.

In his speeches Sir Keith committed a future Conservative Government to maintaining the Development Areas as they then were and to making no alteration in boundaries until "a firm foundation for future prosperity had been established"<sup>170</sup>. In making this statement he revealed for the first time that the Conservatives had accepted the criteria for scheduling assisted areas laid down in the Industrial Development Act 1966. Moreover, Sir Keith promised that the "grey areas" would be "strengthened", although he failed to indicate what this term implied or how such a situation might be

169. See Ian Trethowan, "Tories Planning New Policy Moves", The Times, 22 February 1968; The Times, 4 June 1968; Adam Ferguson, "Tory Alternative", The Times, 14 May 1969.

170. NUCUA 87th Annual Conference Report 1969, NUCUA, London October 1969, p. 104.

achieved<sup>171</sup>. In addition, he made it clear that the Opposition did not propose any alteration in the size of the regional development budget. Instead he emphasised that a future Conservative Government, through savings achieved by abolishing the REP and instituting a more selective system of investment incentives, would attempt to channel a larger proportion of existing resources to infrastructural improvements, such as communications, housing, training and the clearance of derelict land<sup>172</sup>.

The more selective system of investment incentives envisaged by Conservative policymakers was, Sir Keith said, designed to ensure that grants would no longer be "automatically" available to capital intensive industries or those that "would have gone to the area in any case"<sup>173</sup>. But Sir Keith did not reveal what proportion of these new "differential investment incentives" would be in the form of grants or allowances. Nor was he precise about how the new system would be administered and merely suggested that perhaps the Local Employment Acts might serve this purpose<sup>174</sup>. He added that these Acts would, in any case, be amended by a future Conservative administration so that their provisions would apply both within and outside Development Areas<sup>175</sup>. Finally, Sir Keith pledged that the IDC system would be preserved by the next Conservative Government, although its application would be more selective with greater regard being given to industrial efficiency and the requirements of small firms<sup>176</sup>.

Sir Keith's speeches appeared to mark a significant change in

171. Ibid.

172. H.C. Debs., Vol. 790, Col. 1044, 5 November 1969.

173. 87th Annual Conference Report 1969, op. cit.

174. H.C. Debs., Vol. 796, Col. 869, 23 February 1970.

175. 87th Annual Conference Report 1969, op. cit., p. 105.

176. Ibid. See also speech at Esher, 7 February 1970, CCO News Service, Ref: 87/70; speech to Greater London Area Trade Union Advisory Committee, 24 January 1970, CCO News Service, Ref: 46/70.

the emphasis of Conservative regional policy: most importantly less attention than previously was given to either tax allowances or growth points. Speeches delivered by leading Conservatives and policy statements published during the final nine months of Opposition, however, reflected some confusion about the main aims of the Party's proposals for the depressed areas. Specifically two objectives, neither of which was necessarily complementary to the other, were outlined: these were long-term regional growth and the alleviation of unemployment. In the Party's Campaign Guide, for example, it was stated that the basic aim of Conservative regional policy was to foster soundly based long-term growth in the regions and not simply to deal with short-term problems<sup>177</sup>. Another document went on to record that the "spearheads" of long-term growth were to be regional growth centres<sup>178</sup>. In his speech to the Party Conference in 1969, Sir Keith Joseph also emphasised that the heart of the Opposition's policy was "the improvement of regional communication and infrastructure"<sup>179</sup>. Yet, in the same speech, Sir Keith maintained that "everything will depend upon the number of new jobs created" and he emphasised that the main objective of Conservative policy was "to encourage more new jobs in Development Areas at less cost to the taxpayer"<sup>180</sup>.

The failure to specify the main goal of Conservative regional policy meant that the Party's proposals remained, until the end of its term in Opposition, unclarified and ambiguous. However, Sir Keith's insistence that government measures should be closely tied to job provision did mark a significant retreat from his Party's earlier commitment to growth points, and, although Research Department officials continued to press the primacy of a growth

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177. The Campaign Guide 1970, op. cit., p. 222.

178. NCP 1969, No. 20, 15 December 1969, p. 377.

179. 87th Annual Conference Report 1969, op. cit., p. 103. This point had been made earlier by Heath in a speech at Dundee, The Times, 10 September 1969.

180. 87th Annual Conference Report 1969, op. cit., p. 104.



points strategy<sup>181</sup>, the absence of any mention of the proposal in the Party's 1970 General Election Manifesto provides further evidence of the change in Conservative priorities<sup>182</sup>.

One Conservative closely involved in the formulation of regional policy later explained this change in policy priorities by suggesting that the Opposition had in fact developed a two-fold strategy whereby capital expenditure was to be concentrated on growth points, while financial incentives would be available over a wider area<sup>183</sup>. This would seem to be a reasonable assessment of the actual situation. It should be noted, however, that this two-fold strategy merely represented a highly generalised and broad outline of the basic principles of Conservative policy. At no point had Conservative policymakers indicated how this strategy might be fulfilled, nor had they given any precise outline of the special provisions which would, under a future Conservative Government, be available for the problem regions. Thus, after nearly six years in Opposition, both the aims and the means of Conservative regional policy remained ill-defined and unclarified, and the Party entered Government without a body of agreed proposals capable of being immediately put into operation.

#### IV. Conclusion

Like prices and incomes and economic planning, regional policy touched on the fundamentals of party beliefs and was a matter of some controversy within the Party. Some Conservatives questioned the need for any form of regional assistance whatsoever, while others disagreed about the form that assistance should take. In addition, certain aspects of the approach developed by the Conservative Government were adopted and extended by the Labour

181. The Campaign Guide 1970, op. cit.

182. A Better Tomorrow, CCO, London May 1970, p. 15.

183. Interview 3.

Government when they came to power, such as the notion of wider development areas in which a variety of inducements, including grants, would be available. In Opposition the Conservatives retreated from these positions while emphasising those aspects of their own policy which they felt were being neglected by their successors: infrastructural reform, growth points and tax allowances. When it came to formulating some form of Conservative alternative, however, the Party's emphasis upon tax allowances and growth points was diluted.

In addition to emphasising growth points, infrastructural reform and tax allowances, Conservatives made other attempts to distinguish their own approach from that of the Government. Thus, although Opposition personnel accepted that the Labour Government's reform of regional planning machinery was largely an extension of the previous Conservative Administration's approach, they nevertheless criticised it as being both unnecessary and as representing an extension in the scope of state bureaucracy. Likewise, in the case of ODPs and IDCs, Opposition spokesmen recognised some validity in the use of controls but, in response to the Government's proposals, emphasised their hostility to them on grounds of principle.

Moreover, in Opposition Party Leaders appear to have been more attentive to party opinions than they had been in Government. Prior to the 1964 General Election, for instance, Conservative MPs, particularly those from the problem regions, expressed concern about rising unemployment and the Government's failure to deal with it but, in developing a long-term strategy, Party Leaders adopted proposals akin to those originally suggested by extra-party agencies, such as the North East Development Council, the Scottish Council and the NEDC. In Opposition, however, in relation to the Intermediate areas and IDCs, Party Leaders often appeared to make concessions after demands had been articulated amongst their followers. In addition, policy statements often

began by refuting the more extreme laissez-faire arguments which were articulated by some Conservatives, while Conservative MPs, through the agency of the back-bench committees, were able to exert pressure directly upon key policymakers.

Finally, the case study illustrates the Conservatives' failure to formulate a detailed and consistent alternative policy. In part this may have reflected difficulties inherent in the field of regional policy, since decisions about the selective distribution of large sums of public money, in a policy field where there exist few guidelines and little consensus among informed opinion about the proper course of action, must inevitably prove problematic. In part also, however, the Party Leadership's flexibility in formulating policy was proscribed by the complex mixture of party purpose, political principles and constituency interests which operated in the regional policy field. The failure of the study group on regional development to reach agreement and the consequences of the wide variations of opinion within the Party, meant that the Conservatives' approach remained unclarified. As a result the Party fought the 1970 General Election on the basis of a series of general and somewhat contradictory proposals for regional development.

## CHAPTER TEN

## THE STRUCTURE OF INDUSTRY

I. General Introduction and Background

The term structure of industry is ambiguous and may be taken to have a variety of meanings. First, it may refer to the geographical structure or location of industry within a given spatial unit<sup>1</sup>. Secondly, it may refer to the internal structure of the industrial unit, this involving problems of organisation, management and company law. Thirdly, it may refer to the external structure of the industrial unit involving questions about the scale of British industry and about public policy in the fields of monopolies and mergers. It is mainly in the third sense that the term structure of industry is used in this study. Before analysing the development of Conservative policy in this field, however, it will be necessary to provide some background to the discussion. Thus in the following section I have attempted to do three things: first, to define some of the key terms involved; secondly, to outline briefly the nature of the relevant legislation and government machinery in the fields of monopolies and restrictive practices prior to 1960; and finally, to indicate some of the major developments in the structure of British industry during the decade under study.

According to Schumpeter, the term "monopolist" refers to ". . . those single sellers whose markets are not open to the intrusion of would-be producers of the same commodity and of actual producers of similar ones"<sup>2</sup>. Defined in this manner, as Schumpeter notes, pure cases of long run monopoly are in fact liable to occur very rarely

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1. Location of industry problems are dealt with in Chapter Nine above ("Regional Policy").
  2. J.A. Schumpeter, "The Dynamics of Competition and Monopoly", in Alex Hunter (ed.), Monopoly and Competition, Middlesex 1969, p. 58.

indeed<sup>3</sup>. In this study, however, I am not concerned with the precise nature of monopoly per se but with how the concept has been used in the formulation and application of public policy in the United Kingdom. Under legislation passed in 1948, monopoly was defined as a condition in which at least one third of the goods was supplied by a single firm or by two or more firms with arrangements with one another that had the effect of restricting competition<sup>4</sup>. In Britain there has never been an automatic assumption that the existence of a firm of monopoly size (as defined in accordance with the provision of the 1948 Act) has been contrary to the public interest. Each monopoly has been considered in its context and on its merits, in terms of a vaguely defined "public interest" which includes such factors as economies of scale, efficiency and innovativeness, prices and profits, the "fullest use and best distribution of resources", technical advances, opportunities for new entrants to the market, extent of foreign competition, etc.<sup>5</sup>. It may be noted that although this approach has assured flexibility, it has also meant that public policy has often appeared ambiguous and, at times, contradictory.

A firm may reach a situation of monopoly through at least two processes. First, through normal commercial activities in competition with rival firms, and secondly, through acquiring control of, or integrating with, a rival firm. The activities involved in this latter process are commonly referred to as either a takeover or a merger and these are distinguished by Vice as follows:

Both terms centre on the acquisition of voting capital, in the formal sense of more than 50 per cent, in a company. Merger generally refers to an agreed transaction between two units of broadly comparable size, whereas takeover applies to a successful offer which was resisted by the 'victim's' board of

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3. Ibid. Robinson claims that "any simple definition of the terms 'monopoly' and 'monopolist' is impossible": E.A.G. Robinson, Monopoly, Cambridge (England), 1941, p. 6.
  4. The Monopolies and Restrictive Practices (Inquiry and Control) Act 1948, 11 & 12, Geo. 6, c. 66, Section 3 (1(a)) and 3 (1(b)).
  5. Ibid., Sec. 14.

directors, or more frequently, to the acquisition of a relatively small unit by a large one.<sup>6</sup>

Takeovers and mergers usually conform to three types: vertical, horizontal and conglomerate. The distinction between these was outlined in the Monopolies Commission's "General Observations on Mergers" published in 1969. The Commissioners held that:

horizontal mergers are mergers between companies that sell the same products (or products that can be easily substituted for each other); vertical mergers are mergers between companies of which one is an actual or potential supplier of the other; conglomerate mergers are mergers between companies that do not produce similar products and where neither is an actual or potential supplier of the other.<sup>7</sup>

It should be clear that a merger or takeover may not necessarily result in the creation of a monopoly. For example, of the three types outlined above a conglomerate is least likely to do so, but it may, for instance, result in the creation of a grouping of very large "absolute size" with consequent losses in efficiency. This may be judged prejudicial to the "public interest" and consequently be deemed a matter of public concern.<sup>8</sup>

The final term requiring definition is restrictive practices. This, according to Guénault and Jackson, is the "measure" which the monopolist employs to exploit the market and to strengthen his control over it: "Generally they involve restraints or restrictions in connection with the supply of the commodity, or the conditions under which it is sold or marketed, or in relation to potential competition."<sup>9</sup> Public policy in relation to restrictive practices

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6. Anthony Vice, The Strategy of Takeovers, Maidenhead, Berkshire 1971, p. xi.
  7. "General Observations on Mergers". Annex to Monopolies Commission Report, Unilever Limited and Allied Breweries Limited, H.C. Paper 297, Session 1968-69 (hereafter referred to as "The Monopolies Commission, 1969(a)"), para. 14, p. 35.
  8. "General Observations on Mergers". Ibid., paras 25 and 26, p. 38.
  9. Paul H. Guénault and J.M. Jackson, The Control of Monopoly in the United Kingdom, London 1960, p. 1.

is not a major concern of this study, but it has been necessary to make some reference to this issue since, in the formulation of British public policy, restrictive practices and monopoly have often been closely related.

In the period prior to the 1960s public policy in the fields of monopolies and restrictive practices was mainly governed by the provisions of three Acts of Parliament. The earliest of these was the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948, which established the Monopolies and Restrictive Practices Commission<sup>10</sup>. This was followed in 1953 by the Monopolies and Restrictive Practices Commission Act, which, by increasing the number of Commissioners and by enabling them to sit in groups, was designed to strengthen the Commission and permit its work to be speeded up<sup>11</sup>. Finally, in 1956, the Restrictive Trade Practices Act reached the statute book<sup>12</sup>. This provided for the registration of a wide category of agreements relating to the production and supply of goods and their judicial examination by a Restrictive Practices Court. Under this Act the Monopolies and Restrictive Practices Commission was renamed the Monopolies Commission, reduced in size and rendered less effective than previously<sup>13</sup>.

The provisions of these three Acts were later amended and extended in 1965 with the passage of the Monopolies and Mergers Act<sup>14</sup>. As this forms a central part of the following case study

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10. The Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948, *op. cit.*
  11. 1953, 1 & 2, ELIZ 2, c. 51.
  12. 1956, 4 & 5, ELIZ 2, c. 68.
  13. For a detailed outline of the various provisions of the Acts see: Michael Albery and C.F. Fletcher-Cooke, M.P., Monopolies and Restrictive Trade Practices, London 1956. For the manner in which these provisions were applied see: Guénault and Jackson 1960, *op. cit.*; D. Lee, "Monopoly Legislation", in D. Lee (et al.), Monopoly, London 1968, pp. 23-60; G.C. Allen, Monopoly and Restrictive Practices, London 1968, pp. 61-101. On the Monopolies Commission in particular, see Charles K. Rowley, The British Monopolies Commission, London 1966.
  14. 1965, c. 50.

it will be analysed in detail later. In the meantime, however, it will be useful to consider the context from which this latter piece of legislation emerged. Hence there follows a brief outline of some of the major changes in the structure of British industry which took place during the 1960s.

The 1960s were characterised by an unprecedented growth of acquisitions. As Davis has noted, the period accounted "for nearly 60 per cent of all mergers in post-war years"<sup>15</sup>. Within the decade, however, the nature and pace of merger activity varied widely. In the first place, there was, particularly in 1967 and 1968, a sharp increase in the size of mergers, as measured in terms of the values of the companies involved<sup>16</sup>. Secondly, from 1965 onwards, there was a sharp decline in the actual numbers of mergers taking place<sup>17</sup>. Thus, especially during the latter half of the decade, the tendency was for larger firms to merge with, or to take over, other large concerns<sup>18</sup>. As a result the concentration of control in British industry was increased and larger industrial units were created<sup>19</sup>.

In addition to the changing scale of mergers during the 1960s there were important changes in their character. Most notably, especially in the latter years of the decade, there was a growing trend towards conglomerates. In 1969, for example, acquisitions in a different industry accounted for around 59 per cent of the

15. William Davis, Merger Mania, London 1970, p. 1.

16. This development reached a peak in 1968 and tailed off in 1969 when the takeover total was 61 per cent down in value, although the number of acquisitions and mergers was not materially changed. The Times, 25 February 1970.

17. These two developments are documented in Gerald D. Newbould, Management and Merger Activity, Liverpool 1970, Tables 1.1a and 1.1b, p. 19.

18. See The Economist, 1 February 1969.

19. These developments are documented in a survey made by the Monopolies Commission of the effects of mergers upon UK manufacturing industry between 1961 and 1968; The Monopolies Commission, 1969(a), op. cit., p. 34, paras 7 and 9.



total as against about 33 per cent in 1968<sup>20</sup>. The growing popularity of conglomerate groupings produced concern about merger policy both in the United Kingdom and the United States<sup>21</sup>. In the UK, the Monopolies Commission outlined three basic objections to conglomerates in its General Observations on Mergers. First, that because they might reach a very large "absolute size", difficulties in maintaining adequate managerial control might in some cases be encountered and possible losses in efficiency might result<sup>22</sup>. Secondly, the Commission noted that "it may be worth a company's while to acquire another company for the sake of its current profits or its assets alone and without any particular plan for improving the use of its resources. In such cases the effects of a conglomerate merger may well be to reduce efficiency"<sup>23</sup>. Finally, the Commission expressed concern about some methods of financing mergers, especially the increasing tendency to financing "by the issue of company paper"<sup>24</sup>.

Not surprisingly the increase in the scale of mergers, the change in their character and the methods used to finance the various deals, all led to growing concern about their consequences. Towards the end of the decade the rationale behind the merger trend began to be increasingly criticised. The idea that larger groupings inevitably led to economies of scale and a more efficient use of resources was queried. Critics pointed to the "diseconomies of scale", such as problems of managerial control and communication, and the social consequences of mergers, such as redundancies and the possibility of an undue concentration of economic power<sup>25</sup>.

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20. The Times, 25 February 1970.

21. The Times, 5 November 1969; The Economist, 1 November 1969; Mergers: A Guide to Board of Trade Practice, London 1969, Annex 5, pp. 57-66.

22. The Monopolies Commission, 1969(a), op. cit., pp. 36-38.

23. Ibid., para. 22, p. 37.

24. Ibid., paras 29-30, pp. 39-40. For an outline of American reaction to conglomerates, see J. Fred Watson, Sam Peltzman (eds), Public Policy Towards Mergers, California 1969, pp. 179-226.

25. See Edward Goodman, The Impact of Size, Acton Society Trust, London 1970; William Davis 1970, op. cit., especially pp. 86-93.

Critics also suggested that, while international trading conditions demanded the creation of industrial giants large enough to compete with overseas rivals, the dangers of creating monopoly situations at home were more important<sup>26</sup>. In addition, the motives of managements indulging in mergers were questioned. Newbould, who undertook an intensive study of the 1967 to 1968 'merger boom', concluded that many takeovers and mergers were made for the security and convenience of the management of the bidding company and that the average management's major motives in bidding were to gain bigger shares of their markets, or protect themselves from other predatory firms<sup>27</sup>.

In sum, during the 1960s, changes in the structure of British industry reflected a growing tendency towards concentration. The decade revealed a growth in the scale of mergers and acquisitions and a change in their character. The possible consequences of this trend raised concern about the application of public policy in the United Kingdom. These situational and ideological developments formed the background to the development of party policy, and they affected Labour and Conservative policy-makers alike.

## II. The Conservatives in Government: 1961-1964

Conservatives have often referred to their Party as the Party of free enterprise. To some Conservatives this has meant no more than a commitment to the maintenance of the private sector, primarily by the prevention of further nationalisation. Others have interpreted this phrase more radically to mean the application of policies to create and preserve a free market economy, involving

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26. William Davis 1970, op. cit., Chapter 1.

27. Gerald D. Newbould 1970, op. cit., p. 160 and pp. 200-206. These conclusions are supported by some American research: Stanley C. Vance, Managers in the Conglomerate Era, New York 1971, pp. 50-59. See also The Economist, 28 June 1969.

measures to increase competition by removing the obstacles to the free play of market forces. To this group an effective policy for monopolies and restrictive practices was essential. But at the beginning of the nineteen sixties the influence of this view within the Party Leadership appeared to be slight. As previously noted, the Government pursued policies, such as economic planning and incomes policy, based on the bringing together of economic units rather than those designed to keep them apart and little attempt was made to develop a consistent and comprehensive policy in the structure of industry field. Reliance was placed upon the somewhat limited provisions of the monopolies and restrictive practices legislation passed in 1948, 1953 and 1956, and in applying these provisions the Government appeared to be more concerned with the restrictive practices than the anti-monopoly element of the policy<sup>28</sup>. However, a spate of mergers took place at the beginning of the decade, and the Government's handling of both these and certain monopoly references suggested, even to its supporters, that existing policies were inadequate. This development is described below.

In the early 1960s the struggle for control of British Aluminium, Ford's bid for its British subsidiary, the Daily Mirror's grab for Odhams, a rush of other less spectacular mergers, and the Government's handling of the Monopolies Commission's reports on such matters as British Oxygen, chemical fertilisers, and colour films, caused speculation amongst informed opinion about the pace and purpose of mergers and the operation of Government policy<sup>29</sup>. Some were favourable to mergers, arguing that in the interests of efficiency British industry required a degree of rationalisation<sup>30</sup>; others expressed concern about the growth of monopoly power and the Government's apparent failure to

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28. NCP 1961, No. 12, 19 June 1961, "Economic Growth".

29. The Times, 19 December 1961.

30. The Guardian, 11 September 1969. Suggested that British industry suffered from "too many small, badly located and poorly equipped factories".

deal with it<sup>31</sup>. Faced with these contradictory strands of opinion the Government maintained a neutral position. This proved difficult and two developments, in particular, helped to further undermine the credibility of the Government's stance and indirectly led to a reappraisal of policy.

First, there was concern about the Government's handling of the Monopolies Commission's report on the Tobacco Industry<sup>32</sup>. This report, published in July 1961, made special reference to Imperial Tobacco's 37 per cent shareholding in Gallahers. The Commission considered that this shareholding served to preserve Imps' "monopoly position" and thus operated against the public interest<sup>33</sup>. They therefore recommended that Imps should "divest itself" of its interest in its rival<sup>34</sup>. In January 1962 the President of the Board of Trade announced that the Imperial Tobacco Company had given an assurance not to interfere in the management of Gallahers. He had accepted this assurance and consequently Imps would not be required to dispose of its shareholding<sup>35</sup>. He justified this decision on the grounds that he had been able to achieve the "object" of the recommendation without insisting upon "the disruption which would have been caused by the sale or disposal of Imperial's shareholding in Gallahers"<sup>36</sup>.

The Government's handling of the Commission's Report on the Tobacco Industry was criticised on two grounds. The first was its

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31. The Economist, 11 February 1961. Stated that the country needed some general scrutiny of all mergers before they were completed with power to prevent any that might appear contrary to the public interest.
  32. The Monopolies Commission, Report on the Supply of Cigarettes and Tobacco and of Cigarette and Tobacco Machinery, H.C. Paper 218, July 1961.
  33. Ibid., paras 590 and 591
  34. Ibid., para. 611.
  35. Board of Trade Statement, January 1962, NCF 1962, No. 5, 5 March 1962, pp. 22-24.
  36. H.C. Debs., Vol. 653, Col. 1340, 14 February 1962. Speech by Mr Erroll, President of the BOT.

treatment of the Monopolies Commission<sup>37</sup>. One Conservative back-bencher accused the Government of snubbing the Commission<sup>38</sup> and a prominent city journal argued that, after the Government's decision, the Commission could never again be taken seriously by industry<sup>39</sup>. Secondly, the Government's lack of urgency in dealing with the issue was criticised. It was pointed out that the Report was dated 6 January 1961, but had not been presented to Parliament until July 1961. Why, it was asked, did it take the Board of Trade until 28 December 1961 to announce a decision? And why was this announcement made when Parliament was not sitting<sup>40</sup>?

The second development which indirectly led to a reappraisal of public policy was the Government's handling of ICI's attempt to take over Courtaulds. ICI had made public their £130 million offer for Courtaulds on 19 December 1961. The Courtaulds board decided to fight this offer and after a prolonged campaign, involving considerable share purchasing and repeated offers, they succeeded in defeating the ICI bid<sup>41</sup>. Despite its outcome, the matter raised important issues of public policy, for if the offer had succeeded it would have meant the creation of an £887 million combine, the largest single man-made fibres group to have been created.

During the period of negotiation between the two firms the

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37. Of the 24 reports produced by the Commission between 1950 and 1961, twenty-one recommended Government action in the public interest, but in only two of these cases was an order made. The rest were either ignored or dealt with by consultation and agreement between the parties involved. Christopher Layton and Richard Lamb, The Morning After, Liberal Publications Department, 1965, p. 34. See also, G.C. Allen, Monopolies and Restrictive Practices, London 1968, pp. 119-122.
38. H.C. Debs., op. cit., Col. 1370. Speech by Sir John Vaughan Morgan.
39. 'Case for Enquiry', Investors Chronicle, 26 January 1962.
40. See H.C. Debs., op. cit., Cols 1325-1327; for Erroll's reply see, ibid., Col. 1343.
41. For an outline of this campaign, see John Pearson and Graham Turner, The Persuasion Industry, London 1965, pp. 249-256; William Davis 1970, op. cit., pp. 38-50.

Government pursued what appeared to be an inconsistent and, to some, an unsatisfactory policy<sup>42</sup>. When the bid was first announced, Mr Erroll, the President of the Board of Trade, stated that he had no power to refer proposals for a merger to the Monopolies Commission. Only if the merger took place and a monopoly situation resulted would he be able to refer the matter to the Commission,<sup>43</sup> and, presumably, ex post facto action might then be recommended and taken by the Government, including divestment. This ruling was at variance with his stated reasons for accepting Imperial Tobacco's assurance not to become involved in the management of Gallahers. The President had accepted this assurance so as to avoid disruption, yet in relation to the ICI/Courtaulds affair he suggested ex post facto action which if carried out would have been more disruptive than any attempt to force Imps to sell its shareholding in Gallahers. Regardless of this inconsistency, Mr Erroll concluded that the Government could do nothing about the ICI/Courtaulds bid and he suggested that the public interest would be best served by the parties involved continuing to sell their products as cheaply and efficiently as possible, as this was the only way they could remain a profitable undertaking<sup>44</sup>. Thus, according to Mr Erroll, the Government's position was that no action was possible ex ante, because the necessary powers were not available. Likewise, no action was possible ex post facto, because divestment would prove too disruptive.

Mr Erroll later appeared to change his mind. In January 1962, after consulting the parties involved<sup>45</sup>, he announced that he had announced that he had not yet reached a final decision<sup>46</sup>. But a

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42. See Douglas Jay, H.C. Debs., Vol. 652, Col. 896-7, 30 January 1962. This was firmly denied by the Government, see Erroll, ibid., Col. 896; H.C. Debs., Vol. 653, Col. 1355, 14 February 1962.
43. Speech by Erroll, H.C. Debs., Vol. 651, Col. 1546, 21 December 1961.
44. Ibid., Col. 1548.
45. See Pearson and Turner, op. cit., p. 254; speech by Jeremy Thorpe, H.C. Debs., Vol. 652, Col. 40, 22 January 1962.
46. H.C. Debs., Vol. 65, Col. 38, 23 January 1962.

week later he returned to his original view that the Government should take no action and that the merger could be judged only by results<sup>47</sup>. At this point it was not at all clear what policy guidelines the Board of Trade was following. Nor did the Government appear to be in agreement on the issue. Lord Hailsham and the Earl of Swinton stated, in contradiction to Mr Erroll, that the Government did have powers which could be used against the proposed merger, but had decided not to use them because of the lack of information on the matter<sup>48</sup>. Furthermore, there was a lack of agreement about the objectives of the Government's policy: Erroll emphasised the Government's belief in a "free enterprise economy" controlled by the disciplines of a free market, whilst Henry Brooke suggested that the Government should encourage large groupings in the interests of promoting exports<sup>49</sup>.

As Davis has noted, the Government's rejection of the Monopolies Commission's recommendations for the Tobacco Industry and its handling of the ICI/Courtaulds bid revealed "how little thinking the Government had done about the whole subject of takeover bids and mergers"<sup>50</sup>. Within the Conservative Party some back-benchers were concerned that the Government should clarify and reassess its policy<sup>51</sup>. One Conservative MP, Sir John Barlow, threatened to vote against the Government on an Opposition motion on Private Monopolies<sup>52</sup>. Another back-bencher, Sir James Pitman, introduced a "Monopolies Divestment Bill" under

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47. Speech by Erroll, H.C. Debs., *ibid.*, Col. 895, 30 January 1962.  
 48. See speech by The Earl of Swinton, H.L. Debs., Vol. 236, Col. 1163, 1 February 1962; and speech by Lord Hailsham, H.L. Debs., *ibid.*, Col. 1198.  
 49. See speech by Erroll, H.C. Debs., Vol. 653, Col. 1338, 14 February 1962; and speech by Henry Brooke, *ibid.*, Col. 1447.  
 50. William Davis 1970, *op. cit.*, p. 49. See also "No Policy for Mergers", *The Economist*, 3 February 1962.  
 51. Reports of a Conservative Party meeting held on 31 January 1962 suggested that nine out of ten of the Conservative MPs attending were critical of the Government's handling of both issues, H.L. Debs., Vol. 236, Col. 1151, 1 February 1962. Strong criticism also came from the City, see *The Financial Times*, 31 January 1962.  
 52. H.C. Debs., Vol. 653, Col. 1413, 14 February 1962.

the ten minute rule<sup>53</sup>. The Bill was "brought in", in addition to Sir James, by leading members of the Conservative Members' Trade and Industry Committee, namely Sir John Vaughan Morgan, Robert Carr, Geoffrey Hirst and Julian Ridsdale. The Bill was scheduled for Second Reading on Friday, 23 March 1962 but, in the event, the debate did not take place<sup>54</sup>. From hereon the Conservative Members' Trade and Industry Committee became the main focus of dissent and in May 1962 tabled a motion appealing for "safeguards against monopoly"<sup>55</sup>.

The President of the Board of Trade had already announced that he would undertake a general review of policy in the light of the experience gained since the passage of the 1956 Restrictive Trade Practices Act<sup>56</sup>. He later implied that normal policies had proved inadequate by suggesting that mergers and groupings were "perhaps going too far" and invited interested parties to submit their views to the Board of Trade<sup>57</sup>. Finally, in May 1962 the Government announced that the Board of Trade review would be "major" in nature and that consideration would also be given to the related problem of Resale Price Maintenance<sup>58</sup>.

The first response from within the Conservative Party to the Board of Trade's invitation for the submission of views by interested parties was made in February 1963 by a Committee of the Bow Group. In general this committee proposed a return to pre-1956 procedures, with an enlarged Monopolies Commission working in groups but with ex ante powers<sup>59</sup>. In March 1963 a report on

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53. H.C. Debs., Vol. 655, Cols 1126-1129, 13 March 1962.

54. H.C. Debs., ibid., Col. 1129.

55. The motion was sponsored by Robert Carr, Sir John Vaughan Morgan, Geoffrey Hirst, Sir James Pitman, Peter Tapsell and Trevor Skeet. For full text see The Guardian, 31 May 1962.

56. Speech by Erroll, H.C. Debs., Vol. 652, Col. 896, 30 January 1962.

57. H.C. Debs., Vol. 653, Cols 1354-5, 14 February 1962.

58. The Guardian, 31 May 1962.

59. Monopolies and Mergers, Bow Group, CPC 270, London 1963.



monopoly and mergers policy prepared by a Conservative committee under the chairmanship of Lord Poole was published. This committee, established in May 1962<sup>60</sup>, had a membership of nine, including the Chairman, and back-bench opinion was well represented in the form of seven MPs, most of whom had expressed concern about the Government's policy<sup>61</sup>.

In their report the members of the Poole Committee argued "that the existing machinery for the investigation and control of monopoly is inadequate"<sup>62</sup>. They recommended that a Registrar of Monopolies should be established with the task of preparing evidence and referring cases to the Commission. This, it was argued, would relieve the Commission of much of its preparatory work and enable it to achieve a heavier workload. More importantly perhaps, in contrast to previous practice, it would also give the crucial power of initiating investigations to some agency other than the Minister. In relation to mergers the Committee proposed that any proposal concerning a company with net assets exceeding one million pounds or resulting in a combination of net assets exceeding £1.5 million would have to be notified to the Registrar. He would then determine whether the merger was liable to result in market dominance. If it was shown that it might do so, he would then refer the matter to the Monopolies Commission, and their recommendations would be submitted to the Board of Trade. Furthermore, any merger liable to result in market dominance would be illegal until either the Registrar had notified the Company that in his view market dominance would not result or the Monopolies Commission had made its recommendations<sup>63</sup>. To enable the Commission

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60. For full terms of reference, see Monopoly and the Public Interest, CPC 273, London 1963, p. 3.

61. The membership of the committee was as follows: Lord Poole, Viscount Caldecote, Robert Carr MP, John Harvey MP, Sir Lionel Heald MP, Sir James Pitman MP, John Rodgers MP, William L. Roots MP and Arthur Tiley MP; ibid., frontispiece.

62. Ibid., pp. 11 and 34.

63. Ibid., p. 24.

to carry out this work the Committee proposed that it should be enlarged and enabled to operate in groups, and that the Government should be given powers to require regular returns, order divestment of assets, or impose restrictions on prices, as the Commission might recommend. Finally it was proposed that monopolies in commercial services should be subject to investigation and that the terms "monopoly" and "public interest" should be more closely defined by statute<sup>64</sup>.

On 16 January 1964, nine months after the publication of the Poole Committee's report, Edward Heath, who was responsible for Board of Trade matters in the new administration under Sir Alec Douglas-Home, announced that the Government intended to introduce a "comprehensive competition policy" covering resale price maintenance, monopolies, mergers and restrictive practices<sup>65</sup>. Resale Price Maintenance (RPM) - the practice by which manufacturers obliged retailers to sell their branded goods at stipulated prices - had been under consideration by successive governments since 1919<sup>66</sup>. In 1961 the President of the Board of Trade, Frederick Erroll, advocated the abolition of RPM to the Cabinet. The Cabinet rejected this proposal because of the split it might provoke in the ranks of Conservative MPs and their supporters in the constituencies<sup>67</sup>. The issue was left in abeyance until the Autumn of 1963 when John Stonehouse, a Labour MP, obtained first place in the Private Member's

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64. Ibid., pp. 34-36. In addition to these two Conservative publications, a spate of other literature dealing with the issue of monopolies and mergers appeared throughout 1963. These included Mergers Past and Present, and Mergers, the Effect on Managers, Acton Society Trust, 1963; Douglas Jay, Socialism in the New Society, Labour Party, 1963; Desmond Banks, Liberals and Economic Planning, Liberal Publications Department, 1963; William Memmell, Takeover, London 1963.

65. NCP 1964, No. 2, 27 January 1964, p. 25.

66. Ronald Butt, The Power of Parliament, second edition, London 1969, p. 251. Mr Butt provides a well informed account of the RPM 'revolt' amongst Conservative back-benchers in Chapter 9 of his book, "Resale Price Maintenance, A Study of Back-Bench Influence", pp. 251-274. Much of the following account of the abolition of RPM is drawn from Butt.

67. Ibid., p. 256.

Ballot and introduced a Bill in December to end RPM<sup>68</sup>. Clearly Heath would have to make his own position clear in the light of this development, and with the support of the Cabinet he decided to introduce legislation to abolish RPM outright, with only one or two exceptions. In the division on the Second Reading of the Bill, twenty-one Conservatives voted against the Government and about twenty-five others deliberately abstained. This rebellion has been well documented, but it should be pointed out that it was of such a nature as to force both back-benchers and ministers to seek a compromise<sup>69</sup>. It was agreed that there should be two amendments to the Bill. The first dealt with the practice of "Loss Leaders"<sup>70</sup>, and the second altered the provisions of the Bill so that, instead of being presumed illegal but subject to appeal, all RPM arrangements were to be "registered" and the Board of Trade would have the function of recommending cases to be brought forward to the Restrictive Practices Court<sup>71</sup>. These concessions helped to end the back-bench revolt and the legislation finally reached the statute book.

The other elements in Heath's "comprehensive competition policy" -- proposals for monopolies, mergers and restrictive practices -- were presented to Parliament in the form of a White Paper in March 1964<sup>72</sup>. The Government had decided that because of the complex nature of these issues it would not be possible to introduce legislation to deal with them before the end of their term in office<sup>73</sup>. The White Paper thus represented the final detailed outline of the Government's proposals for reform published prior to the 1964 General Election.

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68. Ibid., p. 260.

69. Ibid., pp. 264-274; Andrew Roth, Heath and the Heathmen, London 1972, pp. 176-8.

70. Loss-leading is the practice of offering for sale goods below cost price in order to attract customers to other goods in the shop.

71. Butt, op. cit., pp. 267-268.

72. Monopolies, Mergers and Restrictive Practices, Cmd 2299, HMSO, London March 1964.

73. Ibid., para. 45.

On the issue of monopolies the Government reaffirmed their view that it was wrong to introduce into law the idea that a monopoly was in itself undesirable<sup>74</sup>. Nevertheless, the Monopolies Commission was to be strengthened and the existing legislation was to be extended. First, by the appointment of a Registrar of Monopolies with the task of selecting cases for reference to the Commission (subject to Board of Trade approval), investigating the facts of each case, and providing the Commission with full information<sup>75</sup>. Secondly, the Government was to take effective powers to ensure that, if negotiations failed, the Commission's recommendations would be enforced, including powers to enforce divestment of interests subject to the approval of Parliament in each particular case<sup>76</sup>. Thirdly, the Commission was to be enlarged from ten to twenty-five members and was to be given the right to work simultaneously in groups on several enquiries at once<sup>77</sup>.

On mergers, the Monopolies Commission was to be empowered (at the direction of the Board of Trade) to inquire into any proposed, or recently completed, merger which might result in a monopoly or increase the power of an existing monopoly<sup>78</sup>. Where action was recommended a completed merger was to be treated in the same way as a monopoly: where it had not been completed, the Government was to be given powers to prohibit it or to attach conditions<sup>79</sup>. It was made clear, however, that the Government had no intention of seeking powers to hold up a proposed merger while it was being investigated, on the grounds that this might "frustrate desirable mergers"<sup>80</sup>.

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74. Ibid., para. 8.  
 75. Ibid., paras 12-15.  
 76. Ibid., paras 16-18.  
 77. Ibid., para. 19.  
 78. Ibid., para. 23.  
 79. Ibid., para. 27.  
 80. Ibid., para. 25.

On the related issue of restrictive practices it was proposed that the loopholes left by the 1956 Act should be closed<sup>81</sup>, particularly those relating to "information agreements"<sup>82</sup>, "bilateral agreements"<sup>83</sup> and "agreements to the like effect"<sup>84</sup>. Whether the supply of services should be brought within the scope of restrictive practices legislation was left open. A "pragmatic" approach was to be adopted, whereby the Monopolies Commission was to be given power to make enquiries in the field of commercial services but only when requested to do so by the Government. Once an enquiry was made it would rest with the Government to take appropriate action<sup>85</sup>.

The proposals contained in the Government's 1964 White Paper were to form the basis of Conservative structure of industry policy in the years ahead. In the Party's 1964 General Election Manifesto, under the sub-heading "Modernisation and Competition", some of the main points of their policy were reiterated<sup>86</sup>. The Conservatives pledged that in the next Parliament their first major Bill would be one designed to strengthen the Monopolies Commission, speed up its work and enlarge the Government's powers to implement its recommendations. Such a Bill, they claimed, would "enable us to deal with any merger or takeover bid likely to lead to harmful monopoly conditions"<sup>87</sup>.

In sum, the inconsistency and relative ineffectiveness of competition policies in the 1950s and early 1960s culminating in the Government's handling of the Monopolies Commission's report on the Tobacco industry and ICI's bid for Courtaulds aroused widespread concern about the operation and adequacy of monopolies and mergers

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81. Ibid., para. 29.

82. Ibid., para. 32.

83. Ibid., para. 36.

84. Ibid., para. 37.

85. Ibid., para. 43.

86. "Prosperity with a Purpose", in F.W.S. Craig (ed.), British General Election Manifestos: 1918-1966, Chichester 1970, pp. 217-218.

87. Ibid., p. 218.

policy. Within the Conservative Party, an influential section of back-benchers expressed dissatisfaction with their Government's policy, and a widescale review was put in hand. As a consequence, towards the end of their term in office, the Conservative Government published proposals for important reforms in existing legislation governing monopolies, mergers and restrictive practices.

One important outcome of these events was that competition had re-emerged as a central element in Conservative economic policy. During the final years of the Macmillan administration, the liberal strand in Conservatism appears to have enjoyed little support in Government circles. The preceding case studies demonstrate that more corporatist measures, such as economic planning and a centrally administered incomes policy, were favoured and these were to remain the primary components of Conservative economic policy up to and during the 1964 Election. However, as the case of structure of industry indicates, an alternative, competition, was already in the process of development<sup>88</sup>.

### III. The Conservative Party in Opposition: 1964-1970

#### 1. A Competition Policy

As previously noted, soon after the Conservatives entered Opposition in October 1964, competition emerged as the primary element in the Party's economic policy. It may be recalled that the initiative in this development was taken by Heath and his closest aides<sup>89</sup>. Over the next twelve months, under the general slogan of a "competition policy", a series of policies were evolved including proposals for reforms in the external structure of British industry<sup>90</sup>. These proposals were designed to fulfill

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88. Ibid.

89. See above, Chapter Six.

90. NCP 1965, No. 14, 12 July 1965, p. 382; NCP 1966, No. 24, 29 December 1966, pp. 686-91.

two principles outlined by the Party's policy-makers, namely the encouragement of individual initiative and the creation of a competitive industrial environment<sup>91</sup>. They involved action on two fronts: first, action to curb monopolistic and restrictive practices; and second, action designed to encourage small businesses.

As far as monopolies, mergers and restrictive practices were concerned, Conservative Leaders accepted the 1964 White Paper as the blueprint for their policy. In this field at least policy had already been formulated and, therefore, Heath did not establish a policy group to consider these matters<sup>92</sup>. Thus when, in March 1965, the Labour Government introduced a Bill on monopolies and mergers, the Conservative Front-Bench criticised the measure only in so far as it departed from the proposals contained in the 1964 White Paper.

The Monopolies and Mergers Act 1965, reorganised and enlarged the Monopolies Commission, and increased the Government's power to act on the Commission's reports and to call for general reports from the Commission on restrictive trade practices<sup>93</sup>. As Allen notes, the Act "embodied an almost identical policy" to that outlined in the Conservative Government's 1964 White Paper<sup>94</sup>. There were, however, a few important differences. In some ways the Act went further than the previous Government's proposals. For instance, it gave the Board of Trade power to delay the completion of any merger into which the Commission had been asked to enquire, in addition to powers to prohibit mergers and dissolve existing

91. Speech by Heath in Inverness reported in The Times, 20 September 1965.
92. For a list of the policy study groups established by Heath in the 1964-66 period, see pp. 74-5 above.
93. The Monopolies and Mergers Act 1965, c. 50.
94. G.C. Allen, Monopoly and Restrictive Practices, London 1968, p. 126. Allen's analysis was supported in the Conservative Party's Campaign Guide: 1970, CCO, London 1970, p. 246.

monopolies<sup>95</sup>. Mergers subject to investigation were those that involved the takeover of assets exceeding £5 million as well as those likely to lead to a monopoly situation<sup>96</sup>. Thus size, as well as market dominance, was now open to question. The Act specifically dealt with mergers amongst newspapers<sup>97</sup>. Moreover the Board of Trade was given powers, exercisable on the Commission's recommendation, to require the publication of price lists and to control prices<sup>98</sup>. Finally, services were brought fully within the Commission's ambit<sup>99</sup>. The Act did not, however, implement some of the previous Conservative Administration's proposals. In particular, it did not attempt to close the loopholes in the 1956 Restrictive Trade Practices Act and, more importantly, the Act did not provide for the appointment of a Registrar of Monopolies.

The Opposition Leaders welcomed the legislation in general principle, although they criticised the more detailed points of difference outlined above. In the Second Reading Debate, for instance, Anthony Barber, speaking from the Opposition Front-Bench, supported the proposal to enlarge the Monopolies Commission to twenty-five members and to allow several enquiries to be dealt with concurrently. Equally he supported the granting of powers to the Commission so as to enable it to investigate the provision of services<sup>100</sup>. But he could not accept the Government's proposal for the suspension of mergers before they had taken place, on the grounds that it might frustrate "desirable groupings"<sup>101</sup>. He regretted that there was no provision for the establishment of a Registrar of Monopolies and that the Government had not taken measures to deal with restrictive practices<sup>102</sup>. Barber also argued

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95. The Monopolies and Mergers Act 1965, *op. cit.*, Section 3(5) and (6), Section 6(7) and (8).

96. *Ibid.*, Section 6(1)b(ii).

97. *Ibid.*, Section 8.

98. *Ibid.*, Section 3(4)(b) and (c).

99. *Ibid.*, Section 5(1)(a).

100. H.C. Debs., Vol. 709, Col. 1227, 29 March 1965.

101. *Ibid.*, Col. 1229.

102. *Ibid.*, Col. 1231.



that entry into the Common Market would require a restructuring of British industry and he accused the Government of displaying an "almost pathological hostility to big business"<sup>103</sup>.

Likewise, other Conservatives objected to the "absolute size" clause of £5 million net assets contained in the Bill and argued that the sole criterion for reference should remain actual or potential market dominance<sup>104</sup>. Opposition members also criticised Clause 3(3c)<sup>105</sup> which dealt with the publication of price lists and the control of prices on the grounds that such powers might be abused<sup>106</sup>. Not all Conservatives, however, were opposed to the proposal to hold up mergers. Of the five Opposition back-benchers who spoke in the Second Reading Debate on the Bill, for example, three supported the provision and one indicated that it did not go far enough<sup>107</sup>. Thus the legislation received a warmer welcome on the Conservative back-benches than from the Party Leadership, although all were agreed that despite its failings the measure should not be opposed and it was passed without a division.

The Monopolies and Mergers Act 1965 inevitably stole some of the Conservatives' thunder, but it did not lead to any significant change in policy. Instead the Conservative Leaders accepted the general provisions of the Act, while emphasising what they considered to be its shortcomings. In addition they adopted a proposal, previously suggested by Terence Higgins<sup>108</sup>, for the removal of protective tariffs from industry in which competition was considered inadequate. The policy, thus amended, was set out in the Opposition's

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103. *Ibid.*, Cols 1222-25.

104. See speeches by Terence Higgins, *ibid.*, Col. 1307; Charles Fletcher-Cooke, *ibid.*, Col. 1269.

105. This became Section 3(4)(c) in the Act.

106. Sir John Rodgers, H.C. Debs., *op. cit.*, Cols 1254-5.

107. See speeches by William Shepherd, *ibid.*, Col. 1282; Rodgers, *Ibid.*, Col. 1258; Fletcher-Cooke, *ibid.*, Col. 1271.

108. Terence Higgins, *The Second Managerial Revolution*, CPC 317, April 1965, pp. 16-20.

first policy statement published in October 1965, as one of several "new measures" designed to create "vigorous competitive conditions" for British industry. The document stated that:

The Labour Government's monopolies legislation is in many respects inadequate. We would close the loopholes in the present legislation dealing with restrictive trading agreements . . . A Registrar of Monopolies needs to be appointed to speed up and give more punch to the work of the Monopolies Commission. In considering cases for reducing protective tariffs on specific items in appropriate cases we would take into account the recommendations of the Monopolies Commission.<sup>109</sup>

In addition to measures designed to curb monopolistic and restrictive practices the Conservatives also developed a policy for small businesses. Early in 1965 a study group was established to consider policy in this field and one of its members, Bernard Weatherill MP, was sent to the United States to investigate the workings of the US Small Business Bureau. In October 1965, the Party published two proposals designed to encourage small businesses. First, it was proposed that a Small Business Development Bureau be established, with the function of providing consultancy services, marketing information and a general link between small businesses and a "full range of specialist services". It was to have centrally placed headquarters and regional offices staffed by personnel with business experience, and it was to be financed by Government grants and by charging for the services provided. Secondly, it was proposed that an Industrial Guarantee Corporation should be created to help small companies raise capital by giving guarantees, on a commission basis, on loans made by existing financial institutions for the financing of novel processes or the manufacture of new types of product.<sup>110</sup>

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109. Putting Britain Right Ahead, CCO, London 1965; NCF 1965, No. 21, 22 November 1965, p. 606.

110. NCF 1965, No. 21, op. cit., p. 607. The proposal for an Industrial Guarantee Corporation was recommended by the Radcliffe Committee, see Committee on the Working of the Monetary System, Cmd 827, HMSO, London 1959. See also Bernard Weatherill, Acorns into Oaks, CPC, London March 1969.

As previously indicated, both the policy for monopolies, mergers and restrictive practices and the policy for small businesses formed an important part of an overall competition policy. By October 1965, with the publication of the Opposition's first policy statement, this policy had emerged as the central element in the Conservative economic programme<sup>111</sup>. In this document as well as in the Party's 1966 General Election Manifesto, the departure from the position taken up by the previous Conservative Administration was self-evident, if unstated<sup>112</sup>. However, in relation to one aspect of the competition policy, the proposals for monopolies and mergers, a continuity of policy development was partially maintained. In particular, the guidelines laid down in the 1964 White Paper were adhered to and remained the basis of Conservative policy in this field. Following the 1966 Election, in the face of developments in the structure of British industry and the consequences of the Labour Government's own proposals, these guidelines were to prove inadequate.

## 2. The Development of the Labour Government's Policy: 1966-1970

In the previous section the early stages in the development of the Opposition's policies for the structure of industry have been outlined. The next section contains a two-part analysis of the Opposition's critique of the Labour Government's policy: the first part covers the period from March 1966 to December 1968, and the second, the final eighteen months of Opposition. Within each part the issues are treated thematically as well as chronologically, and an attempt is made to relate the Labour Government's structure of industry measures to the clarification and expansion of Conservative policy in the same field.

### (1) March 1966 ~ December 1968

During the first two and three-quarter years of the Labour

111. Putting Britain Right Ahead, *op. cit.*

112. "Action Not Words", in F.W.S. Craig 1970, *op. cit.*, p. 257.

Government's second term in office the Opposition's critique of the Administration's policy for the structure of industry was mainly centred upon three developments: the Industrial Reorganisation Corporation (IRC), the Industrial Expansion Act and, less importantly, legislation to deal with restrictive practices. The IRC was established in 1966 to further the rationalisation of British industries, especially those liable to result in increased exports or more rapid technological advance<sup>113</sup>. It was granted wide powers of action including powers to acquire, hold and dispose of securities; to form bodies corporate; to provide loans and guarantees with respect to loans made by others; and to acquire and dispose of premises and plant, machinery and other equipment<sup>114</sup>. The IRC was able to draw upon Exchequer funds up to a limit of £150 million<sup>115</sup>. Once a chosen scheme had proven profitable it was assumed that the Corporation would dispose of its investments in the concern<sup>116</sup>.

Following its establishment the IRC became involved in some of the largest regroupings to have taken place in Britain, including the mergers of GEC/AEI<sup>117</sup>, BMH/leyland<sup>118</sup> and GEC/English Electric<sup>119</sup>. The IRC was most heavily criticised after taking part in the operations which led to the purchase, in June 1968, by George Kent Limited of Cambridge Instruments Limited and the rejection of the bid by the Rank Organisation for the latter company.

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113. White Paper, Industrial Reorganisation Corporation, Cmnd 2889, HMSO, London 1966.

114. Industrial Reorganisation Corporation Act 1966, Ch. 50, Sections 2(1), (2) and (3).

115. Ibid., Section 7.

116. For an outline of the establishment and operation of the IRC, see William Davis 1970, op. cit., pp. 132-48; Stephen Young and A.V. Lowe, Intervention in the Mixed Economy, London 1974, pp. 39-120.

117. For a detailed outline of the IRC's role in the GEC/AEI merger, see Anthony Vice, The Strategy of Takeovers, Maidenhead, Berkshire 1971, pp. 17-19; William Davis, ibid., pp. 72-74.

118. Anthony Vice, ibid., pp. 35-36; William Davis, ibid., p. 99.

119. William Davis, ibid., pp. 81-2; Anthony Vice, ibid., p. 21.

This result was achieved after bids, counter-bids, and considerable share purchases by the IRC<sup>120</sup>.

The Conservative Front-Bench criticised the legislation establishing the IRC on the grounds that, in the words of Anthony Barber, it was "designed to cripple free enterprise through state intervention"<sup>121</sup>. The Opposition Leaders took particular exception to Clause Two of the Bill, in which the powers of the IRC were outlined: these they regarded as "too wide" and "too arbitrary", and concern was expressed that the use of these powers was not to be subject to the approval of Parliament<sup>122</sup>. However, many Conservatives did see some merit in the proposal. John Nott indicated that he would have supported the measure, if the Corporation had been granted powers to advance fixed interest capital and had not been given equity powers<sup>123</sup>. Furthermore, of the nine Conservatives who participated in the Second Reading Debate on the IRC Bill, six, including two Front-Bench spokesmen, supported the aims of the legislation, their objections being solely concerned with the means<sup>124</sup>. And both Front-Bench spokesmen suggested that the Opposition would have accepted a purely informative and co-ordinating agency and "might even have accepted a catalytic organisation to assist the promotion of industrial rationalisation"<sup>125</sup>.

In general the Conservatives' position was that the restructuring of industry should be left to market forces with the role of government reduced to a purely persuasive capacity, although some maintained that a reformed IRC might play a useful

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120. "The Campaign Guide: 1970", *op. cit.*, p. 243; William Davis, *ibid.*, pp. 136-9.

121. *H.C. Debs.*, Vol. 734, Col. 233, 19 October 1966.

122. *Ibid.*, Col. 240.

123. *Ibid.*, Col. 327.

124. Sir Arthur Vere-Harvey, *ibid.*, Cols 250-54; A.G.F. Hall-Davis, *ibid.*, Cols 259-66; Martin Maddan, *ibid.*, Col. 238; John Nott, *ibid.*, Cols 321-9; Anthony Barber, *ibid.*, Cols 233-241; David Price, *ibid.*, Cols 331-42.

125. David Price, *ibid.*, Col. 340; Anthony Barber, *ibid.*, Col. 241.

function in this process.

Following the establishment of the IRC, opposition to it amongst certain sections of the Conservative Party hardened<sup>126</sup>. The Party Leadership, however, did not reject the agency outright. Indeed over the next few years their attitudes towards it tended to mellow. In 1968, for instance, Sir Keith Joseph, speaking from the Opposition Front-Bench, admitted that the fears expressed by Conservative spokesmen about the operation of the IRC had not been wholly fulfilled<sup>127</sup>. Two years later he committed a future Conservative Government to retain the IRC in a modified form: "stripped of its power to impose its will on the market; with its taxpayers funds reduced; and with narrower terms of reference"<sup>128</sup>.

The second of the Labour Government's measures in the structure of industry field which served as a focus for the Opposition's dissent was the Industrial Expansion Act 1968<sup>129</sup>. Under this legislation ministers were given powers to provide financial assistance "for industrial projects calculated to improve efficiency, create, expand or sustain productive capacity or promote or support technological improvements . . ."<sup>130</sup>. The finance for these operations was set at an overall limit of £100 million<sup>131</sup> and this money was also made available for schemes

126. See the debate on Trade, Industry and Transport at the 1968 Party Conference, NUCUA 86th Annual Conference Report, 1968, NUCUA, London 1968, pp. 95-100. Also, motions Nos 672-746, and No. 682 in particular, in Conference Handbook and Programme of Proceedings, NUCUA, London 1968, pp. 155-165.
127. H.C. Debs., Vol. 757, Col. 1594, 1 February 1968.
128. Speech to the Annual General meeting of the Young Conservatives National Advisory Committee, 7 March 1970, CGO News Service, ref. 107/70, p. 22. See also, speech by Sir Keith Joseph, "NUCUA, 86th Annual Conference Report, 1968", *op. cit.*, p. 100-1.
129. Proposals for an Industrial Expansion Bill were first outlined in January 1968 in a White Paper, Industrial Expansion, Cmd 3509, HMSO, London January 1968.
130. Industrial Expansion Act 1968, Ch. 32, preamble.
131. Ibid., Section 4(2).

of general industrial reorganisation, such as mergers and re-groupings<sup>132</sup>. In addition to these broad measures the Act contained various specific proposals for expenditure, including financial assistance for the development of Concorde<sup>133</sup>, the SS Queen Elizabeth II<sup>134</sup>, and the acquisition of Beagle Aircraft Company<sup>135</sup>. The Act, through its provisions, extended the powers of the National Research Development Corporation and the IRC<sup>136</sup>.

The Opposition was totally opposed to the provisions of the Industrial Expansion Act. Their objections were outlined by Sir Keith Joseph, and were basically fourfold. First, the Opposition objected to the width of the powers being given to the Government by way of enabling legislation; secondly, they objected to the Government being given powers to lend taxpayers' money without proper Parliamentary sanction; thirdly, they feared that taxpayers' money might be used to support industrial "lame ducks"<sup>137</sup>; and finally, they argued that the Act could be used to expand the public sector<sup>138</sup>. For these reasons Sir Keith committed the Conservatives to opposing the measure and further promised that it would be repealed when his Party returned to power<sup>139</sup>. He stressed that in the exceptional case where a scheme required support, and both the market and existing agencies were unable to help, then the specific proposals should be brought forward as a Bill, so that each subvention could be properly scrutinised by Parliament<sup>140</sup>.

132. Ibid., Section 2(1)(a).

133. Ibid., Section 8.

134. Ibid., Section 9.

135. Ibid., Section 12(a).

136. Ibid., preamble.

137. As far as the author can ascertain, this is the first recorded instance of the term "industrial lame ducks" being used by a member of the Conservative Party Leadership during the 1964 to 1970 Opposition period.

138. H.C. Debs., Vol. 757, Cols 1600-3, 1 February 1968.

139. Ibid., Col. 1605.

140. Ibid., Col. 1605.

In addition to the Industrial Expansion Act, in 1968 the Labour Government introduced a Restrictive Trade Practices Bill. This legislation made it possible to exempt certain agreements designed to promote efficiency or productive capacity and agreements to hold down prices. In addition an attempt was made to close some of the loopholes left by previous legislation. Conservative spokesmen expressed concern about Clause 5 of the Bill which covered information agreements. This went further than they would have wished, by including agreements relating to quantities, descriptions, costs, processes, customers, areas, etc.<sup>141</sup>. Apart from this one minor point of disagreement, Conservatives welcomed the Bill and gave it their full support.

The 1968 Restrictive Trade Practices Act<sup>142</sup> brought information agreements within the scope of existing legislation for the first time. By so doing it fulfilled one of the key proposals contained in the Conservative Government's 1964 White Paper and one of the main points of the Opposition's own policy. Thus the Act did not serve as a major target of Opposition dissent. In contrast the IRC and the Industrial Expansion Act were vigorously contested by the Conservatives. Moreover, in addition to the detailed points of criticism already outlined, Opposition Leaders argued that both measures reflected an important alteration in the Labour Government's structure of industry policy.

To the Conservative Leadership, the IRC and the Industrial Expansion Act were representative of a newly conceived, and quite deliberate, Government doctrine of "selective" intervention in support of specific industries and chosen companies<sup>143</sup>. Opposition

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141. See speeches by Patrick Jenkin, H.C. Debs., Vol. 763, Cols 1022-28, 30 April 1968; A.G.F. Hall-Davis, ibid., Cols 1032-1040.

142. The Restrictive Trade Practices Act 1968, Ch. 66.

143. Speech by Heath, The Times, 4 September 1967.



spokesmen argued that such "selective" intermention in the day-to-day affairs of industry was unjustified, and that instead government should limit itself to getting the "general pressures right" so that, "within a framework of civilised laws and institutions", competitive free enterprise might flourish<sup>144</sup>. Furthermore, they argued that the Government's policy reflected an "absurd prejudice in favour of giant firms"<sup>145</sup>, and had directly resulted in the growing trend towards large industrial units<sup>146</sup>. For the Conservatives, Sir Keith Joseph pledged that his Party would accept "no trend towards giants" and he indicated a preference for a balanced industrial structure, containing firms of all sizes<sup>147</sup>.

Sir Keith's attack upon what he regarded as the Labour Government's deliberate attempt to encourage the formation of larger industrial units suggested that an important alteration had taken place in the Opposition's own position. At the beginning of the Opposition period it was the Conservative Leadership who had argued in favour of greater industrial concentration. It may be recalled that during the Second Reading Debate on the Monopolies and Mergers Bill in 1965, Barber had accused the Labour Government of displaying an "almost pathological hostility to big business"<sup>148</sup>. Equally, in the Second Reading Debate on the IRC Bill, David Price, speaking from the Opposition Front-Bench, commented that the only value of the Bill was the recognition by the Government of the importance of mergers<sup>149</sup>. Furthermore,

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144. Speech by Sir Keith Joseph at a Greater London Trade Union Advisory Committee meeting, 24 January 1970, CCO News Service, ref 46/70, p. 9 and p. 2.

145. Speech by Sir Keith Joseph, "NUCUA, 86th Annual Conference Report, 1968", op. cit., p. 100.

146. Speech by Sir Keith Joseph, H.C. Debs., Vol. 791, Cols 93-94, 10 November 1969.

147. "NUCUA, 86th Annual Conference Report, 1968", op. cit., p. 100.

148. H.C. Debs., Vol. 709, Cols 1222-25, 29 March 1965.

149. H.C. Debs., Vol. 734, Col. 337, 19 October 1966.

this generally favourable attitude to restructuring was reflected on the Opposition Back-Benches<sup>150</sup>. Yet, as the Labour Administration appeared progressively more favourable to big business, the Opposition responded by placing greater emphasis upon the problems of small and middle level businesses, and charged the Government with discriminating against them<sup>151</sup>. In doing so the Opposition reflected the growing press and parliamentary concern about the pace and shape of merger activities<sup>152</sup>, while, at the same time, responding to the strong support for small and medium firms amongst their own rank and file<sup>153</sup>.

The apparent shift in both Parties' positions on the question of industrial concentration did not mean that the Conservatives had become totally opposed to the creation and existence of large industrial units; rather that the Opposition, in order to criticise the Government's policy effectively emphasised those aspects of its own policy which were mainly concerned with the problems of small and medium sized firms. Behind this tactical shift in emphasis the attitudes of the Conservative Leadership towards, first, industrial concentration, and second, merger policy, remained consistent throughout the Opposition period. In the former case they argued that firms could be either too small or too big and that there were no absolutes<sup>154</sup>. The same criterion was applied to mergers, namely

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150. H.C. Debs., Vol. 709, Cols 1244-308, 29 March 1965; Vol. 734, Cols 250-309, 19 October 1966.
151. Speech by Sir Keith Joseph, "NUCUA, 86th Annual Conference Report, 1968", op. cit., p. 100.
152. See Section I: "General Background and Introduction" above.
153. This was reflected in the series of motions submitted on the issue of small businesses at the 1967, 1968 and 1969 Party Conferences. See Conference Handbook and Programme of Proceedings, NUCUA, London 1967, motions Nos 600, 601; ibid., NUCUA, London 1968, motions Nos 717-19, 720, 722, 723, 724, seven in total; ibid., NUCUA, London 1969, motions Nos 1058-70, twelve in total. See also NUCUA, Central Council Meeting, Handbook, April 1970, motions Nos 72, 73, 80, 82, in "NUCUA, Central Council Minutes Book", NUCUA, London.
154. Speech by David Price, H.C. Debs., Vol. 734, Col. 337, 19 October 1966.

that there were no absolutes, no hard or fast rules by which they could be assessed, and that, except for those which threatened market dominance, most could be left to the arbitration of market forces<sup>155</sup>.

In sum, during the period from March 1966 until December 1968, three aspects of the Labour Government's structure of industry policy particularly concerned members of the Conservative Opposition. These were, the IRC, the Industrial Expansion Act and the Restrictive Trade Practices Act. The latter was favourably received by the Opposition and it effectively removed one of the main points of the Conservative's structure of industry policy. The IRC and the Industrial Expansion Act, on the other hand, were strongly criticised by Opposition personnel, and Party Leaders pledged that under a future Conservative Government the former would be maintained only in a much modified form, and the latter repealed. In addition, Opposition Leaders considered that both measures reflected a new Government policy of "selective" intervention and that this contained an unjustified prejudice in favour of larger groupings. Their criticism of the "trend towards giants" seemed to suggest that the Opposition Leadership had changed their position since 1966. Beyond the rhetoric of party debate, however, Opposition policy remained in conformity with traditional British practice. Namely, in the fields of monopolies and mergers, there were no absolutes, no hard or fast rules.

(ii) January 1969 - June 1970

During the last eighteen months of the Labour Government's second term in office, members of the Opposition concentrated their criticisms upon four aspects of the Administration's structure of industry policy. First, its policy in relation to conglomerate mergers; secondly, its policy for the textile

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155. Speech by Sir Keith Joseph, H.C. Debs., Vol. 791, Cols 93-4, 10 November 1969.

industry; thirdly, the apparent lack of clarity and consistency in the application of Government policy; and finally, the Government's proposed Commission for Industry and Manpower. I have chosen, for the sake of clarity, to deal with each issue separately, although there is considerable chronological overlap between them.

In January 1969, Anthony Crosland, President of the Board of Trade, referred the proposed mergers of Unilever/Allied Breweries and Rank Organisation/De La Rue to the Monopolies Commission<sup>156</sup>. Neither of these appeared to threaten market dominance but both were conglomerate in nature. In the following June the Government accepted the Monopolies Commission's recommendations to allow the Unilever/Allied Breweries merger to proceed and to oppose the merger of Rank Organisation with De La Rue<sup>157</sup>. In the latter case the Commission opposed the merger on the general grounds that the efficiency and trading volume of De La Rue would be adversely affected and that this might harm the public interest<sup>158</sup>. More particularly, the Commission argued that if the merger proceeded the senior management of De La Rue would resign and that consequently some trading relations with foreign outlets would be jeopardised with a subsequent risk to exports and the balance of payments<sup>159</sup>. In the case of Unilever/Allied Breweries, the Commission argued that "marginal gains" in efficiency were likely and that there were no clear "indications of likely damage to the public interest"<sup>160</sup>. In both cases the main criterion of

156. The Times, 29 January 1969.

157. The Times, 3 June 1969, 12 June 1969.

158. The Monopolies Commission, The Rank Organisation Limited and the De La Rue Company Limited: A Report on the Acquisition of the De La Rue Company Limited and General Observations on Mergers, H.C. Paper 298, June 1969, p. 29, para. 103.

159. Ibid., Chapter 4, pp. 12-22, especially paras 42-44 and "Conclusion", paras 104-5.

160. The Monopolies Commission, Unilever Limited and Allied Breweries Limited: A Report on the Proposed Merger and General Observations on Mergers, H.C. Paper 297, June 1969, p. 28, para. 124.

assessment was efficiency, not size or market dominance; and this marked a departure from the traditional guidelines generally followed by the Monopolies Commission and the Board of Trade.

Conservative Leaders were critical of the decision to refer conglomerate mergers to the Monopolies Commission. Sir Keith Joseph accused the Administration of leaving the operation of mergers policy to the "arbitrary decision" of the Commission or Ministers<sup>161</sup>, and he made it clear that in the eyes of the Conservative Leadership conglomerates were "neither inherently good nor bad"<sup>162</sup>. He was willing to accept that there was a danger that if too many took place the result would be a "corporate state" with industry controlled by a few men, but emphasised that such a situation had not yet emerged<sup>163</sup>. If, however, the pace towards conglomerates accelerated, Sir Keith conceded that there would then be a case for referring some mergers to a tribunal. Such a tribunal, he went on to say, would need to take into account "whether the particular conglomerate under consideration, added to such other conglomerate mergers as had occurred, threatened the known fabric of social, political or economic life"<sup>164</sup>.

The Opposition were also concerned about the Labour Government's handling of the textile industry's problems. In February 1969, Crosland, after preventing a bid by Courtaulds for English Calico, established a committee, under the chairmanship of Edmund Dell, Minister of State at the Board of Trade, to review the structure of the textile industry<sup>165</sup>. In July 1969, the Government, in line with the recommendations of the Dell Committee, imposed a standstill on mergers between the five major textile manufacturers<sup>166</sup>. Five months later ICI announced a bid for

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161. H.C. Debs., Vol. 791, Col. 99, 10 November 1969.

162. *Ibid.*, Col. 94.

163. *Ibid.*, Col. 95.

164. *Ibid.*, Col. 98.

165. *The Times*, Leader, 7 February 1969; *The Guardian*, 7 February 1969.

166. *The Economist*, 5 July 1969.

Viyella with a view to a merger with Carrington and Dewhurst. In response to this the Government appointed a further committee, under Harold Lever, to look into the relations between fibre and textile producers and to consider the ICI bid<sup>167</sup>. This committee recommended that the freeze on mergers should continue, but that the proposed ICI bid for Viyella should be allowed to proceed subject to the undertaking that ICI would reduce its share in the combined company to 35 per cent and would not use its shareholding to influence the two companies in their choice of fibres<sup>168</sup>. The Government accepted these recommendations, and were sharply criticised by the Opposition for doing so. Sir Keith Joseph questioned the legal basis for the freeze on mergers imposed after the Dell Committee's findings, and suggested that the Government was acting in an arbitrary and secretive manner in its dealings with the textile industry. Conservatives would, he claimed, have referred ICI's bid to the Monopolies Commission, while leaving the restructuring of the textile industry to the adjudication of market forces<sup>169</sup>.

The reference of the proposed mergers of Unilever/Allied Breweries and Rank Organisation/De La Rue, the prevention of Courtauld's bid for English Calico, and the subsequent establishment of the Dell Committee, all contributed to widespread speculation in the national press about the nature and objectives of the Labour Administration's policy. In particular, it was suggested that these developments were indicative of a radical change in Government thinking on mergers and industrial restructuring<sup>170</sup>. In June 1969, Crosland seemed to confirm this analysis by revealing

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167. The Times, 2 January 1970.

168. Statement by Harold Lever, H.C. Debs., Vol. 798, Cols 1432-1441, 25 March 1970. The proposals also contained a provision that there should be only one ICI director on the new board.

169. Ibid., Cols 1435-6.

170. The Times, 30 January 1969, 19 February 1969; The Guardian, 27 February 1969.

that he no longer accepted that size was a guarantee of efficiency<sup>171</sup>. To some this apparent alteration in Board of Trade attitudes left mergers policy in a confused and undefined state, and demands were made, in the press and Parliament, for a clarification of government practice<sup>172</sup>. In July 1969, in an attempt to clarify the situation, the Board of Trade published a handbook entitled Mergers: A Guide to Board of Trade Practice<sup>173</sup>.

The Guide contained four main sections: first, an outline of existing legislation<sup>174</sup>; secondly, an outline of the matters taken into account by the Board of Trade in deciding whether or not a merger should be referred to the Monopolies Commission<sup>175</sup>; thirdly, a description of the Board's procedures in considering mergers<sup>176</sup>; and finally, an analysis of the rôle of the Monopolies Commission in relation to mergers<sup>177</sup>. In addition, a number of Annexes were attached, including the Monopolies Commission's previously published General Observations on Mergers<sup>178</sup>, the texts of a series of speeches delivered in the first half of 1969 by Anthony Crosland<sup>179</sup>, and the City Code on takeovers and mergers<sup>180</sup>.

Basically the authors of 'the Guide' conformed with the

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171. Speech to British Chambers of Commerce, The Economist, 28 June 1969; Board of Trade, Mergers: A Guide to Board of Trade Practice, HMSO, London 1969, Annex 5.
172. The Times, Leader, 3 March 1969; "Looking for Yardsticks in the Mergers Game", The Times, 29 April 1969; "Urgent Need for a Conglomerate Policy", The Times, 21 May 1969; Oral question by Peter Emery to President of the Board of Trade, H.C. Debs., Vol. 777, Cols 1308-9, 12 February 1969.
173. HMSO, London 1969, op. cit.
174. Ibid., Chapter 2.
175. Ibid., Chapters 3 and 4.
176. Ibid., Chapter 5.
177. Ibid., Chapter 7.
178. Ibid., Annex 4; op. cit., 1969.
179. Guide to Mergers, op. cit., Annex 5.
180. Ibid., Annex 6.

traditional British "pragmatic" approach to structure of industry questions. For example, they argued that "there is no one right structure which would be equally applicable for all industries"<sup>181</sup>. They made it clear that a "pragmatic" approach could lead to some confusion about policy aims, but maintained that the Government was pursuing a consistent policy<sup>182</sup>. Crosland, in his contribution, elaborated this point. He argued that in relation to each merger the same questions were posed: however, the nature of each merger differed and the answers were not always the same<sup>183</sup>.

The view that the Government was pursuing an inconsistent and ambiguous policy was forcefully articulated by some members of the Opposition. In March 1969, John Osborn, secretary of the 1922 Committee, asked why the proposed mergers of Unilever/Allied Breweries and Rank/De La Rue had been referred to the Monopolies Commission, while the comparable Cadbury/Schweppes merger had not<sup>184</sup>. In June 1969, the House debated a motion introduced by Keith Stainton which lamented the "lack of a clear Government lead in relation to recent reports of the Monopolies Commission and related matters"<sup>185</sup>. The Conservative Leader added his weight to this back-bench pressure when, in February 1970, he expressed dissatisfaction with the Government's decision to refer the proposed merger between Burmah Oils and Laporte to the Commission, while deciding not to refer the Reed Paper Group's bid for IPC<sup>186</sup>. In each instance Conservatives demanded a clarification of Government policy on monopolies and mergers. At the same time, however, other Conservative back-benchers were critical of the lack of a clear lead from their own party leaders. In November

181. Ibid., p. 1, para. 1.

182. Ibid., para. 2.

183. Ibid., Annex 5, p. 61.

184. Oral question, H.C. Debs., Vol. 780, Cols 469-70, 19 March 1969.

185. H.C. Debs., Vol. 786, Cols 98-104, 30 June 1969.

186. The Times, 27 February 1970. For the background to the Reed/IPC venture see "Rise and Fall of IPC", in Anthony Vice 1971, op. cit., pp. 46-62, esp. p. 54.



1969, for example, Peter Hordern, joint vice-chairman of the Conservative Members' Finance Committee, demanded a clear statement of Conservative policy on monopolies and mergers and added, "we have been waiting a long time for one"<sup>187</sup>. His request was not answered.

The final development which served as a focus for Opposition dissent was the Government's plan to reform and reorganise the machinery of monopolies and mergers policy. In part, reform was required in order to clarify the overlapping functions shared by various departments. From 1968 until 1969, for example, no less than four ministries were concerned with merger policy. These were the Department of Employment and Productivity which sponsored the National Board for Prices and Incomes, the Board of Trade which was responsible for the Monopolies Commission and the Restrictive Practices Court, the DEA which sponsored the IRC, and the Ministry of Technology which was mainly responsible for the Industrial Expansion Act. In November 1968, The Times carried a report of a Cabinet fight over the future of the Monopolies Commission: it stated that Barbara Castle (DEP), Peter Shore (DEA), and Anthony Wedgwood Benn (Min. Tech.) were in favour of abolishing the Commission and transferring its functions, in revised form, to the NBPI. This view was opposed by Crosland (BOT) and the Treasury<sup>188</sup>. A month later the same newspaper reported that an inter-departmental committee under Cabinet Office chairmanship had recommended that the Monopolies Commission should be retained and strengthened<sup>189</sup>. In March 1969, Crosland acted to strengthen the Commission by appointing seven new members, and in July he announced 95 per cent pay increases for the seventeen part-time members of the Commission<sup>190</sup>. Despite these defensive moves, in October 1969, the responsibility

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187. H.C. Debs., Vol. 701, Col. 104, 10 November 1969.

188. The Times, 5 November 1968.

189. The Times, 23 December 1968.

190. The Times, 6 March 1969, and 22 July 1969.

for monopolies, mergers and restrictive practices was removed from the Board of Trade to the DEP. At the same time the Government announced their intention to rationalise the work of the Monopolies Commission and the NBPI and combine them in a new body.

The Opposition voted against the transfer of functions from the Board of Trade to the DEP. Sir Keith Joseph argued that the DEP was the wrong place for an agency whose main function was to protect the public from abuses of market power. Moreover, because of its experience in company structures, Sir Keith felt that responsibility for monopolies was best left with the Board of Trade<sup>191</sup>. Other Opposition speakers supported the views expressed by their Front-Bench spokesmen<sup>192</sup>.

In January 1970 the Government published a "consultative document" setting out their proposal to amalgamate the Monopolies Commission with the NBPI in a new body to be known as the Commission for Industry and Manpower. This agency, it was argued, would be capable of considering both the public interest and industrial efficiency, while at the same time allowing an integrated view of productivity, prices, incomes and competition. The Commission was to be advisory in nature, acting upon matters referred to it by the Government, with a full-time chairman, nineteen other commissioners and a full-time Secretariat. The criterion of reference outlined in the document included all public sector matters, monopolies, all major firms with net assets of more than £10 million, price reviews, pay settlements, and restrictive practices in the provision of services. In addition, it was proposed that the merger provisions of the Monopolies and Mergers Act 1965 should be extended to allow the Commission more effectively to review the results of regroupings some months, or

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191. H.C. Debs., Vol. 792, Cols 1635-41, 3 December 1968.

192. See speeches by Charles Fletcher-Cooke and David Howell, ibid., Cols 1642-4 and Cols 1649-50, respectively.

even years, after they had taken place<sup>193</sup>.

Despite strong opposition from the CBI, who regarded the Government's scheme as a veiled attempt to restrain prices, legislation was introduced in March to enact the proposals outlined in January 1970. The Commission for Industry and Manpower Bill, in addition to the points outlined in the Green Paper, involved the granting of important powers to the Government, including the power to demand from individual firms and enterprises information about price lists, financing<sup>194</sup>, price increases, dividends, pay claims, and settlements<sup>195</sup>.

The Opposition criticised the CIM proposal as a further example of unjustified "state intervention" and as a further episode in the "Government's ill-fated incomes policy"<sup>196</sup>. Robert Carr pledged that his party, if returned to office, would create "a more powerful and effective Monopolies Commission"<sup>197</sup> and indicated that Conservatives objected to four of the broad proposals contained within the Bill. First, they considered that the process of reference to the Monopolies Commission placed too much power in the hands of Ministers, and, in keeping with established party policy, Carr advocated instead the appointment of an independent Registrar of Monopolies<sup>198</sup>. Not all Conservatives were, however, in agreement with this proposal. Sir Hamar Nicholls, a member of the 1922 Committee Executive, interrupted Carr and pointed out that some Conservative back-benchers held strong reservations about the idea of a Registrar. They

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193. Commission for Industry and Manpower, Department of Employment and Productivity, HMSO, London January 1970.

194. Commission for Industry and Manpower: Explanatory and Financial Memorandum, H.C. Bills, Session 1969-70, No. 123, Clauses 13 and 14.

195. Ibid., Clauses 38-45.

196. Speech by Robert Carr, H.C. Debs., Vol. 799, Col. 582, 8 April 1970.

197. Ibid., Col. 583.

198. Ibid., Col. 585.

were, he maintained, particularly troubled by the question of his power and his accountability<sup>199</sup>. Carr's second objection related to the criteria of reference. He made it clear that Conservatives disliked the idea of size being used as a criterion, and argued that the only valid test for reference remained "market power and limited competition"<sup>200</sup>. Thirdly, he stated that Conservatives were opposed to the proposal for follow-up enquiries on mergers<sup>201</sup>. Finally, Carr argued that the Opposition were concerned about the powers of ministers under the Bill, which he maintained were "too wide, too loosely defined and too arbitrary"<sup>202</sup>. Despite these criticisms no pledge was made to abolish the CIM at a future date and the Opposition simply committed itself to "radically overhauling the Bill's provisions"<sup>203</sup>.

During the final eighteen months of their period in Opposition, three features of the Conservatives' attack upon the Labour Government's structure of industry policy were particularly noteworthy. First, the criticisms outlined by Opposition spokesmen of the Government's handling of conglomerate mergers and the restructuring of the textile industry conformed closely to their position as previously outlined in relation to the IRC and the Industrial Expansion Act. Namely that selective intervention in the day-to-day affairs of specific companies was unjustified, and that instead, wherever possible, government intervention should aim at affecting the overall industrial framework within which all companies operate.

In addition, the Government's activities in relation to

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199. Ibid., Cols 588-9.

200. As proposed in the Green Paper the CIM Bill contained a proposed criterion for reference of £10 million net assets. See speech by Dudley Smith, ibid., Cols 664-5.

201. Ibid., Col. 588.

202. Ibid., Col. 589.

203. Speech by Dudley Smith, ibid., Col. 669.

conglomerates and the textile industry suggested to many Conservatives that the Administration was pursuing an inconsistent policy. Although this was firmly denied by members of the Government who claimed to be following a traditional and accepted pragmatic policy, Opposition personnel continued to press the Government for a clear outline of policy aims.

Finally, the Opposition's attack upon the Labour Government's proposals to establish the CIM, reflected, in part, the fear that one of the major components of the machinery of a competition policy (the Monopolies Commission) was about to be integrated within the ambit of the Government's prices and incomes policy. To the Conservative Leaders this seemed the wrong approach and they emphasised instead their desire to create an independent and streamlined Monopolies Commission.

In concluding this account of the Opposition's critique of the Labour Government's policy during the period from 1966 to 1970, it may be said that the Conservatives were able to clarify their attitudes towards certain specific issues, such as the IRC, the Industrial Expansion Act and the CIM. The general aims and objectives of Conservative policy remained, however, somewhat confused. Party spokesmen had, for instance, rejected any trend towards giants; they had also made it clear that at some future date conglomerates might require to be investigated by some form of special tribunal. Moreover, they had accepted that in certain cases, where the market or existing agencies proved inadequate, Government involvements in the day to day affairs of industry, properly sanctioned by Parliament, was justified. How could these specific objectives be balanced with the Conservatives' rejection of selective intervention and their advocacy of a policy of general pressures affecting all companies alike?

The nature and operation of the machinery of Conservative policy on monopolies and mergers also remained ill defined. In part, the Party Leaders continued support for the traditional

British "pragmatic" approach meant that Opposition spokesmen, like their Labour counterparts, were unable to specify precisely what criteria they would follow in dealing with individual cases. Yet, even if allowance is made for this explanation, certain aspects of Conservative policy remained unnecessarily ambiguous. Most importantly, as far as some Conservative back-benchers were concerned, Conservative Leaders had not dealt adequately with the role and function of the proposed Registrar of Monopolies, nor had they outlined in any detail their plans for reforming and streamlining the Monopolies Commission.

Thus, although Conservative attitudes towards specific aspects of the Labour Government's programme were clearly articulated, the general objectives and the nature of the Conservative alternative remained undefined. Precisely how Conservative personnel approached these problems of policy clarification and the extent to which they managed to resolve them is outlined in the final section of this chapter.

### 3. The Conservative Alternative

The following analysis forms a continuation of the argument developed in Chapter Six and a previous part of this chapter under the heading "A Competition Policy", of which three points may be recalled. First, a significant alteration in the emphasis of Conservative policy priorities took place in 1965, and this was reflected in the presentation of what may be termed a competition policy. Secondly, this change in policy emphasis was initiated and largely carried through by a small section of the Party Leadership with the assistance of certain members of the Party bureaucracy. Finally, despite the change in policy emphasis, as far as monopolies and mergers were concerned Opposition spokesmen continued to support the policy laid down in the 1964 White Paper<sup>204</sup>.

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204. Grand 2294, op. cit.

Following the 1966 General Election the issue of industrial policy was hotly debated within the Conservative Party. From within the Shadow Cabinet, Powell outlined a critique of what he termed "interventionism". He argued that government should not be involved in industry because it was not competent to judge or assess matters pertaining to industry. Further, the effect of intervention was inevitably the creation and sustenance of an ever growing bureaucracy which served to limit individual freedom, stifle initiative and ran contrary to the workings of a free market. His solution was a cutback in government involvement and a wide scale reduction of the public sector by denationalisation<sup>205</sup>. Within the Parliamentary Party some MPs appeared sympathetic to Powell's viewpoint<sup>206</sup>, but it was among the rank and file that he was to enjoy the greatest support. At the 1967, 1968 and 1969 Party Conferences motions were submitted by constituency party members which called for a cutback in the public sector and a programme of wholesale denationalisation<sup>207</sup>.

In line with the intra-party demands for the development of a more overtly anti-interventionist policy, the Leadership established a study group to consider the operation of state industries and the viability of schemes for denationalisation. The study group submitted its report to the Shadow Cabinet in July 1968 and recommended that steel, the civil airlines, British Road Services and certain bus services should be denationalised;

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205. J. Enoch Powell, Freedom and Reality, London 1969, pp. 42-71 and pp. 85-100.
206. See speeches by Nicholas Ridley, H.C. Debs, Vol. 757, Cols 1651-56, 1 February 1968; Peter Hordern, ibid., Vol. 791, Cols 99-104, 10 November 1969; John Osborn, ibid., Vol. 734, Cols 277-8, 9 October 1966.
207. NUCUA, Conference Handbook and Programme of Proceedings, London 1967, pp. 116-8; NUCUA, Conference Handbook and Programme of Proceedings, London 1968, pp. 155-65, motions Nos 681-4, 687, 690, 693, 695, 698, 700, 703, 716, 715; NUCUA, Conference Handbook and Programme of Proceedings, London 1969, pp. 121-41, motions Nos 409-550; NUCUA, Central Council Handbook, NUCUA, "Central Council Minute Book", March 1969, London 1969, resolutions 66-68, calling for denationalisation.

that there should be no further nationalisation; that an end should be brought to Labour's "creeping nationalisation" through such bodies as the IRC and such measures as the Industrial Expansion Act; and that state industries should be run on a more efficient and profitable basis<sup>208</sup>.

Party Leaders agreed with the study group's findings that the scope for denationalisation was limited, but Powell continued to articulate strong feelings within the Mass Party by emphasising the practicability of wholesale denationalisation<sup>209</sup>. At the same time, both Powell and du Cann called for the formulation of more distinctive Conservative policies of a more overtly free enterprise nature<sup>210</sup>. In response, Heath made it clear that he would not be forced into adopting an extreme anti-interventionist position. It was, he maintained, a fact of economic life that governments must intervene in economic affairs simply because they were responsible for half the economy<sup>211</sup>.

Thus, during the Opposition's second term the development of Conservative attitudes towards industrial questions was characterised by at least two features. First, the scope of the debate altered, in terms of the personnel involved. Most notably it spread beyond the confines of the relatively small group which had initiated and carried through the major re-assessment of party policy in the preceding two years. Secondly, the substance of the debate altered, in terms of the issues involved. In particular, amongst certain sections of the Party, a strong reaction was articulated against the idea of any but the most limited form of government involvement in the affairs of industry.

208. The Times, 15 September 1968.

209. Interview on BBC radio, ibid.

210. The Times, 11 September 1968.

211. Speech at Keith, Banffshire, The Times, 11 September 1968; see also article by Ian Trethowan, The Times, 26 September 1968.



In sum, the consequences arising from the widescale changes in the scale and nature of British industry during the 1960s and the measures carried through by the Labour Government (reviewed in earlier sections of this chapter), plus the strongly anti-interventionist position adopted in Opposition by some members of the Conservative Party, all formed the background against which the Opposition's post-1966 structure of industry proposals were developed. The task of formulating these proposals was primarily the responsibility of Sir Keith Joseph, who in February 1967 had been appointed Chief Opposition Front-Bench Spokesman on Trade and Steel in succession to Anthony Barber<sup>212</sup>.

To assist him in his task, Sir Keith could call upon the help of a team of Conservative MPs and party officials. With him on the Front-Bench were Sir John Eden, who from 1968 was spokesman on Power with special responsibility for heavy industries, and David Price, who combined his role as spokesman on Science and Technology with practical experience as an ICI executive and industrial consultant. They were joined by Nicholas Ridley, who became Opposition Spokesman on Technology and Trade in 1969, and Simon Wingfield Digby, who was Opposition Spokesman, and chairman of the Conservative Members' Sub-committee on Shipping and Shipbuilding. Sir Keith could also call upon the help and advice of key members of the relevant Parliamentary Party Committees, such as Michael Shaw and Charles Fletcher-Cooke, joint vice-chairmen of the Conservative Members' Trade Committee, Sir Harry Legge-Bourke and John Osborn, joint vice-chairmen of the Conservative Members' Technology and Science Committee, and Peter Emery, joint vice-chairman of the Conservative Members' Power Committee. Others included Alfred Hall-Davis and Peter Blaker, joint secretaries of the Conservative Members' Trade Committee, and David Howell, who as Director of the Conservative

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212. Sir Keith was later given an extended title as Chief Opposition Front-Bench Spokesman on Trade, Technology and Power.

Public Sector Research Unit was much concerned with science and technology questions. In addition to this team of Parliamentarians Sir Keith was able to use the services of the Party's Research Department, and had first call upon three members of the Department's economic section<sup>213</sup>.

Soon after his appointment, Sir Keith Joseph outlined his general approach to the problems of industry. He developed two themes: first, that Conservative philosophy was the belief that, within the right framework of law and competition, the private enterprise system was the best way to serve the needs of the community; and secondly, that successive Conservative Governments since the war had failed to let the free enterprise system work properly<sup>214</sup>. He went on to argue that only a much more vigorous private enterprise economy, with more rewards for success and more penalties (for example, bankruptcies) for failure, could alter the standard of living substantially<sup>215</sup>. Furthermore, the creation of such an economy would entail government action, specifically in the form of intervention in the interests of a free market<sup>216</sup>.

Sir Keith further elaborated his approach to structure of industry problems at the Party's Annual Conference in October 1968. At this Conference a motion was debated calling upon the Conservative Party to state "its intentions to reverse the increasing trend of State infiltrations into British industry"<sup>217</sup>. Demands were made for a cutback in the public sector and an end

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213. In terms of its responsibilities, Sir Keith's team represented, in embryo form, the departmental organisation of the Department of Trade and Industry established by the Conservative Government in October 1970.

214. Speech at Reading, The Times, 27 April 1967.

215. Letter from Sir Keith Joseph, The Times, 22 May 1967.

216. Ibid.

217. NUCUA 86th Annual Conference Report, 1968, NUCUA, London 1968, p. 95.

to the Labour Government's policy of "concealed interventionism"<sup>218</sup>. In reply Sir Keith reiterated the Conservatives' commitments to repeal the Industrial Expansion Act, and he made it clear that, if returned to office, the Conservatives would reform both the IRC and the Monopolies Commission<sup>219</sup> and "would re-introduce risk capital and the management disciplines that automatically go with it into some part of the public sector"<sup>220</sup>. This latter point followed the Party Leader's pledge, delivered at the same Conference, that the next Conservative Government would begin the reintroduction of private ownership to the nationalised industries<sup>221</sup>.

The general themes outlined by Sir Keith and the various commitments that had been made by Conservative spokesmen were organised into a comprehensive policy for industry. This policy was outlined in detail by Sir Keith in a series of speeches delivered during the months from January to March 1970. He began by arguing that government and industry could not be partners, because their functions were different. On the one hand, industry, under the guidance of effective management, was concerned with the creation of wealth, while, on the other, government was concerned with creating the "right climate" in which industry could most effectively fulfill its task<sup>222</sup>. Thus the choice was one "between intervention and general pressures" designed to create a competitive environment in which industry might flourish. Sir Keith made it clear that Conservatives firmly chose the latter<sup>223</sup>.

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218. Speeches by Idris Owen (Stockport North), ibid., p. 99; and John Hannam (Exeter), ibid., p. 96.

219. Ibid., p. 100.

220. Ibid., p. 101.

221. Speech by Edward Heath, ibid., p. 128.

222. Speech to Greater London Area Trade Union Advisory Committee, 24 January 1970, CCO News Service, ref: 46/70, pp. 7-8.

223. Speech to AGM of the Young Conservatives National Advisory Committee, 7 March 1970, CCO News Service, ref: 167/70, p. 4.

He stressed, however, that there were at least two reasons why a policy of "general pressures" did not mean a laissez-faire approach to industrial affairs. First, because he was not advocating "perfect competition in any textbook sense; but workable competition"<sup>224</sup>. That is, a form of competition which comes somewhere between a pure market and a monopoly situation<sup>225</sup>. Secondly, because, he argued, the creation and maintenance of workable competition "calls for determined, tireless government action"<sup>226</sup>.

Sir Keith pledged a future Conservative Government to adopt as instruments of their policy: first, company law reform, including greater disclosure; secondly, tariff reductions; thirdly, public sector buying practices; and finally, a strengthened and streamlined Monopolies Commission and Restrictive Practices Court<sup>227</sup>. Furthermore, a future Conservative Government would reduce the public sector by transferrring its functions, wherever "practicable", into private enterprise<sup>228</sup>. As on previous occasions, Sir Keith stated that where a situation of actual or probable market dominance did not exist, the size of firm was irrelevant since, where there was competition, big

224. Ref: 46/70, op. cit., p. 12.

225. This is the general usage of the term 'workable competition'. According to Shockley the concept was first outlined by John M. Clark in 1940. Clark recognised the impossibility of achieving perfect competition and argued that: (1) some unavoidable departures from the competitive norm may justify other departures; (2) potential competition and the competition of substitutes may force sellers to behave like competitors; (3) unrestrained competition in periods of weak demand which forces prices down to marginal costs may prove disastrous in the long run. George W. Stocking, Workable Competition and Antitrust Policy, Nashville 1961, p. 28. Thus the notion comes between a pure market and a monopoly situation. However, as Stocking notes, the "concept is vague and the standard of performance by which it is to be determined is imprecise", ibid., p. 30.

226. Ref: 46/70, op. cit.

227. Ibid., p. 13.

228. Ibid., p. 16.

companies could not impose their will<sup>229</sup>. And, following from this, he argued that governments should not encourage restructuring, but should let it take place spontaneously as a product of market forces<sup>230</sup>. Finally, Sir Keith reiterated the series of commitments already made by Conservative spokesmen including the repeal of the Industrial Expansion Act, tighter terms of reference and less powers and taxpayers' funds for the ITC, and help for small businesses<sup>231</sup>.

Sir Keith's speeches aroused widespread speculation in the national press. Some commentators argued that they were "revolutionary" in nature and represented a "break with the past" and a "fundamental change in Conservative priorities"<sup>232</sup>. In addition, Peter Jenkins, writing in The Guardian, claimed that, in comparison to the official policies of his party and its leader, Sir Keith had taken a much more radically free enterprise line. Thus, he argued, Sir Keith's outline could not in any sense be regarded as official Conservative policy<sup>233</sup>.

The final statement of Conservative policy for the structure of industry published prior to the end of the Opposition period was contained in the Party's 1970 General Election Manifesto. In this document the Conservatives pledged to pursue a "vigorous competition policy", emphasised that they rejected the "detailed intervention of Socialism", and preferred, instead, "a system of general pressures"<sup>234</sup>. The Manifesto revealed an important

229. Ibid., p. 14.

230. Speech at Esher, 7 February 1970, CCO News Service, Ref: 87/20, p. 6.

231. Ibid., p. 13; Ref: 167/70, op. cit., p. 22; Speech to West Midlands Young Conservatives Conference, 21 February 1970, CCO News Service, Ref: 132/70, p. 7.

232. Anthony Harris, "The Uncomfortable Revolution", The Guardian, 26 January 1970; Nicholas Faith, "How Many Votes in Enterprise?", The Sunday Times, 8 March 1970; Maurice Corina, "Setting Industry Free", The Times, 9 March 1970.

233. "The Real Right Road", 20 February 1970.

234. A Better Tomorrow, CCO, London 1970, pp. 13-14.

alteration in the Party's policy for small businesses. The proposal to establish a Small Business Office<sup>235</sup> and an Industrial Guarantee Corporation was not included. In its place the Conservatives promised that they would re-assess their policy for small businesses in the light of the findings of the Bolton Committee which had been established by the Labour Government in 1969 to consider the problems of small firms<sup>236</sup>. Apart from this single instance, all other points of Conservative policy for industry already outlined by either Sir Keith or other Opposition spokesmen, were reproduced unamended in the Manifesto.

In sum, the development of Conservative policy for the structure of industry in the period following the 1966 General Election took place against the background of general alterations in the British industrial structure, the nature and consequences of the Labour Government's policy, and movements of opinion within the Conservative Party. Throughout most of the period the main responsibility for the evolution and articulation of the Conservatives' proposals was held by Sir Keith Joseph, who presented a comprehensive outline of the Conservative alternative in speeches delivered during the early months of 1970. Some commentators questioned the continuity of Conservative policy and the status of Sir Keith's pronouncements. His proposals were, however, reproduced in full in the Party's 1970 General Election Manifesto.

In the light of evidence already presented in earlier sections of this chapter and the preceding analysis of the evolution of Conservative policy for the structure of industry during the Party's final term in Opposition, one point may be noted. Despite press comments to the contrary, Conservative priorities did not undergo a "fundamental" change in the early

235. The term Bureau had been dropped at the request of CPC participants, Interview 10.

236. A Better Tomorrow, op. cit., p. 13.

months of 1970, Sir Keith's remarks may be more realistically regarded as an elaboration and extension of the competition policy formulated in 1965. Thus, as suggested in Chapter Six, the fundamental change in Conservative thinking took place, not in 1970, but five years earlier, when the Party Leadership decided to place emphasis upon priorities distinctly different from those which were being pursued by the Labour Government or which had been followed by the previous Conservative Administration. In the years following that decision the structure of British industry underwent wide changes, and the actions of the Labour Government introduced new issues into the debate. Both these developments meant that by 1969 the details of the Opposition's earlier policy were no longer adequate and required to be extended and elaborated. Throughout most of the Opposition period, however, the general philosophy and purpose of Conservative policy for the structure of industry had remained constant: that was, the creation of a competitive environment in which industry could flourish.

#### IV. Conclusion

In contrast to the preceding case studies, in the structure of industry field the Conservative Party as Opposition did not retreat from the policy position maintained by it in office. Although the guidelines outlined in the 1964 White Paper implied an extension in the degree of state intervention in the affairs of industry, the aim of this intervention was the creation of a more competitive industrial structure and this objective was closely in keeping with the liberal policy stance emphasised during the Opposition period. In addition, the approach outlined in the 1964 White Paper appears to have been widely supported within the Party, and was generally accepted as both necessary and desirable. Thus, the issue does not appear to have been a matter of great controversy amongst Conservatives. Moreover, in the period following the 1964 General Election the Conservatives were able to watch the Labour Government pursuing policy proposals

substantially the same as those which they had advocated while in office. This did not lead the Conservatives to forego their previous position, however, but it effectively removed some of the main points from their programme. On both these counts structure of industry appears to differ from the previous case studies.

Other aspects of the structure of industry case study, however, conform more closely to the patterns discerned in relation to prices and incomes, economic planning and regional development. In the first place, the Conservative Opposition's policy for the structure of industry took the form of a statement of general aims plus a series of commitments to repeal or reform certain aspects of the Labour Government's programme in the event of the Conservatives being returned to office. With the exception of the Party's proposals for nationalised industries and for small businesses, at no point was the Conservative alternative spelt out in any detail. For example, the exact nature and functions of a reformed and "streamlined" Monopolies Commission, or the precise role of the proposed Registrar of Monopolies, remained ill-defined. Moreover, these issues were a matter of some concern within the Party. Thus, when the Conservatives returned to office in June 1970, their policy for the structure of industry still required extensive development and clarification before it could ever be carried out in the form of a legislative programme.

Secondly, the Conservative approach was presented as distinct from that being pursued by the governing party. For example, the 1965 Monopolies and Mergers Act substantially conformed to Conservative proposals but in criticising it the Opposition emphasised those aspects of their own policy which they considered to have been neglected, while their policy for small businesses provided a further point of contrast with the Labour Government's approach. In addition, while the Conservatives originally attacked Labour's "hostility" to big business, later, as the Government's



approach appeared to alter, they criticised the Administration's "prejudice" in favour of giant firms. Finally, the Conservatives developed a general critique of what they termed "interventionism" and they were able to contrast this with their own policy of general pressures.

The development of an interventionist position, however, may have caused problems for policy-makers. In particular, it may have helped to create the misleading impression that Conservatives were opposed to any form of Government involvement in industrial matters. Yet, as Heath and Joseph pointed out, a "competition" policy implied that government must intervene in the workings of the economy so as to create and maintain a competitive situation. Thus the real argument was not about intervention per se but about the purpose of intervention. Moreover, such an impression may have served to encourage those Conservatives who were opposed to any but the most limited form of government involvement in the affairs of industry. For both these reasons, by condemning the Labour Government's policy as interventionist, the Conservative Leaders were in danger of overstating the issue and, by so doing, restricting their own freedom of manoeuvre in policy formation.

Finally, the case study reveals certain points about the role played by party influences upon the development of Conservative policy in the structure of industry field. The proposals produced by the Conservative Government in 1964 were closely in line with some of the recommendations contained in the Poole Report. In addition, Conservative back-benchers, primarily through the medium of the Parliamentary Party's Trade and Industry Committee, were deeply concerned about the adequacy of Government policy and made a number of suggestions for reform. Thus, in Government, in contrast to prices and incomes, economic planning and regional development, party influences appear to have played a significant part in the development of structure of industry policy. In Opposition, although Party Leaders depended on party personnel for assistance and advice, existing policy was, for the first two years,

more or less retained intact. No review was initiated and the initiative in policy development appears to have been maintained by the Party Leadership. After 1966, however, party pressures appear to have been more effective. In the face of strong anti-interventionist demands from certain individuals and groups within the Parliamentary and Mass sections of the Party, the Leadership appears to have adopted a more radical approach. Moreover, in attempting to formulate an alternative, Sir Keith Joseph appears to have drawn primarily upon the advice and assistance of party personnel.

In sum, the case of structure of industry appears to run counter to the propositions outlined in hypothesis 3, that:

As Opposition a party will forego or retreat from policy positions maintained by it as Government which (a) have been, or are liable to be, controversial in terms of party ideology, and which (b) are adopted and maintained by its successors in office.

However, because the monopolies and mergers policy adopted prior to the 1964 General Election was not a matter of deep controversy within the Party, the case does not, contrary to original expectations, appear relevant to the first of the two postulates contained in the hypothesis. Thus, it may be claimed that the evidence presented in the case study does not invalidate the original proposition. The case of structure of industry provides strong support for hypotheses 2 and 5, however, and is suggestive on 4. Finally, it may be noted that, although the analysis does not necessarily conflict with hypothesis 1, it does not confirm that Party policy produced in Opposition conforms more closely to Party opinions than policy produced in Government. In general, as far as the original hypotheses are concerned, structure of industry appears to be less of a clear cut case than the other policy areas chosen for analysis.

## CHAPTER ELEVEN

## THE CONSERVATIVES IN GOVERNMENT: 1970-1974

In the 1970 General Election the Conservatives regained power and were returned to Parliament with a majority of 31 seats over all other parties. This majority was large enough to allow the new Government an excellent opportunity to carry through their electoral programme. In this chapter I investigate the extent to which they were able to do so in relation to the four policy areas outlined in the preceding chapters. Was there a continuity of policy between the positions adopted in Opposition and those applied in Government? If so, what was the extent and longevity of this continuity? Did the pledges, statements and proposals communicated in Opposition restrict the freedom of manoeuvre of the Conservative Leaders once returned to power?

My analysis of the development of the Conservative Government's policy is divided into three phases: from June 1970 to February 1971, from March 1971 to March 1972, and from the latter date until February 1974. Within each of these phases I have tried to draw out the main policy trends exhibited by the Conservative Government. In order to avoid excessive detail in the narrative I have inserted, in an appendix at the end of the chapter, statistical tables and chronologies of the main policy developments which took place in the various areas chosen for study during the three and a half year period.

Phase I: June 1970 to February 1971

In the Queen's Speech of 2 July 1970 the new Conservative Government expressed its intention to pursue two primary aims in the industrial and regional spheres. First, "liberating industry from unnecessary intervention by Government"; and secondly, "promoting full employment and an effective regional development

policy"<sup>1</sup>. By the late Summer the first practical implications of this approach were revealed when the Government decided to create a "third force" private airline<sup>2</sup> and refused to prevent the closure of the Vickers Group's ship repair yard by providing continuing subsidies<sup>3</sup>.

The most significant policy initiatives, however, were launched in the Autumn of 1970. Initially Government Leaders attempted to reform the organisational structure of the Central Administration by creating large scale super ministries, most notably the Department of Trade and Industry and the Department of the Environment, and a "small multi-disciplinary central policy review staff in the Cabinet Office"<sup>4</sup> much along the lines originally proposed by the CPSRU.

These structural reforms were soon followed in November by a number of important changes in the regional and industrial policy fields. First, existing investment grants for manufacturing industries were replaced by depreciation allowances which allowed for 60 per cent of expenditure to be written off against tax in the first year and 25 per cent of the reducing balance in successive years<sup>5</sup>. Secondly, in Development Areas free depreciation was introduced for certain forms of capital expenditure and the rates of building grants were increased. In addition, service industries in these areas were granted the normal depreciation allowance and it was announced that the Regional Employment Premium was to be discontinued after September 1974<sup>6</sup>. Finally, the new Government

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1. H.C. Debs., Vol. 803, Col. 46, 2 July 1970.
  2. The Times, 21 August 1970; 22 October 1970.
  3. The Times, 26 September 1970.
  4. The Reorganisation of Central Government, Cmnd 4506, HMSO, London October 1970, p. 13.
  5. Investment Incentives, Cmnd 4516, HMSO, London October 1970, p. 2 and pp. 8-11.
  6. Ibid., pp. 4-5; New Policies for Public Spending, Cmnd 4515, HMSO, London October 1970, p. 6.

announced its intention to discontinue certain aspects of its predecessor's policy. The scheme to nationalise the ports was dropped<sup>7</sup>, and it was announced that both the IRC and the NBPI were to be dissolved and the latter was to be replaced by three new review bodies for salaries in the public sector backed by an office of manpower economics<sup>8</sup>.

The November policy initiatives and the Government's determination to lessen the scope of government intervention in the day to day affairs of industry<sup>9</sup> set the tone for the development of policy during the next few months. In late November 1970 requests for financial assistance for both the Mersey Docks and Harbours Board and the development of the British Aircraft Corporation's 3/11 short-to-medium-haul jet were refused<sup>10</sup>. In December 1970, the EDCs for paper and board, the Post Office, rubber, hosiery and knitwear were wound up<sup>11</sup>. In addition, the IBC limit was raised from 5,000 to 10,000 square feet, except in the Eastern, London and South East, and the East and West Midland regions, where the limits were raised from 3,000 to 5,000 square feet.

December 1970 also saw the publication of the Coal Industry Bill and the Atomic Energy Authority Bill. The former provided

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7. As pledged in the Conservatives' 1970 Manifesto, A Better Tomorrow, CCO, London May 1970, p. 16.
  8. See statement by Robert Carr; H.C. Debs., Vol. 805, Col. 668, 2 November 1970.
  9. In late 1970 the Prime Minister stated that "the Government will seek to intervene on or influence the decisions of industrial management to a much smaller extent in the future. This is an integral part of our philosophy of greater freedom and responsibility and less government intervention". Midland Bank Review, February 1971, p. 27; see also speech by Anthony Barber, H.C. Debs., Vol. 805, Col. 38, 27 October 1970.
  10. The Times, 28 November 1970; 30 November 1970; 3 December 1970.
  11. The Times, 3 December 1970.

for some of the Coal Board's activities to be assisted with private capital or sold to private buyers<sup>12</sup>, while the latter proposed the transference of substantial parts of the Atomic Energy Authority to two commercially oriented organisations: British Nuclear Fuels Ltd. and Radio Chemical Centre<sup>13</sup>. In January 1971 the Government were able to reveal two further developments in their policy for the public sector. First, it was announced that the state management of the liquor trade in Scotland and Carlisle would be wound up<sup>14</sup>, and secondly, the Government confirmed that Thomas Cook and Sons and other travel subsidiaries of the Transport Holding Company would be sold to private interests<sup>15</sup>.

Parallel to these attempts to curtail the degree of Government involvement the Secretary of State for Trade and Industry outlined the measures being taken "to strengthen the machinery for promoting competition in industry"<sup>16</sup>. He indicated that the Government were not, at that time, ready to introduce legislation but would do so at the earliest opportunity. In the meantime, he announced important changes of practice including the widening of the Commission's terms of reference so as to enable it to consider the operation of publicly owned monopoly enterprises<sup>17</sup>.

Although the main trend of Government policy during its first seven months in office was in line with the Conservative's 1970 Election pledge to reduce "government interference in industry"<sup>18</sup>,

12. Coal Industry Act 1971, c. 16.

13. Atomic Energy Authority Act 1971, c. 11.

14. H.C. Debs., written answers, Vol. 809, Cols 274-6, 19 January 1971.

15. The Times, 28 January 1971; H.C. Debs., oral answers, Vol. 811, Cols 1809-10, 17 February 1971.

16. Statement by John Davies, H.C. Debs., Vol. 808, Cols 1577-80, 17 December 1970.

17. In May 1971 the Government referred gas and electric connection charges to the Monopolies Commission. This was the first time that the activities of a nationalised industry had been referred to the Commission. The Times, 18 May 1971.

18. A Better Tomorrow, op. cit., p. 13.

two developments during the period ran contrary to the Party's earlier commitment. First, in December 1970 it was announced that the British and Northern Ireland Governments were to assume virtual control of the Harland and Wolff shipyard in Belfast while various re-organisation proposals were evaluated<sup>19</sup>. Secondly, and perhaps more importantly, the Government became deeply involved in the affairs of Rolls Royce. In the Autumn of 1970, while engaged in the development and construction of the engine components for Lockheed's NB-211 aircraft, Rolls Royce found itself in severe financial difficulties. In November the Government made £48 million available towards research and development costs<sup>20</sup>. Despite this injection of capital, in February 1971 the Company went into voluntary liquidation and the assets of the aero-engine, and the marine and industrial gas turbine engine divisions of the Company were nationalised<sup>21</sup>.

The Government's decision to intervene in the affairs of Harland and Wolff and Rolls Royce may in part have been prompted by a factor which had not been foreseen during the Opposition period, namely the rapidly rising rate of unemployment. Between June 1970 and February 1971 unemployment in Great Britain rose by 150,000 or 0.7 per cent and, as on previous occasions, the rise was most marked in the less prosperous regions (see Appendix, Table 11.1).

In February 1971 the scope of Special Development Areas were extended so as to cover the Tyneside-Wearside area, West Central Scotland and parts of Wales, while employment exchange areas covering Edinburgh, Portobello, Bridlington, Filey, Oswestry, Okehampton and Tavistock were designated as Intermediate Areas.

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19. The Times, 10 December 1970.

20. The Banks agreed to provide a further £18 million. The Times, 12 November 1970.

21. The Times, 4 and 5 February 1971. In May the Government provided a further £130 million of assistance to Rolls Royce and agreed to pay £30 million of the £80 million increase in prices negotiated with Lockheed; The Times, 6 May 1971.

At the same time Government expenditure for infrastructural schemes in the Northern Region was increased by about £50 million per annum for three years<sup>22</sup>.

Thus, in the seven months following the 1970 General Election the policies pursued by the Conservatives as Government and the statements made by Conservative Leaders closely conformed to the more liberal policy emphasis developed during the previous six years. Party Leaders carried through important aspects of the programme formulated in Opposition including the establishment of a Central Policy Review Staff, the introduction of investment allowances, the abolition of the NBPI and the commitment to phase out REP. In addition, a vigorous attempt was made to decrease the degree of Government involvement in the day to day affairs of industry as exemplified in the Conservative Leaders' refusal to "rescue bankrupt companies"<sup>23</sup> and their attempts to introduce private capital into the public sector. On the other hand, in some instances, the Government's actions exceeded their earlier commitments as in the case of their decision to abolish investment grants and the IRC<sup>24</sup>. Nor was there any evidence that the Government had been able to initiate some of the Party's more ambitious proposals such as the creation of a "system of more selective investment incentives", a growth points strategy or a streamlined and strengthened Monopolies Commission and Restrictive Practices Court. As indicated in earlier chapters, when the Party entered Government these proposals were still at a formative stage. Finally, it may be noted that certain policy initiatives, particularly those relating to Harland and Wolff and Rolls Royce, appeared to

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22. The Times, 19 February 1971.

23. See Nicholas Ridley, "How the Lame Ducks Came Home to Roost", The Sunday Times, 20 January 1974.

24. The overextension of Conservative policy in the case of investment grants and the IRC was at least partly a consequence of the Government's resolve to fulfill their election pledge to reduce public expenditure. See Cmd 4515, op. cit.



run directly contrary to the main trend of both the Conservative Government's and the preceding Conservative Opposition's policy. Nevertheless, at this stage, these could still be said to be abnormal and exceptional special cases. In general there was a close degree of continuity between many of the policy guidelines developed in Opposition and those applied in Government.

Phase II: March 1971 to March 1972

Despite the Conservative Government's efforts to construct an "effective regional policy", the rise in unemployment continued (see Appendix, Table II:1). It was against this background of rising unemployment that the Government carried out new policy initiatives in the regional development field.

The exact sequence of these initiatives is outlined in Document II:1 in the Appendix. It may be noted that the Government's policy broadly adhered to the guidelines originally applied in November 1970 and February 1971. As on these occasions assistance was either concentrated upon infrastructural reforms or, as far as individual companies were concerned, was in the form of allowances against tax rather than cash grants. During Phase II, however, the scope and scale of assistance was substantially increased. Newly committed public expenditure in the regions totalled at least £198 million, free depreciation was extended to service industries in the Development Areas and, in October 1971, Special Development Area status was granted to Livingstone and Glenrothes. These measures did not amount to a comprehensive or coherent policy and the more selective and discriminatory approach broadly hinted at in Opposition was not forthcoming.

In addition to unemployment during Phase II, the members of the Conservative Government were faced with the problem of a continuing and rapid rise in the level of inflation (see Appendix, Table II:2). As indicated in Chapter Eight the Conservative

Leaders fought the 1970 Election without a detailed short term policy to deal with this matter. It may be recalled that during their period in Opposition the Conservatives had failed to formulate a comprehensive prices and incomes policy, although they had not totally rejected the concept of a voluntary approach. Their only commitment prior to June 1970 was to "subject all proposed price rises in the public sector to the most searching scrutiny"<sup>25</sup>. After abolishing the NBPI, the Government acted on this commitment by reducing and deferring rises in Post Office charges, delaying coal price increases, halving proposed steel price increases, and curtailing rises in bus and rail fares. It was hoped that by so doing the Government would provide an example for the private sector to follow and in July 1971 the CBI responded by requesting its members to limit price increases to 5 per cent for a twelve month period. The TUC, however, failed to respond to the Government's request to make a complementary and "positive" contribution<sup>26</sup>.

The Government's attempts to deal with rising unemployment and inflation had important consequences for the further development of structure of industry policy. On the one hand, the curtailment of price rises in the public sector necessitated increased Government subsidies for the nationalised industries (see Appendix, Document 11:2). On the other, the need to preserve employment, particularly in the problem regions, implies a dilution in the Government's non-interventionist approach.

As far as the preservation of employment in the problem regions was concerned the case of Upper Clyde Shipbuilder (UCS) aptly demonstrated the policy dilemma facing the Government. After writing off a £10 million loan to UCS, in June 1971 the Government decided to let the company go into liquidation. At

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25. A Better Tomorrow, op. cit., p. 12.

26. Statement by Anthony Barber, H.C. Debs., Vol. 821, Col. 1041, 19 July 1971.

the end of July it was announced that two of the three UCS yards were to be closed and sold off and that as a consequence 400 workers would be made redundant<sup>27</sup>. In an area of high unemployment this decision met with strong opposition and the UCS workforce began an occupation of the threatened yards<sup>28</sup>. By February 1972 the Government revealed that they were prepared to accept the proposals of an advisory group which recommended a £35 million shipbuilding scheme for the Upper Clyde and the nationalisation of the Govan and Scotstoun yards for a five year period<sup>29</sup>. Finally, in April 1972 agreement was reached with the Marathon Company upon the future of the Clydebank Yard and an undisclosed sum of public money was contributed towards the venture. Thus by April 1972 the jobs of most of the workers at UCS had been preserved and the Conservative Government had carried through a policy which involved further nationalisation and the commitment of at least £40 million in public expenditure to an organisation which had previously been considered unviable.

The extension of Government involvement in the financial affairs of industry is indicated in Document 11:2 (see Appendix). Between March 1971 and March 1972 the amount of public expenditure committed to specific industries and corporations in the form of loans and grants reached a total of at least £643.5 million and, although this is only a very rough calculation, it may be noted that it is considerably more than the sum involved in Phase I. Moreover, of the Phase II total at least £195 million was expended on two companies, Rolls Royce and UCS, which had been brought into the public sector since the 1970 Election. Of the remainder, £434.5 million went to the nationalised industries partly to assist

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27. Statement by John Davies, H.C. Debs., Vol. 822, Cols 791-4, 29 July 1971.  
 28. The Times, 31 July 1971.  
 29. Assistance to Industry: Shipbuilding on the Upper Clyde, Cmd 4918, HMSO, London March 1972; speech by John Davies, H.C. Debs., Vol. 832, Cols 50-52, 28 February 1972.

price restraint and partly to further long term capital investment projects.

In contrast to the above, four other aspects of the Conservative Government's structure of industry policy remained broadly in line with the position outlined in Opposition and the non-interventionist approach emphasised during Phase I. First, in April 1971, in keeping with their previous commitment, the Government repealed Sections 1-7 of the Labour Administration's Industrial Expansion Act which entitled the Government to involve themselves in industrial investment schemes<sup>30</sup>. Secondly, after authorising the British Steel Corporation (BSC) to proceed with capital expenditure of £225 million and after raising its borrowing limits to £650 million, the Government announced, in the Autumn of 1971, that the Corporation had agreed to sell at "realistic" prices assets relating to the making of building bricks, tools, tool steel and bright bars, its interests in stamping and industrialised housing and a small engineering works<sup>31</sup>. Thirdly, in November 1971, following the publication of the Bolton Committee's report<sup>32</sup>, a special small firms division was established at the Department of Trade and Industry under the control of a Minister. This was soon followed by the creation of a new advisory and information service for small firms based on local centres within the Department's ten regions<sup>33</sup>. Finally, in March 1972 further information about the Government's plans to strengthen and streamline the Monopolies Commission was revealed. This included a proposal that the Commission should be empowered both to collect information on its own initiative and to propose subjects for enquiry. No legislation to this effect was introduced during Phase II, however, and

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30. Industry Act 1971, c. 17.

31. Statement by John Davies, H.C. Debs., Vol. 820, Cols 33-41, 28 June 1971; The Times, 19 October 1971.

32. Small Firms: the Report of the Committee of Inquiry on Small Firms, Cmd 4811, HMSO, London November 1971.

33. Speech by John Davies, H.C. Debs., Col. 825, Cols 188-190, 3 November 1971.

presumably the policy was still in the process of formulation<sup>34</sup>.

In Phase II the continuity of policy development between the Government and Opposition periods was not as sustained as in the previous phase. However, no clear or dominant pattern emerges. On the one hand, there were indications of a break away from some aspects of the Party's earlier position; on the other, some semblance of continuity remained in several areas. In the case of prices and incomes policy the Conservative Leaders by attempting to restrain price and wage rises in the public sector conformed to their election commitment, but the CBI's initiative and the approach to the TUC in July 1971 marked the tentative beginnings of an attempt to formulate a voluntary national prices and incomes policy involving Government and both sides of industry. This latter development, although not rejected, had nevertheless never been officially accepted during the Party's tenure in Opposition. Moreover, it may be recalled that any attempt to control prices had been rejected by the Conservatives prior to 1970 because it was felt that prices "are beyond control".

Likewise, in the case of policy for the structure of industry, the Conservatives carried through parts of their electoral programme, but the emphasis upon non-intervention in the day to day affairs of industry and more selective public support for individual companies and organisations was severely undermined by the UCS and Rolls Royce affairs. In addition, the total of Government assistance given to particular industries and corporations rose markedly, while the formulation of a comprehensive competition policy involving a reformed Monopolies Commission and Restrictive Practices Court had not been concluded.

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34. Monopolies and Mergers Acts 1948 and 1965, Annual Report by the Department of Trade and Industry for the year ended 31 December 1971, HCP 149, HMSO, London March 1972.

Finally, as far as regional policy was concerned much the same pattern emerges: the scope and scale of Government assistance were extended and concentrated upon infrastructural reforms and tax allowances. This was broadly in line with the position adopted in Opposition. No attempt was made, however, to develop either a growth points strategy or a more selective system of investment incentives as had been suggested prior to 1970.

Thus, Phase II may be regarded as a transitional period. In some areas policy continuity was maintained; in others, most noticeably structure of industry, a distinct break with earlier policy positions may be discerned. It should be noted, however, that neither trend was dominant.

#### Phase III: March 1972 to February 1974

During the final 23 months of the Conservative Government's term of office important changes were made in the Administration's approach to regional development, the structure of industry and prices and incomes. The detailed policy initiatives are outlined in Documents 11:1, 11:2 and 11:3, and in the remainder of this section I shall attempt to draw out and clarify some of the major trends of policy development.

By March 1972 unemployment in Great Britain had reached a total of 4.1 per cent. This was a record post war level and it was against such a background that in the same month the Conservative Government created a new post of Minister of Industrial Development and launched a wide ranging series of policy initiatives in the form of an £800 million programme designed to assist industrial expansion and modernisation. This programme entailed a significant alteration in the Government's approach to both regional development and the structure of industry<sup>35</sup>.

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35. The new programme was outlined in a White Paper, Industrial and Regional Development, Cmd 4942, HMSO, London March 1972. See also speeches by Anthony Barber, H.C. Debs., Vol. 833, Cols 1366-70, 21 March 1972; John Davies, Ibid., Cols 1537-55, 22 March 1972; and Christopher Chataway, New Deal for Industry, CPC No. 515, London October 1972.

In the regional development field the new programme involved the re-introduction of investment grants in Development Areas at a basic rate of 20 per cent, the establishment of an Industrial Development Executive (IDE) to administer them, a wide extension in the scope of Intermediate Areas, and, for the latter, a 20 per cent buildings grant<sup>36</sup>. These proposals did not necessarily run contrary to the position outlined by the Conservatives while in Opposition. On all these issues the Leadership had maintained an ambiguous and flexible position. For instance, it could be argued that through the agency of the IDE the Conservatives were fulfilling their proposal to introduce a more selective system of investment incentives, or that, by making 20 per cent building grants available in the Intermediate Areas, they had carried through their promise to "strengthen the grey areas". However, although it is perhaps too early to judge the work of the IDE and particularly its role in the allocation of investment grants, what research has been done suggests that it has not been particularly selective or discriminating in its approach<sup>37</sup>. In addition, the Conservative Opposition did not pledge to extend the scope of the Intermediate Areas. By doing so in office it could be argued that they had created a situation in which the jam had been spread too thinly, or which might lead to the creation of a new category of inter-intermediate areas. Both these criticisms had been levelled by the Conservative Opposition against the Labour Government's policy. Moreover, the Conservative Government's new proposals shifted the balance of public expenditure away from infrastructural reforms towards the provision of cash incentives, and this was directly contrary to the position adopted

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36. Cmd 4942, *op. cit.*, pp. 1-2 and 5.

37. See Industry Act 1972, Annual Report by the Secretary of State for Trade and Industry for the period ended 31 March 1973, HCP 429, HMSO, London September 1973; Expenditure Committee (Trade and Industry Sub-Committee), Regional Development Incentives, Minutes of Evidence and Appendices, HCP 327, HMSO, London 16 March 1973, pp. 96-179, pp. 204-31 and pp. 448-63.

in Opposition. Finally, the re-introduction of investment grants represented a complete reversal of the Conservative Government's position as outlined in November 1970. In sum, in large part the new regional policy measures of March 1972 marked a return to the kind of policy previously pursued by the 1966 to 1970 Labour Government; an approach which had been extensively criticised by the Conservative Opposition.

In the structure of industry field the Government's March 1972 proposals involved the provision of special aid for shipbuilding and machine tools, the establishment of an Industrial Development Board (IDB) to consider cases for selective assistance, and the granting of powers enabling the Government to take temporary equity interests in companies with their consent<sup>38</sup>. These provisions were further clarified in the Industry Act 1972 which fixed the upper limit for assistance at £150 million, capable of being extended by Orders in Council to a maximum of £550 million<sup>39</sup>.

The proposals outlined in March 1972 and the provisions contained in the Industry Act represented a significant alteration in the Conservative Government's policy and a complete break with the approach adopted in Opposition. In some features the IDB was closely akin to the IRC, while the equity provisions of the Industry Act were not unlike the repealed sections 1-7 of the Industrial Expansion Act. Moreover, the proposals effectively marked the end of the Conservative Government's non-interventionist approach for, as Document 11:2 demonstrates, the passage of the Industry Act marked the beginning of a period of widescale Government investment in both the public and private sectors of industry.

As in the cases of regional development and structure of

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38. Cmd 4942, op. cit., pp. 5-6.

39. Industry Act 1972, c. 63, Sect. 8(7).



industry, a break with earlier policy positions was also demonstrated in relation to prices and incomes. Throughout 1972 inflation continued to gather momentum and the Conservative Government, slowly and tentatively at first, began the task of formulating a policy to deal with it. Initially attempts were made to establish a voluntary national prices and incomes policy involving the co-operation of Government and both sides of industry<sup>40</sup>. This failed to gain the support of the TUC and, in November 1972, the Government introduced a statutory policy in three stages. The first consisted of a 90 day "freeze", the second involved less stringent controls, and the third allowed further relaxation (see Appendix, Document 11:3). In addition, the Government established a Pay Board and Price Commission to oversee the operation of stages Two and Three. The machinery and codes of practice relating to these two latter stages were given statutory effect in the Counter Inflation Act 1973.

It may be recalled that a statutory prices and incomes policy had been completely rejected by the Conservative Party during their period in Opposition<sup>41</sup>. Moreover, the Party had pledged to abolish the NSPI and had in fact done so soon after entering office. Thus the Conservative Government's counter inflation policy, involving statutory controls and the establishment of pay and price monitoring bodies, was completely at variance with the Party's stand in Opposition and the proposals contained in its Election Manifesto. By late 1973 the preservation of the Government's statutory policy had become a major concern of the Conservative Leadership and the refusal of the National Union of Mineworkers to abide by its provisions contributed to the Prime Minister's decision to call an Election in February 1974<sup>42</sup>.

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40. See Eric Jacobs, "Heath's Forbidden Land was Point of No Return", The Sunday Times, 5 November 1972; Victor Keegan, "The Icy Path from Downing Street", The Guardian, 4 November 1972.

41. A Better Tomorrow, op. cit., p. 11.

42. See "The Secret Miner's Deal that Failed" and "Why Heath Went Over the Top", The Sunday Times, 3 and 10 February 1974 respectively.

In contrast to the three substantial breaks in policy continuity outlined above, one development during this final phase was at least partially in keeping with the policy adopted in Opposition. In December 1972 the Government published a Fair Trading Bill. The subsequent Act provided for the creation of a new office of Director General of Fair Trading whose responsibility it would be to review monopoly and uncompetitive situations and restrictive practices, and to give information and make recommendations for action on monopolies to a renamed Monopolies and Mergers Commission. The Act altered the previous definition of a monopoly situation in relation to the supply of goods by reducing the relevant market share from a third to a quarter<sup>43</sup>. In the case of mergers, the Act gave the Secretary of State the sole power of reference to the Commission, subject to the advice of a newly constituted Mergers panel<sup>44</sup>, and enabled him to prevent a merger taking place<sup>45</sup>. In addition, new guidelines were outlined to assist the Commission including matters relating to economies of scale and the desirability of competition itself<sup>46</sup>.

The Fair Trading Act appeared to be in line with some aspects of the competition approach outlined in Opposition and, in particular, with Sir Keith Joseph's emphasis upon a policy of "general pressures". In addition, the idea of a Registrar of Monopolies had been discussed, although not agreed, in Opposition. However, it may be recalled that Opposition policy in this field remained ambiguous and to a large extent unfinalised and, therefore, it is impossible to compare the detailed provisions of the Act with the position taken in Opposition. Nevertheless, it may be noted that two important innovations contained in the Act, the definition of a monopoly in relation to the supply of

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43. Fair Trading Act 1973, c. 41, Sect. 41(6).

43. Fair Trading Act<sup>1973</sup>, Sect. 74.  
 44. Ibid., Sect. 74<sup>1973</sup>, 74(1(a)).  
 45. Ibid., Sect. 74<sup>1973</sup>, 84.  
 46. Ibid., Sect. 84

goods and the granting of powers to the Secretary of State so as to enable him to prevent mergers taking place, were not extensively discussed or agreed in Opposition. Moreover, at least half the Act dealt with consumer affairs and this matter had not played a prominent part in the Opposition programme. Finally, although certain aspects of the Act can be traced to certain general positions adopted in Opposition, no attempt to formulate a detailed policy began until after the Conservatives were in Government<sup>47</sup>. So that, to a large extent, the Act reflects other, post Opposition, policy inputs, and these may have shaped the final policy more substantially than any legacy of the 1964 to 1970 period<sup>48</sup>.

Thus, during the final phase of the 1970 to 1974 Conservative Administration, with the possible exception of the Fair Trading Act, the continuity of policy development between Opposition and Government was almost completely broken. In the case of regional development, the policy guidelines laid down in Opposition were substantially altered while, as far as structure of industry and prices and incomes were concerned, the Party's previous policy positions were wholly reversed. In these three policy areas the Conservative Government adopted policies which were remarkably similar to those which had been pursued by their Labour predecessors and which had been criticised, and in some cases rejected, by the Conservatives as Opposition.

### Conclusion

At least two problems arise in attempting to answer the questions posed at the beginning of this chapter. First, it may

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47. See speech by Sir Geoffrey Howe, H.C. Debs., Vol. 348, Cols 453-69, 13 December 1973; Current Law Statutes, 1973, part 6, 41.

48. See Granada Television, The State of the Nation, London 1973, pp. 38-39; Square Deal for Consumers, CPC No. 510, London September 1972.

be recalled that, in the four policy areas studied, the Conservative Opposition tended to avoid formulating detailed proposals and concentrated instead upon outlining statements of general intent plus some specific commitments to reform or repeal certain aspects of the Labour Government's programme. The ambiguous nature of the policy produced by the Conservatives as Opposition means that the guidelines and criteria on which an assessment of policy continuity may be based are liable to be few in number and in some cases open to a variety of interpretations. Secondly, policy continuity is liable to vary across issues. Some policies may be dropped quickly, others may prove more persistent. So the problem becomes one of assessing the overall balance or the predominant trend of policy development during a particular period.

Hence, generally speaking, the preceding outline of the three phases of the 1970 to 1974 Conservative Government's policy development reveals a fairly clear pattern. In Phase One, the first seven months, the continuity of policy between Opposition and Government was fairly close. Rolls Royce and Harland and Wolff were exceptions to this general trend but do not appear as significant. Moreover, by abolishing investment grants and dissolving the IRC, the Government went beyond, although not contrary to, the approach outlined in Opposition. In Phase Two, March 1971 to March 1972, there were some indications of continuity and other indications, particularly in the structure of industry field, of a break with previous patterns. This may be regarded as a watershed period and it is probably within these twelve months that the critical break with the past may be located. Phase Three, the final two years of the Conservative Administration, is clearer. During this period, in the case of regional policy, prices and incomes policy and policy for the structure of industry, there was an almost complete break with the policies adopted and maintained during the Opposition years.

In sum, at a minimum the policy continuity between Government and Opposition lasted about seven months, and at a maximum about

nineteen months. In the structure of industry field the break may really have come with Rolls Royce or, as Nicholas Ridley suggests, with UCS<sup>49</sup>. Likewise, Margaret Laing suggests that the critical change in Conservative policy took place in response to rising unemployment sometime between October 1971 and March 1972<sup>50</sup>. In the incomes policy field, a significant alteration may have been signified in July 1971. The exact date may prove impossible to determine, but the main point is apparent: namely that in Government the Conservatives moved away from the policy positions outlined in Opposition and adopted policies which in some important aspects were not unlike those pursued by the previous Labour Government.

To what extent did the policy formulated in Opposition serve to restrict the freedom of manoeuvre and flexibility of the Conservative Leadership once returned to power? Before attempting to answer this question two points may be noted. First, as already indicated, certain aspects of the Conservatives electoral programme were, because of their ambiguity, open to a variety of interpretations. They were, therefore, unlikely to impose precise restrictions upon the flexibility of the Conservative Government. Secondly, the student cannot know precisely what considerations predominated in the minds of policy-makers, particularly in relation to events which have recently taken place and for which there is little background information available.

Both the above considerations imply that the question posed in the preceding paragraph cannot be given a precise answer. It may reasonably be suggested, however, that those aspects of Opposition policy which were in the form of specific pledges or commitments were, in the areas to which they applied, liable to

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49. Ridley 1974, *op.cit.*

50. Margaret Laing, Edward Heath: Prime Minister, London 1972, pp. 246-7.

limit the number of policy choices available to the Conservative Government. For instance, the Conservative Opposition's approach to the IRC, the Industrial Expansion Act and a short term prices and incomes policy, may have severely restricted policy making in these areas once the Party returned to office. For the sake of its reputation, no party entering Government can immediately forego the policy positions previously adopted in Opposition and, as the controversies surrounding the passage of the 1972 Industry Act and the Counter Inflation Act illustrate, even after some years in office a reversal of policy may still arouse criticism and dissension both within the Party and beyond<sup>51</sup>.

Before concluding this account of the development of certain aspects of the 1970 to 1974 Conservative Government's policy, it may be noted that of the four policy areas investigated in previous chapters one of them, national economic planning, did not figure prominently during the post 1970 period. As indicated in Chapter Seven, from 1966 onwards national economic planning was accorded a more modest status and ceased to be a major issue of public or party debate. This trend appears to have survived into the 1970s. For instance, during the three and a half year period no attempt was made to revive the case for a national plan along the lines of the 1963 or 1966 prototypes, and even the form of national economic planning established in 1969 aroused little interest and little public comment<sup>52</sup>.

In this chapter I have attempted to establish that there was some measure of continuity between the policies formulated by the Conservatives in Opposition and those implemented by them in Government. I have argued that initially a high degree of policy

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51. See David McKie, "Mavericks with the Crucial Votes", The Guardian, 7 February 1973; and the same author's "The Revolt in Committee Room 10", The Guardian, 21 February 1973.
52. A Green Paper was published in 1970: Economic Prospects to 1972: A Revised Assessment, HMSO, London 1970.

continuity was discernible but, that after some time in office a significant break with earlier policy positions took place. Moreover, I have suggested that at this point policies were adopted which were in a number of important respects similar to those pursued by the 1964 to 1970 Labour Government, and which, prior to 1970, had been criticised, or rejected, by the Conservative Party.

The analysis I have presented appears to bear a close similarity to the pattern discerned in the earlier case studies, particularly those relating to national economic planning and incomes policy. It may be recalled that in these two policy areas, the Conservative Party withdrew from its previous position formulated in Government soon after entering Opposition. Likewise, within about two years of regaining office in 1970, the Party's stances on incomes policy, regional development and structure of industry had been reversed and brought more closely into line with either the Conservative's position prior to 1964 and/or with the Labour Government's stance in the 1964 to 1970 period. Why was there, in certain policy areas during the 1962 to 1974 period, such a marked degree of similarity between the positions adopted by successive Governments regardless of their political complexion? Why, in some instances, did the Conservatives as Opposition break away from the policies which they had previously supported as Government? And why, after they had returned to office, did they adopt policies similar to those which they had previously criticised or rejected in Opposition? These questions are briefly considered in the following and concluding chapter.

## CHAPTER ELEVEN: APPENDIX

TABLE 11:1

Percentage Unemployment: Males and Females:  
Great Britain and the Problem Regions (1970-1973)

	Great Britain	South West	Yorks & Humberside	North West	North Region	Wales	Scotland
<b>1970</b>							
Jun 8	2.3	2.4	2.6	2.5	4.2	3.4	3.8
Sep 14	2.5	2.6	2.9	2.8	4.7	3.8	4.3
Dec 7	2.6	3.0	2.9	2.8	4.6	4.0	4.6
<b>1971</b>							
Mar 8	3.1	3.3	3.4	3.5	5.2	4.2	5.5
Jun 14	3.1	2.8	3.6	3.6	5.3	4.0	5.5
Sep 13	3.6	3.3	4.2	4.4	6.4	4.8	6.2
Dec 6	3.9	4.0	4.4	4.7	6.5	5.0	6.6
<b>1972</b>							
Mar 13	4.1	3.9	4.6	5.1	6.7	5.3	7.0
Jun 12	3.4	3.0	3.8	4.5	5.7	4.3	6.0
Sep 11	3.8	3.1	4.3	5.1	6.7	5.0	6.6
Dec 11	3.3	3.1	3.6	4.4	5.8	4.5	5.9
<b>1973</b>							
Mar 12	3.0	2.9	3.3	4.2	5.2	4.0	5.4
Jun 11	2.4	2.1	2.6	3.4	4.4	3.1	4.4
Sep 10	2.4	2.2	2.7	3.4	4.5	3.3	4.1
Dec 10	2.1	2.2	2.3	2.8	4.0	3.2	3.7

Source: Department of Employment Gazette



TABLE 11:2

## Indices of Inflation

A. United Kingdom: General Index of Retail PricesJune 1970 - December 1973

16 January 1962 - 100

	All Items	Food		All Items	Food
1970			1972		
Jun 16	139.9	141.6	Mar 21	160.3	166.0
Sep 22	141.5	140.6	Jun 20	163.7	169.2
Dec 15	145.0	144.1	Sep 19	166.4	172.4
			Dec 12	170.2	176.9
1971			1973		
Mar 16	149.0	149.4	Mar 20	173.4	187.1
Jun 22	154.3	158.5	Jun 10	178.9	194.3
Sep 21	155.5	157.6	Sep 18	181.8	198.5
Dec 14	158.1	162.8	Dec 11	188.2	210.5

Source: Department of Employment GazetteB. Index of Average Earnings: All Employees (monthly enquiry):Seasonally adjustedJune 1970 - November 1973

January 1970 - 100

1970		1972	
June	106.3	March	128.1
September	109.3	June	131.7
December	113.1	September	138.1
		December	143.1
1971		1973	
March	114.5	March	143.9
June	117.9	June	151.9
September	121.1	September	156.3
December	123.7	November	160.0

Source: Department of Employment Gazette

DOCUMENT 11:1

The Conservative Government's Regional Development Policy,  
March 1971 - February 1974

Phase II: March 1971 - March 1972

- May 1971 Government proposes that private investment in Development Areas eligible for free depreciation should be offset against Corporation Tax liability for the previous three years. A further £46m made available for improvement grants for older homes in Development and Intermediate Areas.
- Jul 1971 £102m public works programme announced for Development and Intermediate Areas for the period up to April 1973. Free depreciation for immobile plant in use in the Development Areas extended to service industries.
- Oct 1971 Further £50m expenditure on public works programme in Development and Intermediate Areas authorised. Capital grants offered for public works in West Central Scotland, special Development Area status granted to Livingstone and Glenrothes.

Phase III: March 1972 - February 1974

- Mar 1972 New post of Minister of Industrial Development created. White Paper, Industrial and Regional Development, Cmd 4942, revealed that grants in Development Areas were to be re-introduced at a basic rate of 20 per cent; special aid was to be given to shipbuilding and machine tools; Intermediate Areas extended to cover the North West, the Yorkshire and Humberside area, and non-designated areas of Wales; Intermediate Areas were to qualify for the 20 per cent grant in respect of buildings only; and an Industrial Development Executive was to be established to administer the grants.
- Jul 1972 IDC limit raised from 5,000 to 10,000 sq. ft. in London and the South East and to 15,000 in rest of England, Scotland and Wales. In Development and Special Development Areas IDCs were no longer required.
- Jan 1973 Announcement of Government financed £6.5m programme of advanced factory building in the regions.
- Jun 1973 Assistance towards rent and cash grants, of £800 per employee moved, offered to service industries and company offices moving to assisted areas.
- Sep 1973 First Annual Report on the Industry Act. Revealed that in the first 8 months of its operation over 5,500 applications for regional Development grants had been received covering some £126m of capital expenditure.
- Nov 1973 Special assistance granted to industries helping to create jobs in assisted areas; Interest relief grants raised by 1½ per cent to 11½ per cent and later by a further ½ per cent in January 1974.
- Dec 1973 Government announces its intention to issue no further Office Development Permits for London and the South East in the foreseeable future.

DOCUMENT 11:2

Government Loans and Grants to Specific Industries and Corporations:  
June 1970 - February 1974 (excluding regional development grants)

<u>Date</u>	<u>Recipient(s)</u>	<u>Amount and Circumstances</u>
<u>Phase I</u>		
Nov 70	Rolls Royce	£42m, banks provide a further £18m
Dec 70	National Coal Board	£100m increase in accumulated deficit
<u>Total newly committed in Government grants and loans</u>		<u>£42m</u>
<u>Phase II</u>		
Mar 71	Upper Clyde Shipb'ld's	£10m loan written off
May 71	Harland and Wolff	£6m loan from N.I. Government
"	" Rolls Royce	£130m plus £30m of £80m increase in price of RB211 engine as agreed with Lockheed
Jun 71	BEA	£13.5m loan
"	" Nat Film Finance	£1m loan
Jul 71	British Steel Corp	Authorised to proceed with capital expenditure of £225m, borrowing limits raised from £500-£650m
Sep 71	Port Authorities	10 year loans authorized, Cmdd 4794
Jan 72	British Rail	£27m grant) to enable price increases
"	" National Bus Company	£7m grant ) to be limited to 5%
Feb 72	Upper Clyde	Government accepted proposals for £35m shipbuilding scheme
<u>Total newly committed in Government grants and loans</u>		<u>£643.5m</u>
<u>Phase III</u>		
Apr 72	Cammell Laird	£3m
May 72	Harland and Wolff	£49m
Jul 72	International Comp Ltd	£14.2m
"	" Machine Tool Ind	£6m
Aug 72	Short Bros & Harland	£1.9m in outstanding interest owing to the Government waived
Sep 72	Cammell Laird	£17m
"	" Harland and Wolff	£35m
Nov 72	British Aircraft Corp	£225m loan for the continuance of Concorde
Dec 72	National Coal Board	£540m in exchequer payments and grants up to March 1976. Board also released from its debt of £475m to the Government
"	" British Steel Corp	Government approves Corporation's £3,000m ten year expansion plans
Mar 73	Birmingham Small Arms Co	£4.8m to prevent liquidation
"	" Mersey Docks & Harbours	Board £4m
Jun 73	Wool Textile Ind	£15m
Jul 73	ICL	£26m
"	" Rolls Royce (1971) Ltd	£62.3m loan
Oct 73	Hawker Siddeley	£40m investment in HS-146jet; recoverable through a levy on sales
Nov 73	CEGB, Post Office and Gas Industry	£146m granted under Statutory Corporations (Financial Provisions) Bill as compensation for price restraint exercised from 1970 to the beginning of 1973, further compensation not exceeding £500m was provided for in 1973 and 1974
"	" British Rail	£900m investment over next five years
"	" " "	£120m loan to finance the rail link between London and the Channel Tunnel
Dec 73	Sunderland Shipb'ld's	£9m loan plus £4m regional dev. grant
<u>Total newly committed in Government loans and grants</u>		<u>£1793.2m</u>

## DOCUMENT 11:3

The Conservative Government's Prices and Incomes Policy: March 1971-February 1974Phase II: March 1971 - March 1972

- July 1971. CBI requests 200 largest companies to limit, wherever possible, increases in prices over the next twelve months to no more than 5%. Chancellor of the Exchequer requests the TUC to make a "positive contribution" in relation to wages.
- January 1972. Government grants of £27m and £7m respectively made available to British Rail and the National Bus Company so as to enable price increases to be limited to 5½%
- January 1972. Government accept Wilberforce Tribunal's recommendations on mineworkers pay claim.
- March 1972. White Paper, Loans from the National Loans Fund 1972-1973, (Cmnd 4936). Revealed that loans to nationalised industries were expected to increase substantially during the year as a result of price restraint and other factors.

Phase III: March 1972 - February 1974

- 26 September 1972. After meeting representatives of the TUC and the CBI, the Prime Minister proposed a £2 per week limit on all pay rises and 5% peg on prices for twelve months on a voluntary basis.
- 27 September 1972. TUC General Council rejected Prime Minister's proposals, but authorised renewal of talks with the Government and CBI.
- 31 October 1972. Prime Minister indicated that failing agreement on voluntary controls, legislation would be introduced to curb pay and prices.
- 2 November 1972. Breakdown of tri-partite talks on anti-inflation policy.
- 6 November 1972. White Paper, A Programme for Controlling Inflation: The First Stage, Cmnd 5125: proposed a 90 day 'freeze' on increases in pay, prices, dividends and rents.
- 17 January 1973. White Paper, The Programme for Controlling Inflation: The Second Stage, Cmnd 5205: 'freeze' to continue until the end of April; the Government preparing a Bill to allow further controls to be imposed for a period of three years; pay rises limited to a maximum of £250 p.a. or £1 per week plus 4%; pay and price monitoring bodies to be established and a code to be published for their guidance.
- 19 January 1973. TUC decided not to cooperate with the Government.
- 26 February 1973. Green Paper, The Price and Pay Code: A Consultative Document, Cmnd 5247. In addition to pay guidelines outlined in Cmnd 5205, price increases allowed only if they were a consequence of allowable increases in raw material or manufacturing costs. Limits imposed on profit margins, and increases in ordinary dividends limited to 5%.
- 22 March 1973. Counter Inflation Act 1973, received the Royal Assent.
- 26 March 1973. White Paper, The Counter Inflation Programme: The Operation of Stage Two, Cmnd 5267. Reiterated proposals contained in Cmnd 5205 and February Green Paper.

- 1 April 1973. Pay Board established.
- 29 April 1973. Price Commission established.
- July 1973. The Government initiated discussion with TUC and CBI about Stage III of its counter inflation policy.
- 8 October 1973. White Paper, The Price and Pay Code for Stage Three, Cmnd 5444: controls on prices to be relaxed but dividend and business rent control to remain in force. On pay, maximum of £2.25 per week or 7% or £350 p.a. The Code also contained various allowances and a threshold safeguard guaranteeing a 40p per week increase for each 1% rise in the retail price index above 7%.
- January 1974. Pay Board Advisory Report: The Problems of Pay Relativities, Cmnd 5535 published. Suggested a Four Stage procedure for altering the relative pay of groups of workers.

PART FOURCONCLUSION

In this section I attempt to draw together some of the main points outlined in previous chapters in order to reach some conclusions about what effects Opposition status might be said to have upon the policy positions of a major British political party. The discussion begins with a brief review of the approach adopted in the course of this study and proceeds to an assessment of the material presented in Part Three and its relevance to the hypotheses outlined in Chapter One. This is followed by a consideration of some possible explanations of the findings which have emerged, with particular attention being given to the consequences of Opposition status. The section ends with an evaluation of the main conclusions outlined and some suggestions for further inquiry.

## CHAPTER TWELVE

## THE EFFECTS OF OPPOSITION STATUS UPON MAJOR PARTY POLICY POSITIONS

It may be recalled that in Chapter One five interconnected hypotheses about party policy-making in Opposition were outlined. In the remainder of this study an attempt has been made to test these by concentrating analysis upon the policy-making activities of the 1964 to 1970 Conservative Opposition in relation to four policy areas. Each policy area has been chosen because it appears to be an area in which (a) in the early 1960s important policy innovations were introduced by the Conservative Government which were to some extent at variance with certain aspects of Conservative thinking, and (b) there was some continuity of policy development and debate in the following years of Labour Government. In Part Three the evolution of these four policy areas has been traced during the Conservatives' period in office prior to 1964, during their subsequent period in Opposition, and during the three and a half years following their return to power in June 1970.

Parts One and Two contain analyses of the development of constitutional Opposition in the United Kingdom and the nature of the Conservative Opposition's policy process. Before considering some of the points which have arisen in these sections it will be necessary to examine the outcome of the subsequent case studies, and to assess their relevance to the central hypotheses outlined in Chapter One. Thus, in the next few pages, each hypothesis is reiterated and evaluated in the light of the material presented in Part Three.

#### The First Hypothesis

Policy-making in a party as Opposition will be different from policy-making in the same party as Government. In particular, policy-makers (party leaders) will be more attentive to party opinions and policy content will conform more closely both to these opinions and to the party's ideology.

As noted in Chapter Five this hypothesis can be broken down into two elements; the first relating to opinions, and the second to ideology. It may be briefly recalled that in this study opinions are regarded as being orientated towards particular issues. Whereas ideology denotes the underlying belief system which is commonly said to be shared by members of a political party. This distinction will be maintained in the following section so that each element, opinions and ideology, is considered separately.

There are, as I have indicated at the beginning of Chapter Four, considerable problems involved in attempting to examine and determine actual influences upon policy content. In a study of this scope, covering the development of four policy areas over a fourteen year period, it is not possible to reach any exact conclusions about who actually influenced whom in making this or that decision. The picture which emerges is inevitably broader than such precise calculations require. In a more general sense, however, the material presented in the case studies provides some evidence to suggest that during the 1964 to 1970 Opposition period Conservative Leaders were more attentive to, and policy content conformed more closely with, the opinions expressed by their followers than had been the case during the Party's preceding period in Government.

In relation to prices and incomes and economic planning, for example, during the Party's period in Opposition major policy statements made by Party Leaders very often followed, and at times confirmed, alterations of opinion which had already taken place amongst some sections of the Party. Heath's Bolton speech, Carr's proposals for a productivity board, and the Leadership's approach to the 1965 National Plan may be cited as examples. Moreover, in relation to each policy area, Party Leaders often made concessions on particular points of policy after demands had previously been articulated among their followers: as in the case of the EDCs, the



NBPI, IDCs, the Intermediate Areas and the Party's proposals for denationalisation. In addition, it often appeared that remarks made by Party Leaders were intended mainly for consumption within the party arena and were designed to placate some of the more extreme demands of their followers. The Party Leader's Garshilton speech, his and Sir Keith Joseph's statements relating to the purposes of Government intervention, and Macleod's speeches on prices and incomes and economic planning may usefully be recalled here. Finally, the production of policy proposals was at times subordinated to considerations of party performance. In particular, Party Leaders appeared unwilling, or unable, to pursue certain issues which appeared likely to damage or undermine Party cohesion. This tendency was most apparent in the cases of prices and incomes and economic planning, but the failure to define the role and powers of the proposed registrar of monopolies and to clarify the Party's position on growth points and regional incentives may be quoted as further examples.

In contrast, during the Party's period in Government prior to 1964, in the cases of prices and incomes policy and economic planning, policy initiatives announced by Party Leaders did not follow the movement of party opinion. Indeed, in both these areas Party Leaders appeared more responsive to the opinions of representatives of both sides of industry rather than the views of their own supporters. In the case of regional policy, Conservative MPs, particularly those from the problem regions, expressed concern about rising unemployment and the Government's failure to deal with it but, in developing a long-term strategy, Party Leaders adopted proposals akin to those originally suggested by extra-party agencies, such as the North East Development Council, the Scottish Council (Development and Industry) and the NEDC. However, an exception should be allowed in the case of structure of industry. In this area Conservative MPs not only criticised existing policy but also, through the medium of the Conservative Members' Trade and Industry Committee and the Poole

Committee, suggested detailed proposals for reform, some of which were later carried through into the 1964 White Paper. Yet all the case studies are alike in suggesting that in Government policy was not modified greatly in response to partisan thinking. Thus, despite growing intra-party hostility, the Government proceeded with its policies for national economic planning and prices and incomes control. In addition, detailed proposals, involving a growth points strategy, were formulated for the North East and Central Scotland and the Conservative Leaders pushed ahead with their plan to abolish resale price maintenance in the face of strong opposition from within their own party.

Did the content of policy produced in Opposition conform more closely to the Party's ideology than would have been the case in Government? As argued in Chapter Five, Conservative ideology is not capable of being reduced to a single philosophical position. Because of the long history of their party, modern Conservatives are heirs to a deep and wide-ranging tradition which appears capable of providing justifications and precedents for almost any form of state activity or inactivity. This poses a problem, for, if Conservatism is so flexible and wide-ranging, then it follows that any attempt to assess degrees of deviance from, or continuity with, party ideology is liable to prove difficult if not impossible.

I have noted, however, that two broad ideological tendencies may be said to co-exist within modern Conservatism, namely a liberal conception and a tory conception, and some elements of each may be discerned in the statements of modern Conservatives. Thus the problem becomes one of assessing which of these tendencies was predominant during the Opposition period and whether, in comparison with the preceding period in Government, its predominance signified an alteration in the emphasis of Conservative proposals.

Survey material produced in Chapter Five suggests that during the 1964 to 1970 period in particular the majority of Conservative

partisans (voters, parliamentary candidates and MPs) held opinions which can be broadly classified as veering towards the liberal viewpoint. This generalisation is broadly supported by the evidence presented in Part Three of this study. As noted in Chapter Six, for example, during the Opposition period the overall party programme revealed a strong bias towards the liberal tendency, and, in contrast to the Party Leaders' position prior to the 1964 General Election, this represented a major change in policy emphasis. This alteration in policy emphasis is reflected in each of the case studies. It implied a modification in the Party's positions on incomes policy and economic planning. It provided a rationale for the Opposition's attacks upon the Labour Government's restructuring policies and its proposals on investment grants, Office Development Certificates and the REP. It was reflected in the Party Leadership's emphasis upon a policy of "general pressures" and their calls for less government intervention and a more competitive industrial structure. Moreover, the more overtly liberal position adopted after 1964 appears to have been broadly supported by the majority of Conservatives. Indeed, many, such as Powell, Biffen, Ridley, du Cann and a number of speakers at the Party's Annual Conferences, favoured a more extreme position than that adopted by the majority of Party Leaders. Others, such as Kenneth Lewis, Maudling and members of PEST appeared less enthusiastic, but this group was small in number and in general the Leadership's adoption of a more liberal policy emphasis was in harmony with the opinions of most Conservatives.

In sum, the material presented in Part Three offers some support for the view that, in Opposition, Party Leaders will be more attentive, and policy content will conform more closely, to party opinions than would be the case in Government. As far as the second element is concerned (that in Opposition policy content will conform more closely to party ideology than would be the case in Government), it would seem that the nature of Conservative ideology

is such as to preclude any attempt at validation. It may be noted, however, that during the 1964 to 1970 period, Conservative policies reflected a liberal bias which, in contrast to the period prior to 1964, represented a significant alteration in policy emphasis and which appears to have been broadly supported by the majority of Conservatives.

### The Second Hypothesis

As Opposition a party will attempt to make its policies appear distinctly different from those being pursued by the governing party.

To some extent any major party, be it in Opposition or in Government, is liable to attempt to differentiate its own approach from that of its opponents. This may, as some observers maintain<sup>1</sup>, be a normal outcome in any competitive two-party system. One point which emerges from the case studies is that the party as Opposition seldom holds the initiative in political debate. Generally speaking it is the governing party which establishes the main issues involved and the Opposition is forced to adopt a position in relation to these<sup>2</sup>. Each case study suggests, however, that in responding to governmental initiatives an Opposition party will attempt to differentiate its own approach from that established by its opponents.

A number of illustrations may be drawn from the case studies in support of this proposition. The inclusion of a more liberal policy emphasis in the Party's overall programme enabled Conservatives to distinguish their general approach from that of the Labour Government. In narrower areas, other and more specific distinctions

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1. L.D. Epstein, Political Parties in Western Democracies, London 1967, pp. 262-66; Anthony Downs, An Economic Theory of Democracy, New York 1957, pp. 55, 98.
  2. For a similar view in relation to the 1945 to 1951 period of Conservative Opposition, see J.D. Hoffman, The Conservative Party in Opposition: 1945-1951, London 1964, p. 9; R.M. Punnett, Front-Bench Opposition, London 1973, p. 389.

were drawn out. The Conservative's policy of "general pressures" was contrasted with the Labour Government's "intervention" in the day to day affairs of industry. In criticising the absolute size clause contained in the 1965 Monopolies and Mergers Bill, Conservatives emphasised Labour's "hostility" to big business. Later, when Labour appeared more sympathetic to large scale regroupings, Conservatives criticised the Government's apparent "prejudice" in favour of giant firms. In relation to regional policy Conservatives contrasted Labour's policies for Development Areas and investment grants with their own approach based on growth points, infrastructural reform and tax allowances. In the case of economic planning Conservatives attempted to distinguish their own approach from that embodied in the National Plan by placing emphasis upon a version of planning primarily designed to facilitate the flow of information and to increase the degree of co-ordination between government and both sides of industry. Later, when both parties appeared to support much the same approach, the differences were brought out by a skilfull use of language and presentation. Finally, in relation to prices and incomes policy Conservatives, while unable to formulate their own approach, did, nevertheless, attempt to distinguish their position from that of the Government: initially they questioned the Government's chances of success, later they attacked the statutory nature of its policy and its consequences for industrial relations and inflation. These and many other examples can be drawn from the case studies in support of the original hypothesis.

#### The Third Hypothesis

As Opposition a party will forego or retreat from policy positions previously maintained by it as Government which (a) have been, or are liable to be, controversial in terms of party ideology, and which (b) are adopted and maintained by its successors in office.

This proposition is most clearly substantiated in the cases of prices and incomes and economic planning. Both touched on the fundamentals of party beliefs and were matters of deep controversy

within the Party. Both were to a considerable extent adopted and maintained by the 1964 to 1970 Labour Government. Finally, in both areas, as Opposition, the Conservatives retreated from the firm policy stance they had previously supported as Government.

The case of regional policy also offers some confirmation for the hypothesis. Like prices and incomes and economic planning it touched on the fundamentals of party beliefs and was a matter of some controversy within the Party. In addition, certain aspects of the approach developed by the Conservative Government were adopted and extended by the Labour Government when they came to power, such as the notion of wider development areas in which a variety of inducements, including grants, would be available. In Opposition the Conservatives retreated from these positions while emphasising those aspects of their own policy which they felt were being neglected by their successors: infrastructural reform, growth points and tax allowances.

An exception may again be allowed, however, in the case of structure of industry. In this area, the Conservative Opposition did not forego or retreat from the position it had maintained as Government, even though certain aspects of their policy were continued by their Labour successors. As argued in Chapter Ten, the example of structure of industry policy does not necessarily invalidate the hypothesis. The monopolies and mergers aspect of the policy developed by Heath at the Board of Trade appears to have been generally welcomed within the Party and was not a matter of deep controversy. Moreover, it conformed closely with the more overtly liberal policy stance adopted in Opposition, and, as previously indicated, this alteration in the general trend of policy appears to have been supported by most Conservatives. Thus, contrary to original expectations, the development of Conservative policies in the structure of industry field did not prove to be deeply controversial in terms of party ideology.

In sum, three of the case studies offer some support for the

view that a party as Opposition will forego policy positions previously maintained in Government which are both matters of ideological controversy within the Party and are adopted by their successors in office. One case study, structure of industry, does not support this contention, but, it may be argued, does not necessarily invalidate the hypothesis because, contrary to original expectations, the Party's policy in Government was not, and did not become, a matter of controversy amongst Conservatives.

#### The Fourth Hypothesis

After returning to Government policy positions previously adopted in Opposition will, in certain instances, prove either (a) impracticable or unpalatable, or (b) will limit the freedom of manoeuvre and flexibility of policy-makers.

This hypothesis has been considered in Chapter Eleven and the argument outlined at that point may usefully be reiterated. It may be recalled that, in relation to the four policy areas, the degree of continuity between the proposals formulated during the Conservatives' 1964 to 1970 period of Opposition and those applied during the Party's subsequent period as Government was investigated, and the conclusion drawn that at a minimum policy continuity between Opposition and Government lasted about seven months and at a maximum about nineteen months. Moreover, it was noted that in Government, in the case of each policy area except national economic planning, the Conservatives moved away from the positions outlined in Opposition and adopted policies which in some important respects were not unlike those pursued by the previous Labour Government. As far as economic planning was concerned, the issue remained, as it had become in Opposition, a matter which aroused little public interest, debate or controversy.

An attempt was also made to examine whether policy proposals formulated in Opposition may later serve to limit the flexibility of party policy-makers once returned to office, and it was argued that no precise conclusion could be drawn on this matter. The

suggestion was made, however, that specific pledges or commitments made in Opposition might serve to limit the number of policy choices available to policy-makers once returned to office. Thus, the material presented in Chapter Eleven provides some confirmation for the first part of the original hypothesis. In relation to the second part, however, the evidence is inconclusive.

#### The Fifth Hypothesis

Policy made in Opposition will generally be non-explicit in nature and party policy-makers will avoid, whenever possible, making precise commitments to future action.

The evidence presented in each of the case studies appears to confirm this postulate. In the case of prices and incomes policy no guidelines were in fact formulated and reliance was placed upon more general, long-term proposals. In each of the other three areas policy generally took the form of an outline of general aims plus a number of commitments to repeal or reform certain aspects of the Labour Government's programme in the event of the Conservatives being returned to office. In none of the four areas was policy formulated in detail in preparation for office. Moreover, the commitments that were made were generally imprecise: only in three cases, the rejection of statutory controls over incomes, the Industrial Expansion Act and the REP, were precise pledges made. Others were usually qualified as in the cases of the NBPI, the IRC and the pledge to introduce private capital into the nationalised industries.

The original hypothesis, however, requires some clarification. There were some policy areas, although not those chosen for study, in which Conservative policy-makers formulated detailed plans in preparation for office. For example, considerable work was done on the Party's taxation proposals<sup>3</sup>, immigration policy, industrial relations policy and plans to re-organise the social services<sup>4</sup>. In

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3. Nigel Fisher, Iain Macleod, London 1973, pp. 271, 301.

4. See above, Chapter Four, p. 62; Punnett 1973, op. cit., pp. 206-207.



these areas policy was ready for almost immediate application when the Party returned to power. The policies which were formulated in detail in preparation for office were, considering the number of policy groups originally established, relatively few in number, and in most cases they were never made known to the public. So that, although Party Leaders in Opposition may avoid making detailed public pronouncements on policy matters, they may, in certain areas, formulate specific proposals in private.

In sum, the material presented in Part Three appears broadly to support the main points of the original hypotheses. There are, as has been noted, some variations and these need to be borne in mind. In particular, the case of structure of industry does not appear relevant to the third hypothesis and does not provide strong support for the first hypothesis. Moreover, the utility of the concept of ideology, particularly in relation to the Conservative Party, is open to question and the term may most usefully be deleted from the first hypothesis. Further amendments are required in the case of the fourth hypothesis. The proposition contained therein, that policy positions previously adopted in Opposition will, in some instances, limit the freedom of manoeuvre and flexibility of party policy-makers once returned to office, remains unconfirmed and may, therefore, be removed from the original hypothesis. Finally, the fifth hypothesis requires amendment so as to allow for the fact that detailed policies may be formulated, and commitments made, in private. Thus, in the light of the case studies the original hypotheses may be restated as follows:

1. Policy-making in a party as Opposition will be different from policy-making in the same party as Government. In particular, policy-makers (party leaders) will be more attentive to, and policy content will conform more closely to, party opinions.
2. As Opposition a party will attempt to make its policies appear distinctly different from those being pursued by the governing party.

3. As Opposition a party will forego or retreat from policy positions previously maintained by it as Government which (a) have been, or are liable to be, controversial in terms of party ideology, and which (b) are adopted and maintained by its successors in office.
4. After returning to Government policy positions previously adopted in Opposition will, in certain instances, prove impracticable or unpalatable.
5. Policy made and publicised in Opposition will generally be non-explicit in nature and party policy-makers will avoid, whenever possible, making precise public commitments to future action.

What explanations can be offered for the way in which policy stances developed and altered during the 1964 to 1970 period of Conservative Opposition? To what extent might such developments be regarded as a product of Opposition status? These questions are considered in the following section.

#### Some Explanations

As indicated in Chapter One, one of the main problems in a study of this nature is that of isolating the influence of Opposition status from the effects of other variables. In addition to considerations relating to the constitutional context of party action, policy-making is liable to be shaped by other factors, such as the personalities and beliefs of the actors involved (especially when, as in this case, there is a major change in leadership) and the general pattern of events.

As far as the personalities and beliefs of policy-makers are concerned, it may be argued that the adoption of a more overtly liberal policy stance was primarily the consequence of Heath's appointment as the Party's policy chief in October 1964, and his subsequent election as Party Leader in July 1965. Additionally, it might be suggested that the failure to produce proposals in relation to prices and incomes was mainly a reflection of Macleod's lack of

interest in the topic, while the Party's policies for structure of industry and regional development could be said to be mainly the outcome of the attitudes and ideas of their main exponent, Sir Keith Joseph.

A more sophisticated approach might be to consider the consequences of alterations in the composition of Conservative policy-making personnel. As might be expected, during the Party's six years in Opposition new men rose to prominence, while some older, more established figures retired or dropped out of active politics<sup>5</sup>. The new policy-makers were, perhaps to a greater extent than ever before, drawn from the worlds of industry and finance<sup>6</sup>, and it could be argued that to some extent they reflected the prejudices of these worlds with a belief in a free enterprise system and limited government intervention in the affairs of industry. Hence, it might be stated that the idiosyncracies and experiences of these men provide a possible explanation of the shift to a more liberal policy emphasis and the development of a distinctive policy.

As previously indicated, the overall pattern of events during the period under study may provide a further set of explanations. For instance, in the case of economic planning, the experience of the 1965 National Plan led to a widescale reassessment of existing planning procedures and techniques, and this was reflected within both Government and Opposition circles. Likewise, the experience of the Labour Government's prices and incomes policy led to a questioning amongst trade unionists and industrialists of the feasibility of attempts to apply detailed controls in the fields of prices and incomes. This debate was also reflected in Government and Opposition circles. In the case of structure of industry, broad changes in the pattern and nature of industrial re-groupings took place throughout the later 1960s and affected Opposition and

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5. See Punnett 1973, *op. cit.*, pp. 158-60 and 170.

6. Anthony King, 'New Stirrings on the Right', New Society, 14 October 1965.

Government policy-makers alike. Equally, in relation to regional development, the growing awareness of the problems of the "intermediate areas" and the publication of the Hunt Report, introduced new factors into the debate. Finally, the post-1970 Conservative Government's incomes, structure of industry and regional initiatives may in part have been prompted by developments unforeseen in Opposition, namely rising unemployment and rapid inflation. Consequently, it may be concluded that alterations in the subject matter of each particular policy area can offer some explanation for the apparent tendency of party policy-makers to forego or retreat from policy positions which they had previously supported.

Clearly, both the personalities and beliefs of policy-makers and the consequences of unforeseen and unexpected events may help to explain a number of the policy developments recorded in the preceding case studies. Moreover, as I noted in Chapter One, the adoption of a case study approach has allowed consideration to be given to these and other variables in the course of the narrative. It would seem, however, that both variables have only a limited explanatory value and, even if taken together, do not fully explain the policy developments noted in Part Three.

For instance, any attempt to explain events solely as a consequence of the personal beliefs and idiosyncracies of the actors involved is liable to lead to superficial and misleading conclusions. As has already been argued in this study, policy-makers are unlikely to formulate proposals in isolation from, or with total disregard to, the attitudes of their colleagues and the interests of their supporters. The policy positions adopted by Party Leaders are thus liable to reflect, at least in part, the outcome of factors other than their own beliefs and values, such as the opinions of other informed and influential actors and considerations relevant to the Party's prospects and future performance.

Likewise, alterations in the composition of Conservative

policy-making personnel, although capable of explaining the shift to a more liberal policy emphasis and the development of a distinctive policy, cannot explain the series of policy reversals and reassessments catalogued in the case studies. It may be recalled that policy changes did not necessarily follow alterations in the complexion of the Party Leadership. Moreover, while important personnel changes did take place, a basic continuity remained throughout the period. So that many of those who advocated liberal solutions when in Opposition had previously supported and, in some cases, implemented the more overtly tory policies introduced by the Macmillan Government. Equally, substantially the same set of Conservative policy-makers who had been prominent during the 1964 to 1970 period, subsequently, in the post-1970 period of Government, affected major alterations in the policy guidelines previously established by them in Opposition. Nor can alterations in the composition of the Party Leadership explain other aspects of the Conservative Opposition's policy activities, such as the failure to formulate policy in detail or the tendency on the part of policy-makers to pay more attention to partisan opinions than had previously been the case in Government.

Factors relevant to the general pattern of events during the period under study also fail to provide a comprehensive explanation. In the first place, both Conservative and Labour policy-makers were subject to the same sequence of events, yet their responses, in terms of policy outcomes, were different. It would seem, therefore, that the general pattern of events can provide only a partial explanation and that, if it is to have real explanatory value, this factor needs to be supplemented by considerations relevant to matters of party strategy and the attitudes and perceptions of party policy-makers. In addition, as in the case of the personalities and beliefs of policy-makers, the overall pattern of events cannot explain why, in each of the four policy areas, detailed proposals were not produced and why, when in Opposition, Conservative policy-makers appeared more attentive to the opinions of their followers than had previously been the case in Government.

In sum, the personalities and beliefs of policy-makers and the changing pattern of events, are not on their own capable of offering a comprehensive explanation of the way policy stances altered and developed during the Conservatives' 1964 to 1970 period as Opposition. Although other variables are important, Opposition status also has explanatory power. The mechanisms of its influence are described below under three headings: namely, the policy-making structure, the policy-making responsibilities and the goals of the party as Opposition.

(i) The Policy-Making Structure of the Party as Opposition

In Chapter Four I defined a Party's policy-making structure as "the sum of the various policy channels which have access to the party's key policy-making centre"<sup>7</sup>. The material presented in that chapter and the following case studies suggests that in Britain the policy-making structure of a political party as Opposition is likely to differ from that of a political party as Government in at least two ways. First, in terms of the number and nature of the policy channels involved, and secondly, in terms of the relative importance of each channel.

Drawing on the Conservative experience during the 1964 to 1970 period, it may be suggested that when a political party enters Opposition the individuals who constitute the party's policy-making centre cease to maintain formal contacts with some of the policy channels which fulfilled a prominent role in the policy-making structure of the same party as Government. Most importantly, party leaders, on relinquishing their ministerial responsibilities, can no longer depend upon Civil Service personnel and members of other governmental agencies as sources of policy advice and assistance. Moreover, the structure of formal contacts which the various ministries maintain with a broad spectrum of organised groups and interests is also terminated. So that, in the Opposition

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7. See above, pp. 47-8.

situation, neither of these extra-party elements are involved in the formal machinery of policy-making to the same extent or in the same way as they are in Government. Civil Servants and organised groups may, of course, be consulted on an informal basis, but the Conservative experience suggests that in Opposition such consultations are, for reasons of mutual convenience, less frequent and more one-sided than in Government. In the absence of these policy channels, policy-makers in Opposition maintain closer contact with channels drawn either from amongst members of their own party or from groups or agencies closely associated with it.

Thus, in Opposition, the opportunities that are available to intra-party agencies and personnel to influence the content of party policy are heightened and the likelihood that party opinions may predominate in the formulation of party policy is increased. In other words, the policy-making structure of a political party as Opposition, and consequently the nature of the policy produced, is liable to be more partisan than that of a political party as Government. One may go further and suggest that this conclusion may be applied to either major British political party as Opposition, although the precise meaning of the term partisan will, of course, vary according to the nature of the Opposition group and the attitudes of the key personalities involved.

Upon re-entering Government, however, party leaders move into a policy-making structure which is fundamentally different: the policy channels which have access to them change, their number and nature alter. Party Leaders adjust to their new role as ministers and to their working relationships with civil servants, pressure groups and other agencies. Thus, in Government, party policy-makers break away from the more partisan context of Opposition and are open to different channels of advice and information. In this new situation, policy positions formulated in Opposition may well prove unpalatable or impracticable.

(ii) The Policy-Making Responsibilities of the Party as Opposition

Not only do the policy-making structures of the party as Opposition and the party as Government differ, but so also do their policy-making responsibilities or functions. For example, the party as Government is faced with the task of governing and is expected to fulfill the obligations and responsibilities that this implies. Policy must, at least in part, conform to the demands of a parliamentary timetable and legislative programme and must, therefore, be outlined in detail, be capable of being immediately applied and of enjoying the support, not only of party members, but also of many of those who are liable to be involved in administering it, such as civil servants and organised interests.

In contrast, the party as Opposition is not required to produce policy which can be immediately applied. Moreover, Opposition policy-makers work on a different timescale to that pertaining to their governmental counterparts, for they cannot know the exact time when, and the circumstances in which, the outcome of their deliberations may be put into practice. Thus, the party as Opposition not only lacks the responsibilities of initiative and despatch held by the party as Government, but also faces a situation in which there is a wide divorce between the formulation and the application of policy. Consequently, policy produced by a party as Opposition does not need to either be formulated in detail or be capable of immediate practical application. Furthermore, because in Opposition party leaders do not necessarily need to produce firm and final policy decisions, difficult or controversial decisions can to some extent be glossed over or simply avoided. In a sense this means that party policy-makers in Opposition enjoy a greater degree of flexibility than those in Government. As I shall attempt to show in the following section, however, a party's policy-making responsibilities are closely related to, and limited by, the nature of the party's goals.

(iii) The Goals of the Party as Opposition

In Part One I argued that the dominant and persistent goal of



the Conservative Party as Opposition was to regain the power, prestige and status of a governing party. I have suggested that the Conservative Opposition attempted to achieve this goal mainly by adopting two roles of Opposition in roughly equal proportion. First, a 'critical' role was adopted, whereby the Conservative Opposition aimed at discrediting the Labour Government by attacking its activities and personnel, and by so doing attempted to undermine the cohesion of the governing party and its support amongst the electorate. Secondly, an 'alternative government' role was favoured, whereby the Conservative Opposition aimed at presenting itself as a real, responsible and viable alternative to the existing administration, and by so doing attempted to gain electoral support for its own programme<sup>8</sup>.

In contrast to the above, the dominant and persistent goal of the party as Government is not to regain the power, prestige and status of a governing party, but to retain them and this implies the adoption of roles which are different from those pursued by the party as Opposition. For, although in pursuing their goal a government may, in response to indications of Opposition popularity, attempt to discredit its opponents, it is unlikely to be concerned with presenting itself as an alternative simply because the Government is the incumbent and as such serves as the fixed point around which an alternative may be constructed. Moreover, it is primarily on the basis of its performance in office that a governing party may expect to be judged and upon which the achievement of its goals may depend. Thus, if a governing party wishes to maintain itself in power, the tried calibre of its personnel, the outcome of its legislative programme, and its general competence in managing the country's affairs are all liable to be of vital importance.

Thus, I have argued that the dominant and persistent goal of the party in Opposition is qualitatively different from that of the

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8. See above, Chapter Three, pp. 42-44.

party in office. In the former case emphasis is placed upon the regaining of power, while, in the latter, emphasis is placed upon the maintenance of power. These different goals require the formulation of distinct strategies of action as a means to their realisation. Most importantly, the Opposition may expect to be judged according to its success in effectively criticising the Government and presenting itself as a real, responsible and viable alternative, whereas the Government, as the incumbent, may expect to be judged primarily on the basis of its performance in office.

Political parties, whether in Opposition or in Government, are alike, however, in being policy producing organisations. Moreover, policy is, I would suggest, one of the major resources which a political party can mobilise in order to achieve its goal. This statement has two implications. First, the content and the formulation of a party's policy are liable to be significantly influenced by the nature of its goals. Secondly, and following from the previous point, to the extent that party goals vary according to the context of party action, then policy made by a party as Opposition is liable to be distinctly different from that made by the same party as Government. Some indication of the possible outcome in policy terms of the goals pursued and roles adopted by the party as Opposition may be adduced from the Conservatives' experience during the 1964 to 1970 period.

In order to achieve its goal of regaining power an Opposition party will in formulating policy need to balance at least three considerations, not all of which would be relevant to the same, or another, party as Government. In the first place, if an Opposition party wishes to oppose an administration effectively or to present itself as a real alternative it should attempt to do at least two things. First, it should provide a stance from which to attack its opponents, and secondly, it should provide a basis for the presentation of an alternative. As The Times put it, an "Opposition needs to develop a large and elastic theme into which 'ad hoc'

criticisms can be fitted and which lends itself to summary slogans like 'Tory stagnation' or 'Socialist austerity'<sup>9</sup>. This consideration implies that a party as Opposition should attempt to outline policies which to some extent appear as distinct from those being pursued by the governing party, even if this means breaking away from some of the policy positions previously supported by it as Government.

There are, however, dangers inherent in the process of creating a real alternative. On the one hand, it may lead to an exaggeration of the differences between parties and blur any areas of overlap and agreement which exist between them. As a consequence, when and if the party returns to power either the desires and expectations of its supporters may be frustrated or the party may become a prisoner of its own rhetoric generated during a period of Opposition. On the other hand, it may result in emphasis being placed upon extreme policies which in turn undermine the Opposition's support in the centre ground of electoral politics and thus decrease its chances of returning to power.

Secondly, in order to present itself as a responsible alternative an Opposition may seek to avoid outlining and publicising policies which are so extreme in nature that they threaten the party's electoral support, and which are so specific in content that they would limit a future Government's freedom of action<sup>10</sup>. An Opposition is, however, faced with a dilemma in balancing this requirement with that of presenting a real and distinctive alternative outlined above. One way in which the party out of office may overcome this dilemma is by avoiding, whenever possible, publicising specific commitments and detailed policy proposals and concentrating instead upon presenting

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9. "Tories in a New World", The Times, 28 December 1964.

10. See speech by Maudling at the 1967 Party Conference, NUCVA 85th Annual Conference Report 1967, NUCVA, London 1967, p. 126; speech by Barber at 1968 Party Conference, NUCVA 86th Annual Conference Report 1968, NUCVA, London 1968, p. 26.

policy in general outline. Thus, in addition to its policy-making responsibilities, strategic considerations may also contribute to the apparent ambiguity and generality of policy produced by the party as Opposition.

For the Conservative Leadership the need to appear as a responsible alternative by avoiding the formulation of extreme policies proved problematic. Certain MPs seemed to believe that their party would never win an election unless it presented distinctively 'right wing' policies. As Butler and Pinto-Duschinsky note, the Party Leadership was faced with a conflict between arguments of electoral prudence which urged them to play for the centre, and the pressure of elements within their own party which demanded that they abandon it<sup>11</sup>. My own case studies appear to support this observation and suggest that, in such a situation, perhaps the best tactic is, as in the case of prices and incomes policy, to avoid whenever possible the discussion of contentious matters.

On the other hand, any attempt to avoid specific policy commitments may produce problems about how policy should be formulated and presented. Within the Conservative Leadership, for example, there appear to have been basically two points of view: some believed that policy should be worked out only in broad outline and that the details should be fitted in later, while others contended that in the key areas work ought to be done in detail in preparation for office. In general, the latter approach was accepted<sup>12</sup>. There is also, however, the problem of publicising policy. If policy is too detailed it may be difficult for the ordinary voter to grasp and thus, its impact may be minimised. Additionally, as already noted, detailed policies may obstruct the

11. D. E. Butler and Michael Pinto-Duschinsky, The British General Election of 1970, London 1971, p. 65.
12. Interview 6.

flexibility of policy-makers once returned to power. In part the Conservative Leaders may have overcome these problems by not publishing and thereby committing themselves to much of the detailed policy which they produced.

The final consideration relates to matters of party performance. The majority of the Conservative Leadership subscribed to the view that if an Opposition wished to oppose an administration effectively or to present itself as a viable alternative it must act in a disciplined and united manner. They held that a divided Opposition would not attract votes nor would it be able to attack the Government with much effect<sup>13</sup>.

In order to maintain party unity Conservative Leaders were able to use at least four devices, each of which may have had some consequence for the nature and content of party policy. In the first place, the structural arrangements of the party in Opposition increased the degree of co-ordination and contact between the Party Leaders and their followers, and brought intra-party channels closer to the centre of the policy-making structure. Secondly, some party leaders appear to have made strenuous efforts to avoid the discussion of any matters which related to the fundamentals of party beliefs. Potentially divisive issues were to some extent excluded from the arena of intra-party debate and, consequently, certain areas of policy were left undefined. Thirdly, policy, when declared, was often outlined in an ambiguous manner which seemed likely to please most and offend none. Finally, by concentrating their attention upon attacking the Government, the Opposition Leaders may have provided a diversion from issues liable to lead to intra-party strife.

The problem of maintaining party unity was reflected in each of the case studies, but is perhaps best illustrated in relation to

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13. See above, Chapter Three, p. 33 and p. 37.

prices and incomes policy. The issue was a potentially divisive one and some sections of the Party Leadership avoided discussion of the matter. When pressures within the Party built up, a statement was produced which made concessions to one viewpoint while not totally excluding the opposing one. It may be recalled that at this juncture policy was defined in terms of minimum rather than maximum scope and, thereafter, the matter was effectively shelved and a specific commitment avoided. In addition, the statutory nature of the Government's prices and incomes policy provided a diversion and a focus around which the Opposition could unite.

Thus, in order to achieve their goal of regaining power, party policy-makers in Opposition may be obliged to fulfill three conditions. First, in order that their party may appear as a real alternative and is capable of criticising the Government effectively, they may be obliged to adopt policy positions which are distinct from those of their opponents and which may be contrary to those previously maintained by them in office. Moreover, in order that their party should appear as a responsible alternative, policy-makers may be obliged to produce policies which are non-committal and non-explicit in nature. Finally, in order that their party may appear as a viable alternative, policy-makers may be obliged to maintain closer contacts with intra-party channels and avoid the discussion of controversial matters. As a consequence of fulfilling these three conditions, not all of which are applicable to the Party as Government, the policy produced by party policy-makers in Opposition may prove to be different from that formulated in earlier periods of Government and may also prove impracticable or unpalatable when the Party is returned to power.

#### Summary and Conclusion

In this chapter the material presented in Part Three has been examined in relation to the hypotheses presented at the beginning of this study. Generally speaking, the original propositions have been broadly supported, but some modification has

proved necessary. Thus, it may be stated that the example of the Conservative Party during the 1964 to 1970 period suggests that:

- (1) policy produced in Opposition conforms more closely to party opinions than policy produced in Government;
- (2) a party as Opposition will attempt to make its policies appear distinctly different from those of the governing party;
- (3) those of its policies which are publicised, will generally be non-committal and non-explicit in nature;
- (4) in some instances, a party as Opposition may forego policy positions maintained by it as Government which are both matters of controversy within the party and which are adopted by their successors in office;
- (5) certain policies produced in Opposition may, after the party returns to power, prove unpalatable or impracticable.

Three possible explanations of the way policy stances altered and developed during the Conservatives 1964 to 1970 period as Opposition have been examined. Initially the factors of personality and the overall pattern of events have been considered. While not denying the validity of these approaches, it has been argued that factors relevant to the Opposition situation also have explanatory force and consequently deserve consideration. In the light of this proposition, the policy consequences of three features of the party as Opposition have been analysed, namely its policy-making structure, its policy-making responsibilities, and its dominant and persistent goal.

The analysis presented in this study suggests that policy formulated in Opposition may be most validly perceived, not as a commitment to future action or as a response to governmental initiatives, but primarily as a tool of persuasion, or as a means of bidding for support in the pursuit of power<sup>14</sup>. Thus, policy

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14. For a theoretical outline of the same point, see Downs 1957, op. cit., p. 298.

statements produced in Opposition may not offer a reliable means of judging or predicting the behaviour of a political party when, and if, it returns to power. In Government the party operates in a different context of party action and in different historical circumstances from those pertaining during an Opposition period. Its policy-making structure is different, it fulfills different policy-making responsibilities and pursues different goals. Consequently, in the changed circumstances of Government a political party may find it difficult to conform to a set of objectives previously formulated by it as Opposition.

This does not mean that, in Opposition, party policy-makers never formulate policies in order to provide guidelines for the work of a future government: the evidence suggests that they may well do so. Moreover, as Chapter Eleven demonstrates, no political party can immediately forego its programme once it returns to office. The main point is, however, that before an Opposition can carry out its policies, it must first regain power and, in order to do so, it may find it necessary to indulge in activities which militate against the production of policies relevant to the governmental context. The need to balance these two conflicting objectives poses one of the most difficult problems facing Opposition policy-makers.

In questioning the conventional theory of party government, Richard Rose has suggested that the apparent failure of parties to carry through their programme once elected to office is in part a consequence of their inability to control the machinery of government, and that one solution to this problem may lie in an increase in the number of party personnel appointed to government positions<sup>15</sup>. Alternatively, as Punnett has suggested, policy-makers in Opposition should be provided with better resources and facilities

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15. Richard Rose, "The Variability of Party Government: A Theoretical and Empirical Critique", Political Studies, Vol. XVII, No. 4, 1969, pp. 441-445..



and greater access to government information<sup>16</sup>. My own analysis implies, however, that the apparent "divorce between party and policy"<sup>17</sup> is to some extent a product of the institutional and political conditions which characterise British Opposition politics itself. Thus, in part, the remedy may lie in the conduct of the Opposition group which, although it may usefully prepare for office by formulating detailed proposals in private, should avoid publicising a precise alternative programme and concentrate instead upon its traditional role of criticising the Government in a responsible and constructive manner.

These speculations, although interesting, should be treated with caution. It may be argued that the conclusions I have reached are particular to the issues studied and the activities of the Conservative Party during the 1964 to 1970 period. I would submit, however, that to the extent that the features of Opposition politics which I have noted are common to all major British political parties as Opposition, then the conclusions I have reached may have a wider relevance. The hypotheses require clarification and amendment through further inquiry. For instance, other aspects of the 1964 to 1970 Conservative Opposition's policy-making activities might usefully be analysed, such as industrial relations, defence and education. In addition, the activities of the 1951 to 1964 and 1970 to 1974 Labour Oppositions offer further scope for inquiry, while the experience of other Oppositions in similar constitutional and legislative systems, such as Australia, Canada, and the Republic of Ireland, might provide a cross-national dimension. Thus, although the present study cannot claim to be conclusive, it may, hopefully, arouse discussion and help to point the way for further research.

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16. See Punnett 1973, *op. cit.*, pp. 366-400.

17. Enoch Powell, "Reducing Parliament to a Charade", *The Times*, 11 March 1974.

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