



**Britian in the 20th Century:  
The Conservative Reaction, 1951 - 1965  
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Ladies and gentlemen, this is a lecture on the Conservative Governments of the 1950s.

The 1950s seemed to many people a golden age, a brief period when the British people thought they were in sight of a long-sought “Promised Land.” Even a figure of the left, Tony Benn, called his diaries that covered the 1950s “Years of Hope”. The Economist, in June 1954, wrote: “The miracle has happened: full employment without inflation.”

Harold Macmillan, who was Prime Minister from 1957 to 1963, visited his old constituency of Stockton-on-Tees, which he had represented between the Wars and at the height of the Depression, and said: “The wealth and prosperity of the town is incredible.”

One commentator said that Wigan, where George Orwell had famously written *The Road to Wigan Pier* in the 1930s, had been transformed in just one generation “from barefoot malnutrition to nylon and television, from hollow idleness to flush contentment.”

Perhaps the real verdict on the 1950s was given by the voters. They twice, in 1955 and 1959, re-elected the Conservatives, with increased majorities. The Conservatives returned to power in 1951 with a small majority of 17 seats, though they had fewer votes than the Labour Party. In 1955, they increased their majority to 63, and in 1959, they increased it to 100. A government had not increased its majority twice since the Napoleonic Wars, and has not done so again since. Margaret Thatcher increased her majority once, from 1979 to 1983, but the Conservative majority fell with her next victory in 1987, and further still in 1992.

It seems that the Conservatives were in tune with the people’s desire for better times. It was said that Sir Oliver Poole, the Conservative Party Chairman in the late-1950s, used to drive every Saturday from his nearby country home to Watford to look at the crowds revelling in their new consumer goods, which they had not been able to afford before: cars, television sets, washing machines, refrigerators, and so on.

Members of the left attacked this so-called affluent society; Aneurin Bevan, who you will remember was Minister of Health in the Attlee Government, branded it “a vulgar society, of which no decent person could be proud.” However, the voters did not agree. Even when the Conservatives were finally rejected in 1964, it was not because the voters rejected affluence, but because they thought the Labour Party could deliver it more effectively and deliver more of it. The 1950s was a rare period of hope and confidence in British life, such as I think we have not really seen in any other decade in the 20th Century. Perhaps the 1920s comes closest.

I want to emphasise how much Attlee’s Labour Government cast its shadow over the 1950s and set the agenda for what happened. I have sometimes thought, while preparing these lectures, that the whole of post-war history (including even the Thatcher period) could in some sense be regarded as an appendix to the Attlee Government.

However, it did not set the agenda in the way that it had hoped; as we saw in my last lecture, Labour hoped that the 1945-1951 Government would be a first step towards socialism, but it was an ending as much as a beginning. The 1945 idea of moving to socialism through public ownership was beginning to seem much less attractive by 1951, partly because the nationalised industries were not working particularly well, and people did not think, for example, that a company like British Rail was a very good advertisement for a socialist society. Nationalisation was unpopular, even amongst Labour voters. By the late-1950s, opinion polls were showing that the majority of Labour voters were rejecting nationalisation.

Some of the leaders of the Labour Party noticed this change in opinion. In 1950, Herbert Morrison suggested that Labour's slogan for the General Election should be "Consolidation" – not particularly inspiring as an election call!

In 1956, Anthony Crosland, a Labour backbencher at the time, published an important book called *The Future of Socialism*, which was to set the course for Labour right until Tony Blair. He said that socialists were in a dilemma in the 1950s. They were radical and contemporary, but those who were radical were not contemporary because they were discontented with a society which no longer exists. In other words, the type of capitalist society that they were criticising, the society of the 1920s and 1930s, no longer existed. You had full employment, you had rising living standards, a welfare state, many of the things that socialists had said you could not get under capitalism. A lot of the radicals in the Labour Party were out of date. They were attacking the society of the 1930s, but that no longer existed. Crosland said that other socialists were contemporary but not radical; they realised society had changed, but they quite enjoyed the present one. He said the important thing for socialists was to change the means by which they hoped to deliver socialism. Socialism was a matter not of institution, but of values; these values would not be achieved through public ownership or nationalisation, but through equality, which could only be realised through policies of fiscal redistribution and educational policies through comprehensive schools. This idea was resisted by many in the Labour Party, leading to a running battle between those on the left and those on the right. This was largely responsible for keeping Labour in opposition for 13 years, and was possibly only really resolved when Tony Blair became Leader of the Labour Party in 1994.

At this time, there was no appetite for further radical policies of nationalisation. On the other hand, there was no public appetite for undoing what the Attlee Government had done. The welfare state was very popular, and although people did not want more nationalisation, they were suspicious of unbridled private enterprise, which they thought would lead the country back to the unemployment and poverty of the '20s and '30s. There was therefore no appetite for reducing the role of the State.

So, the greatest problem faced by the Conservatives was to show that they could govern without putting the clock back, that the Conservative Government would not lead to mass unemployment and poor social conditions. Attlee believed that he would have returned as Prime Minister by 1953, but Harold Macmillan very wisely wrote, in his diary in 1951, that Labour had:

"fought the Election very astutely, not on socialism but on fear – fear of unemployment, fear of reduced wages, fear of reduced social benefits, fear of war. If, before the next Election, none of these fears have proved reasonable, we may be able to force the opposition to fight on socialism, and then we can win."

That proved a very prescient and fair account of the history of the 1950s, and was one of the central reasons for the increased Conservative majority.

The Conservatives were also very lucky, in that economic conditions turned out favourable. The tides of trade began to move in Britain's favour in 1952 because of a fall in commodity prices, and this enabled the Conservatives to expand the economy. But the Conservatives also showed that they could maintain full employment, that they could maintain and improve the welfare state; a Conservative Government did not mean a return to the 1930s. Throughout the 1950s, the fear of socialism was much greater than the fear of the Conservatives.

One could say that the Attlee Government had created not the first step towards a socialist society, but a new kind of equilibrium which lasted throughout the 1950s. This equilibrium was a barrier against further socialism, but also against the policies that some Conservatives wanted, policies that we would perhaps now label Thatcherism – a return to the market, denationalisation, a reduced role for the State. But the time of the free-market Conservatives would come later, not in the 1950s.

The Conservatives actually did very little to undermine the Attlee Government's heritage. They denationalised only the steel and road haulage industries and nothing else, but even that was not privatisation of the kind that Margaret Thatcher would later to adopt, because these industries were put

under cartels and their production was planned. There was central planning of production, resulting in continued public control without public ownership. It was a comparatively marginal difference.

During the 1950s, the Conservatives consciously rejected two radical attempts to undermine the equilibrium that had been created by the Attlee Government.

The first attempt was to get Britain into Europe. The Attlee Government had kept out of the European Coal and Steel Community, established in 1951, the precursor of what came to be the Common Market and then the European Union. The Churchill Government had to decide on what it should do about this when it got to power.

Earlier, in 1940, when Churchill became Leader of the Conservative Party, he had defined his central purpose as “the maintenance of the enduring greatness of Britain and her Empire.” Retaining that greatness in 1951 required, he believed, two things: the first was an end to the period of upheaval that had marked the Attlee Government and the maintaining of equilibrium; the second was the reassertion of British power - and how was he to do that?

In 1940, British power had seemed in decline. Indeed, it seemed as if we were in danger of losing the War. Churchill had reasserted British power by a great act of will, an obstinate refusal to recognise realities of compromise or surrender, even in the face of superior might. Churchill said that if by showing complete confidence in Britain winning the War, by conveying in speech and action a spirit of self-belief, Britain would in fact win. Through sheer obstinacy and defiance, Churchill succeeded in reversing what seemed a very desperate situation.

Could he do the same in the 1950s? Churchill said that the Labour Government had followed a policy of “scuttle”, as he termed it; that, in withdrawing from Britain’s commitments in the world, it had been insufficiently assertive. Could that be reversed by, again, a great expression of will?

The trouble was that it could not. In the 1940s, the British people had been united with Churchill in a determination to defeat Hitler whatever the cost; Churchill said that people had been lionhearted and he had given the roar. However, in the 1950s, they were not equally committed to preserving British rule over Asia and Africa. Churchill’s campaign against Indian self-government had been defeated in the Conservative Party even as early as the 1930s, and it appeared by the 1950s to be utterly anachronistic. Churchill eventually recognised that the British people no longer cared, perhaps had never cared, whether Britain remained an imperial country. At the end of his life, he said to his Private Secretary, Anthony Montague Browne, “I could have defended the British Empire against anyone except the British people.” The attempt to assert British power in the Empire got nowhere.

A second means of asserting British power was by leading the European movement, which at that time was very young. Churchill had seemed to indicate, in opposition, that he would be prepared to do that, even earlier.

After the first British victory in the War, at Allempagne, Churchill wrote to his Foreign Secretary, Anthony Eden: “I must admit that thoughts rest primarily in Europe, the revival of the glory of Europe, the parent continent of the modern nations and of civilisation.” He then made a remarkably prescient comment, which I think would get him expelled from the Conservative Party today: “Hard as it is to say now, I look forward to a United States of Europe, in which the barriers between the nations will be greatly minimised and unrestricted travel will be possible.”

In his speeches in opposition, he seemed to indicate that he supported Britain becoming part of this Europe. He spoke at the Albert Hall, in May 1947, of the idea of a united Europe, “in which our country will play a decisive part,” and he argued that Britain and France should be the founder partners in this movement. He said: “If Europe united is to be a living force, Britain will have to play her full part as a member of the European family.”

Two years later, in 1949, he quoted from the French Foreign Minister, who had declared in the French Parliament that “without Britain, there can be no Europe.” Churchill said: “This is entirely true, but our friends on the Continent need have no misgivings: Britain is an integral part of Europe and we mean to play our part in the revival of her prosperity and greatness.”

In the House of Commons, in June 1950, shortly before he came to office, he said:

“The Conservative and Liberal Parties say, without hesitation, that we are prepared to consider, and, if convinced, to accept the abrogation of national sovereignty, provided we are satisfied with the conditions

and the safeguards. The Conservative and Liberal Parties declare that national sovereignty is not inviolable and that it may be resolutely diminished for the sake of all the men in all the lands finding their way home together.”

However, in office as Prime Minister, Churchill followed the Labour Government in keeping Britain aloof from the European Coal and Steel Community. This has obviously been a matter of controversy since then, because pro-Europeans argue that this was the time when we missed the bus, when we could have shaped Europe to our needs, and it could have been much more sympathetic to British attitudes than it was. They say this was the time when Britain lost the leadership of Europe. People who do not like Europe say that Churchill twice saved this country: in 1940 by action, and in 1951 by inaction, when he kept Britain out of the Coal and Steel Community.

Anthony Eden was much more sceptical of Europe. He made a speech as Foreign Secretary at Columbia University in January 1952, which you may think was prescient, because he was trying to counter the American view that Britain should become part of the European movement. Eden said: “If you drive a nation to adopt procedures which run contrary to its instincts, you weaken and may destroy the emotive force of its action. You will realise that I am speaking of frequent suggestions that the United Kingdom should join a Federation on the Continent of Europe... This is something which we know in our bones we cannot do.” Again, that has many echoes with today.

Eden told his Private Secretary: “If you look at the post-bag of any English village [he represented a fairly rural constituency in Warwickshire] and examine the letters coming in from abroad to the whole population, 90% of them would come from way beyond Europe.” He meant, in other words, from Australia, New Zealand, and Canada, which is where he believed we belonged.

So, the Conservatives decided, as Labour had done, to keep out of the European movement. Obviously, there were different views about that, but it meant that it was very difficult for Churchill to answer the question of how British power could now be reasserted. As I said, he saw the central purpose of his political career as “the maintenance of the enduring greatness of Britain and her Empire”. However, his political career lasted from 1900 to 1955, when he retired as Prime Minister, and you may argue that the central theme of this period was the decline of British power. Perhaps this was inevitable, perhaps no one could have stopped it, but it was decline nonetheless, and I think Churchill recognised that.

He told a political colleague, Lord Boothby, towards the end of his life: “Historians are apt to judge war ministers less by the victories achieved under their direction than by the political results which flowed from them... Judged by that standard, I am not sure that I shall be held to have done very well.”

In retirement, he said to his Private Secretary that he thought he was a failure. When his Private Secretary demurred, Churchill said: “I have worked very hard all my life, and I have achieved a great deal, in the end to achieve nothing.”

You might say that Churchill was too old to achieve that he might have achieved if had come to power younger, perhaps even in 1945, but the end of his premiership in 1955 is best described with words written about Bismarck in his old age: he was “not a beginning, but an end, a grandiose final chord, a fulfiller, not a prophet.” When Churchill died in 1965, people considered it the end of an era. That was not what Churchill wanted. He wanted to reassert British power. He thought, growing up in the Victorian and Edwardian era, that the world would be a better place if Britain was stronger than she actually was, but he was not able to do anything about that.

So that was the first radical attempt to alter Britain’s position in the world: to get Britain securely anchored into Europe. The Attlee Government had opposed that, and the Churchill Government, which seemed at first to be more sympathetic, also took the same view. Here again, the Attlee Government cast its shadow.

I now come to a radical domestic policy that the Conservatives rejected to deal with the economy, which was called ROBOT. The name comes from the three officials who were instrumental in promoting it: Sir Leslie Rowan, head of the Overseas Finance Division of the Treasury; Sir George Bolton, an Executive Governor of the Bank of England; and Sir R. W. B. Clarke, Sir Otto Clarke, the father of Charles Clarke, the former Labour Minister, and who was a second Secretary at the Treasury. A combination of Rowan, Bolton and Otto, gives you ROBOT, more or less.

However, it was called ROBOT for another reason. The idea was that the economy, instead of being controlled by the State, should be allowed to regulate itself through a floating pound. At that time, I should add, the pound was not convertible, except in the so-called Sterling Area; there were heavy restrictions on



changing pounds into dollars or any other currency, and Britain lived behind a tariff wall which had been negotiated in the 1930s.

The ROBOT proposal said you should regulate the economy by the exchange rate, which could do a lot for the British economy. First, it would prevent the unions bidding up wages, which would cause the pound to fall and create unemployment; somehow, things would regulate themselves. It would also prevent restrictive practices because the pound would float downwards and, therefore, turning to the market would give you increased productivity and industrial efficiency. Individuals would be influenced by the operation of the price mechanism, not by appeals from the state, as regards their economic circumstances. The proponents of ROBOT persuaded the Chancellor of the Exchequer under the Conservatives, R. A. Butler, to support this proposal, and it was discussed in Cabinet over three sessions in February 1952. I should add, this was all secret – it was not known until much later. It was defeated in Cabinet. It lingered on for the rest of the year, but then faded away.

The implications were very radical indeed. If the pound floated downwards, which would probably have happened in 1952, import prices would rise and the cost of living would increase and it would stimulate wage demands. The Government were very frightened that, if that happened, unemployment would increase, and the bargaining power of the unions would be weakened. In that scenario, the Conservatives would be accused of taking Britain back to the 1930s, of wanting to weaken the trade unions and increasing unemployment.

Churchill felt this fear particularly strongly because he had been Chancellor of the Exchequer in 1925 when Britain had returned to the Gold Standard, at the wrong rate, so it was argued, and this had led to unemployment. The Churchill Government, as I implied earlier, was dedicated to the maintenance of social peace and consensus, and they believed this would destroy that peace.

In hindsight, but not at the time, people said that the refusal to accept ROBOT was a turning point in the history of post-war Britain. Nigel Lawson, a Conservative Chancellor of the Exchequer under Margaret Thatcher, and who later resigned after a disagreement with her, said that it was “the fork in the road” and that it would have made Thatcherism unnecessary.

In the short term, the rejection of ROBOT appeared sensible, because the terms of trade in 1952 turned in Britain’s favour – it was gaining a windfall benefit. The 1950s seemed, and indeed was, a period of affluence. However, supporters of Thatcher would argue that the British economy had very serious long-term problems - not of short-term readjustment to the results of the War, but of long-term failure of productivity, restricted practices, market rigidities and so on – problems that were sustained by the cosy corporate consensus of Labour and the Conservatives. In this context, you might say it is a pity the Government did not take the chance.

Writing in the 1980s, Lord Plowden, a civil servant in the ‘50s, Lord Plowden, said: “There was a lack of appreciation of how weak economically this country had become. I do not believe that, at that time, any Minister, Shadow Minister, official, journalist, commentator or the general public truly grasped the real extent of our economic difficulties and our economic weakness.” If you take that view, you may argue that ROBOT was premature but far-sighted, an attempt to remedy a condition much more serious than it was believed to be. You may call it a plausible diagnosis of the British disease in the early-1950s and a clever political manoeuvre to confront that disease. But, in the circumstances of the time, its supporters had to downplay the objectives and they lost the argument. However, 30 years later, the same strategy was again attempted, and it was then, perhaps inappropriately, labelled “Thatcherism”. It emerged in the 1980s when people were faced with much greater worries about Britain’s economic progress. So, you might take the view that ROBOT was a far-sighted attempt to deal with the serious weaknesses of the British economy, but you may also take the alternative view that it would so have upset the trade unions and led to so much unemployment that it was right not to adopt it. In particular, a Conservative Government looking to prove itself could never adopt such a policy. Politically, it was impossible for the Government to adopt it, but there were many people who thought that it should.

Following the economic difficulties after the Korean War, no one predicted the windfall benefit from the terms of trade in the spring of 1952. This meant that it was fairly easy for a Government in power then to get itself re-elected, and raises all sorts of speculations about what would have happened if Attlee, instead of going to the country in October 1951, had held on to the spring of 1952. Of course, he could not foresee this. He had a majority of only six, and they were old and tired men in office, perhaps relieved to leave. But if they could have held on until ‘52, Labour might have been in power throughout the 1950s. This would not necessarily have led to more nationalisation, but there would have probably been more fiscal redistribution,

moving us in a much more Swedish direction. Whether that is better or worse is obviously for you to decide, but it was perhaps by a narrower margin that we did not become a more socialist or social democratic society.

However, in the 1950s, affluence seemed the key happening. Perhaps the thing that most people remember about the 1950s is a famous speech by Harold Macmillan, which included the remark, “we’ve never had it so good”. That speech is much misunderstood, and I am therefore going to quote what Macmillan actually said. “You’ve never had it so good” was never actually used as a slogan in a General Election, as is often said. The closest to it was the slogan “Life’s better under the Conservatives – don’t let Labour ruin it,” which is not quite the same.

Macmillan was speaking in Bedford in July 1957, and you have to remember the context of the speech, that affluence was quite new to him and to other people, and that he had represented a constituency with very high unemployment in the inter-war years. He said, “Let us be frank about it, most of our people have never had it so good.” He did not say, “you’ve never had it so good...”, He went on to say,

“Go around the country, go to individual towns, go to the farms, and you will see a prosperity such as we have never had in my lifetime, nor indeed in the history of this country. What is beginning to worry some of us is, is it too good to be true, or perhaps I should say, is it too good to last? For, amidst all this prosperity, there is one problem that has troubled us in one way or another: can prices be steadied while at the same time we maintain full employment in an expanding economy? Can we control inflation? This is the problem of our time. The great mass of the country has, for the time being at any rate, been able to contract out of the effects of rising prices, but they will not be able to contract out forever if inflation prices us out of world markets, for if that happens, we will be back in the old nightmare of unemployment. The older ones among you will know what this means. I hope the younger ones will never have to learn it.”

The real speech is far from a boast, as it is commonly portrayed. It is in the context of a warning about how fragile things will be under dangers of inflation. You might say it is the sort of speech Margaret Thatcher might have made, and it very much predicted what was going to happen in the future when we were in fact priced out of world markets. However, it is always very dangerous for a politician to coin a phrase, because it is often misleading. Macmillan was a very good phrase-maker, but he is remembered for spreading a mood of complacency.

Another example which I gave some time ago was Neville Chamberlain’s famous comment after the Munich Agreement in 1938: “It means peace for our time.” He did not mean this and did not believe it, but he was labelled by it. Macmillan has been misunderstood in a similar way.

By 1960, after the third Conservative election victory, Macmillan and others became extremely worried about the fragile basis of British prosperity. There was a change in what one might call elite opinion at that time. It is very difficult, indeed almost impossible, to explain why this was, but it is absolutely fundamental to understanding what happened in the next phase of history in the 1960s. Up to about 1959, people said that Britain was doing very well, much better than it was in the ‘20s or ‘30s, or even the ‘40s, and that the Conservatives perhaps deserved credit for that – a feeling reflected in the elections. However, after 1959, people started to complain that other countries, such as France, Germany and Japan, were doing far better than Britain. These countries were consistently outgrowing Britain.

In the 1950s, Britain’s growth rate was good in historic terms, much better than the inter-war years. We were growing faster than at any time since the Victoria era. But we were not doing well when compared with Germany, Japan and France. Of course, for most of the time since the Victoria era, we had not done well compared with those countries. It is like once being able to run a mile in seven minutes, and now running a mile in six minutes – you are rather pleased with yourself, but your next-door neighbour can run a mile in five minutes. You say, “Why can’t I do that?” Well, perhaps you are just not physically equipped to do it. But that was not the argument people began to adopt in the 1960s. They said things had to be done to increase the British rate of growth.

The problem was that Governments were not too clear about how to deal with inflation in the 1950s. They had even less idea about how to increase the rate of growth. Indeed, I think economists are still not sure, though most of their solutions seemingly work only in the very long-term. For example, one of the things that Thatcher did to improve the rate of growth was to improve labour market flexibility, i.e. by weakening the position of the trade unions. That took time to work its way through. You improve the quality of management education, you improve the quality of technical education, and so on, but these are not things that will happen between one election and the next. Their realisation will take time.

Both the Conservative and Labour Governments were making promises to get things done, to increase the rate of growth, by the next Election. The Conservatives, in the early-1960s, raised Britain's ambitions to a growth rate target of 4% per year. Now, the country had not achieved such a rate of growth since mid-Victorian times and it was not clear how to do it. The Labour Party said 4% was too unambitious, that Britain should aim for higher, but how were you to do that?! The Parties were not particularly clear.

This all meant disturbing that equilibrium which had been created by the Atlee Government and which, in the 1950s, the Conservatives accepted, more or less willingly. Their critics said they were complacent about it, but more or less willingly.

After 1959, the Conservatives now argued that the post-war settlement needed adjustment and reform – it was no longer enough to go on as we had been doing in the '50s. People on the extremes of politics, as they were then seen, said that it was inadequate and needed getting rid of. People on the far left urged a continuation of the work of the Attlee Government and a much more radical movement towards a socialist society. They looked to Sweden as a model, which they saw as an efficient society based on greater egalitarianism. The right wanted the Government to dismantle a lot of the State apparatus and establish a neo-liberal type of economy. The main representative of that branch of thinking in the 1950s was Enoch Powell. Later on, it came to be Margaret Thatcher. The right warned the Government against drifting into competition with Labour by extending the role of the State, and urged it to radically reconsider the post-war commitments that had been made – could it afford them, should it afford them? Perhaps the welfare state is not quite right? Perhaps it does not encourage incentives and economic growth? Perhaps we should denationalise more industries? These questions form the origins of Thatcherism.

But these were not the mainstream views of either the Conservative or Labour Parties. They agreed that the settlement was basically right, but it needed some reforms to strengthen it. The first reform, which the Conservatives put forward, involved policies of planning in the economy. Harold Macmillan had been greatly influenced in the 1930s by the writings of John Maynard Keynes. It is no coincidence that the Macmillan firm published Keynes' works, and he had known Keynes well, and believed that inter-war unemployment could have been cured by Keynesian methods. He wrote a book in the 1930s called *The Middle Way*, advocating that opinion. His Chancellor after 1960, Selwyn Lloyd, had also been a Liberal at Cambridge in the 1920s, and he too was very much influenced by Keynesian ideas.

So, around about 1960, there was a re-appraisal of British policy, with a new emphasis on planning in the economy. The first thing the Conservatives did, in 1961, was to set up a body called the National Economic Development Council (NEDI), at which Government, trade unions and employers would all get together and try and deal with the weaknesses in the British economy and see how it could be improved.

In 1962, they set up the first of many failed attempts to secure an incomes policy. They set up a National Incomes Commission, known as NICI, which tried to plan with the trade unions an incomes policy, or as it was sometimes put, perhaps euphemistically, the "planned growth of wages". The Government said that it could not secure its aims without the cooperation of management and unions, and therefore needed the cooperation of both sides of industry.

Initially, the trade unions seemed to go along with that. The General Secretary of the Trade Union Congress, George Woodcock, said the trade unions would help the Conservatives: they would monitor individual unions' wage claims, as they had done in 1948, and they would try to support this policy.

You might say that this is a very odd position for a Conservative Government to be getting into, the State management of the economy. You might argue that this discredited the Conservatives' intellectual initiative and paved the way for Labour; if the Conservatives had spent the 1950s saying that Britain can get a long way without increasing the role of the State, only to then change its mind, you can understand why people might be more willing to support the Party that really believed in State intervention, namely Labour (as a result, there was some continuation with the policies of the Labour Government that succeeded the Conservatives, led by Harold Wilson, in 1964). This was a very different sort of Conservatism compared to what people had been accustomed to in the past. It was sometimes called, not as a compliment, "corporate Conservatism", and Harold Macmillan and Edward Heath, and their Governments, are particularly associated with this term. They had a target of 4% growth but, in my view, no one knew how to achieve it.

Someone once said that economics was the science of getting things wrong with confidence. Both parties in the 1960s said that the Government had to put all its weight behind increasing economic growth. The consequence of this was that the British economy grew slower in the 1960s than in the 1950s, when Governments had not given their attention to economic growth.

A further, inevitable effect of that policy was to strengthen the position of the trade unions because their cooperation was needed. They began to attain a veto power over policy, which many would say led to the breakdown of relationships between unions and the State and the end of Ernest Bevin's ideal, in the Winter of Discontent of 1978-9.

That was one branch of policy. The next branch was to acknowledge that the government had made a mistake keeping out of Europe and should now join the Common Market (as the European Union was then called), partly for diplomatic reasons but largely for economic reasons. Here was a large, growing market that was going to establish a common tariff and, if we were not careful, Britain would be excluded from it and Europe would discriminate against us. On the other hand, this larger market would be a great incentive for Britain, the competition would help British industry, and it could start growing again. At that time, much was said about the cold shower of competition, that because Europe was an expanding market, we could expand our export trade. Export costs were too high, industry was riddled with restrictive practices and the rate of technical progress was low, but many believed that open competition was just the shock needed to make industry more effective.

The President of the Board of Trade, Reginald Maudling, later to become Conservative Chancellor in the Macmillan Government, said;

"We must look at the problem of our trading relations with Europe as an opportunity and a challenge. I think that the great effect of going into a wider European market will be that the efficient firms will prosper and the inefficient will go down. That, surely, is precisely what we must see in this country if our economy is really to expand and our growth is to be more rapid."

These two policies - growth and Europe - were in some ways interlinked. When people looked at France, they believed it had prospered because of policies of national planning, which had been largely put forward by Jean Monnet, one of the founders of the Common Market. Monnet was a great believer in the power of planners, who would tend to be non-elected people. France, because of a weak political system in the 1950s, had given great influence to civil servants in a body called the Commissaire du Plan, which did what its name suggests: it laid down plans for industry, which industry was expected to follow. Monnet also laid these plans down for the European Union, and this is why the European Commission, which is not elected, has such an important role. Monnet tended to believe that great wisdom lay in non-elected people, and he never actually stood for election for anything himself – he operated from behind the scenes.

Now, the trouble is that all this meant a great challenge to all sorts of vested and cherished interests. I mentioned first the trade unions, but the coming into Europe meant a great change in our agricultural position because we subsidised agriculture in a different way from the Continent. We subsidised it through the system of taxation; the Continent did so by guaranteed prices which were higher than prices you got on the open market. This meant that, by losing access to cheap food which we had from the Commonwealth countries, in particular New Zealand and Australia, we would have to pay higher prices for our food. The Continental countries reasoned that this gave security of supply but, of course, behind all this was the self-interest of France, and to some extent the Germans, who had much larger agricultural sectors than ours. We had a very small agricultural sector and were therefore not going to benefit much from the common agricultural policy. The French would benefit the most, but the Germans, particularly farmers in Bavaria, would also benefit.

This illustrates one of the contentious points about the European Union or European engagement. Some people argued that if we had only joined sooner, we could have moulded Europe to our own interests. However, you may argue that the economic structure of the original six countries was so different from that of Britain that we would have had to adjust to different systems of agricultural subsidisation and taxation anyway. We would not have been able to have our own way on all of these matters. That would be the argument of those who do not consider Europe to be an enterprise in which Britain could ever hope to achieve fulfilment, which is obviously what a lot of people think today. It is an open argument. The hope was that we would somehow have the great flexibility to adapt. This was at least the belief of Edward Heath, but it may be that we were too conservative (with a small c) and did not want to adapt to Europe and did not see why we should. That argument gained extra strength in the early-1960s.

When Macmillan made the first application to join, in 1961, I think he believed Britain to be in a much stronger position than it actually was, and that Europe was so eager to include Britain that it would concede Britain's needs, particularly in the field of agriculture. It is possible that he might have got better terms if he had tried to join earlier, before de Gaulle was strongly entrenched in France. He thought he could safeguard the cheap food policy, but that was not going to be possible when we joined the European



Community.

Edward Heath, who was Macmillan's chief negotiator, said to the six countries: "I am sure you will understand that Britain could not join the European Community under conditions in which this trade connection was cut [i.e. with New Zealand, Australia, Canada etc] with grave loss and even ruin for some of the Commonwealth countries." Well, the Continental countries did not understand - or if they did understand, they were not willing to make any concessions for Britain. This meant that Britain had great difficulty arguing its case, and by the time Britain had made the concessions, it was too late anyway because de Gaulle was strong enough to veto Britain in 1963.

I have said that planning was an aberration for the Conservatives because, on the whole, the Party tends to be a bit sceptical of the use of the State. You may therefore say that Macmillan and, later, Heath, were aberrations in the '60s, in terms of planning and incomes policies.

You might also say, quite topically, that Europe is also an aberration for the Conservatives. After all, they are the patriotic party, the party of British identity and so on, and it is surprising that they were moving into what was a supra-national community. You might think it is more natural for a party of the left, internationalists. However, at that time, this was not the case, and the Labour Party was, contrary to its position now, on the whole opposed to entry into the European Community. The then Leader of the Labour Party, Hugh Gaitskell, largely seen as being on the right, won great support amongst the centre and left of the Party by standing against entry in 1962, at least on the kinds of terms the Conservatives were likely to get. He said that Britain ought to be particularly careful joining a federal Europe. He used another resonant phrase, akin to Macmillan's "never had it so good": he said it would be "the end of a thousand years of history" for us to join a supra-national or federal system. So, this is another aberration amongst the Conservative Governments, but one continued by the Labour Party in 1964.

Gradually, the conception of Government was beginning to alter. In particular, the role of the trade unions in government was becoming a closer one, and governments from 1964 to 1979, when Thatcher came to power, suffered great defeats at the hands of the trade union movement. The greatest defeats of the Wilson Government (1964-70) and then the Wilson-Callaghan Government (1974-9) came not from their Conservative opponents but from their supposed allies in the trade union movement.

In 1969, in order to strengthen these policies of planning, Wilson put forward a policy for reform of the trade unions, called "In Place of Strife." The trade unions, and hostile Labour backbenchers, forced him to abandon this policy in 1969.

Following this, Edward Heath adopted the statutory incomes policy, which was challenged by the miners. Heath went to the country in February 1974, asking who governed Britain. The answer was a resounding "You don't!" and he was defeated.

The Labour Government which succeeded Heath claimed to have a compact with the unions, a so-called social contract, but that broke down in the Winter of Discontent. This marked the end of Ernest Bevin's dream of organised labour as an estate of the realm, as being associated with the Government.

By this time, Britain was moving into a system in which the post-war settlement was breaking down. In my next lecture, I want to talk about why that post-war settlement broke down and the ideology which succeeded it, which is often called, perhaps misleadingly, Thatcherism.

Thank you.