

## Manufacturing and Government

It can be argued that Britain's industrial decline should be attributed (in part at least) to the failure of industrial capitalism to secure the support of the state for a programme of protection and modernisation. Consider the view that manufacturers were marginalised and disadvantaged by the British political system in one or both of the following two periods: 1880-1914 or 1914-1939.

Across the political spectrum the industrial decline of Britain has been attributed to the failure of British industrial capitalism to secure the support of the state. This is a very peculiar British phenomena according to a number of commentators. However, for a classic Marxist such a view is an oxymoron, if British industrial capitalism could not control the machinery of state, where else could it? As Marx himself wrote of Britain in the Communist Manifesto "*the bourgeoisie has at last, since the establishment of Modern Industry and of the world market, conquered for itself, in the modern representative state, exclusive political sway. The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie.*" <sup>1</sup>

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<sup>1</sup> Karl Marx and Frederick Engels, The Communist Manifesto, (1848), <http://www.ex.ac.uk/Projects/meia/Archive/1848-CM/cm.html>

The debate about the uniqueness of Britain has been widely addressed both from the left and the right. This is one explanation; “*Unlike some countries in Europe and the New World e.g. Holland and the United States, Britain never had a capitalist ruling class or a stable haute bourgeoisie. As a result, capitalist or bourgeois values have never shaped thought and institutions as they have in some countries.*” That was written by the architect of 1980s Thatcherism, Sir Keith Joseph.<sup>2</sup>

### **Cultural critique**

The cultural critique argued by Martin Weiner<sup>3</sup> gives emphasise to the anti-industrial, anti-business ethos of Britain. One of the principle methods for the transmission of this was the British education system whose task at a higher level was to educate the English gentleman. According to Weiner there was “*consolidation on a gentrified bourgeois culture, particularly the rooting of*

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<sup>2</sup> Sir Keith Joseph, Reversing the Trend, (1976).

<sup>3</sup> Martin Weiner, English Culture and the Decline of the Industrial Spirit, (1981).

*pseudo-aristocratic attitudes and values in upper middle class educated opinion.”*

To quickly summarise Wiener's broad arguments:

- 1.** Rather than the modernity of Britain he stressed the continuity of the old – and the survival of an ossified and archaic social structure and culture.
- 2.** This was the product of the continued power in British society of the aristocracy. Cultural hegemony – the industrial bourgeoisie were sucked in to become pseudo-aristocrats. Weiner for example argues that the public schools and Oxbridge led to the absorption of an anti industrial spirit amongst the ruling elite.
- 3.** Rather than an entrepreneurial spirit, an archaic, outdated aristocratic spirit dominated British culture. British society was backward looking, permeated by a nostalgia for Britain's rural past, country cottages with roses round the door in a land of a some kind of perpetual 'Hovis' advertisement. Management was not

modern; it paid little attention to new technologies.

Britain – having leapt ahead – stagnated and suffered economic retardation as a result.

### **Anderson-Nairn**

Before Weiner, in the early 1960s from the 'New Left', the *Anderson-Nairn Theses* stirred a great debate particularly amongst Marxists. There was no decline but "*a general malady of the whole society... a slow, sickening entropy*".<sup>4</sup>

Perry Anderson and Tom Nairn identified various "peculiarities" of Britain, which they regarded as key to its subsequent development. These can be summarised into certain positions;

- 1) the nature of the British state and establishment, particularly in terms of its class composition
- 2) the nature of "labourism" the trade union Labour party coalition and

3) the intellectual culture.

I will concentrate upon the first and how it interacted with industrial capitalism and its failure to gain sufficient leverage in the political system to influence the state.

Their argument was that Britain and consequently British industrial capitalism had been conditioned by a pre-industrial revolutionary historic compromise between agrarian aristocratic forces and mercantile bourgeois capitalism dating back to the English Civil War and the glorious revolution of 1688.<sup>5</sup> They argued that the bourgeoisie in Britain had never opposed the aristocracy, and that there had never been a full bourgeois revolution to replace the *ancien regime*. For Marxists this view was akin to heresy. Marx believed that mid nineteenth century Britain was leading the world and that industrial capitalism was the ruler – the power behind the throne.

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<sup>4</sup> Perry Anderson 'Origins of the Present Crisis', New Left Review, 23 (Jan./Feb. 1964), p.50.

<sup>5</sup> Perry Anderson 'Origins of the Present Crisis', New Left Review, 23, Jan./Feb. (1964), p.30.

Britain was an exception according to Perry Anderson. Using data collected by David Rubinstein, Anderson suggests that power remained with a coalition or fusion of aristocrats and the City of London mercantile interest. At the major growth point of British industry between 1820-1870, when it was unrivalled throughout the world, London commercial and financial revenues, excluding overseas investment income, grew faster than manufacturing exports. In 1880 profits alone generated in the City were half the value of total industrial exports. We may think of Britain as the workshop of the world but Anderson wrote, “*making history and making money were by and large two different things.*”<sup>6</sup>

The hypothesis was that industrial capitalism was not the dominant force and consequently had less influence within the state for its protection and consequent failure

to modernise compared with Germany or the United States. In support were cited the English obsession with the countryside, the higher social value placed on land ownership, commerce and finance capital above that of industry, the unwritten constitution and preoccupation with monarchy and the empire.

Rubinstein (1993) has supplied some very compelling evidence to suggest that industrial capitalism in Britain was never that strong. The power of the middle and upper middle classes remained in London based on finance and trade, never in industry.<sup>7</sup>

Rubinstein shows a very different picture of Britain than that of the 'dark satanic mills' of the workshop of the world. "*total employment in manufacturing industry never, at any time, amounted to one-half of the employed population.*"<sup>8</sup>

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<sup>6</sup> Perry Anderson, 'The Figures of Descent', New Left Review, 161, Jan/Feb, (1987), pp.34-35.

<sup>7</sup> W.D.Rubinstein, Capitalism, Culture and Decline in Britain 1750-1990, (1993), pp.26-35).

<sup>8</sup> W.D.Rubinstein, Capitalism, Culture and Decline in Britain 1750-1990, (1993), p.32.

## EMPLOYMENT IN BRITAIN (Chart)

Sector	1881	1901	1921	1961
Manufacturing/Industry	43.0	43.9	44.4	47.8
Services	23.6	30.2	41.3	41.2
Agriculture	18.5	12.6	9.0	3.9
Other	14.9	13.3	5.3	7.1

Source: W.D.Rubinstein, Capitalism, Culture and Decline in Britain 1750-1990, (1993), p.32.

Rubinstein also shows that the trade deficit grew from £58.2m in 1865 to £134.3m in 1913, the balance of payments surplus paradoxically grew even faster, £21.8m to £187.9m. Why should this be so when UK imports were being sucked in at a faster rate than exports? -

- Entirely due to the City with its earnings from facilitating world trade. In late 19<sup>th</sup> and early 20<sup>th</sup> century Britain capital was not in short supply but from 1870 capital exports (overseas investment) surpassed capital formation in the UK. By 1913, 43% of total world overseas investment emanated from Britain.

From the 1920s, Rubinstein indicates that we can no longer point to a separation of the ruling elite from the industrial bourgeoisie. There was a merger as finance and industry came together but the southern financial elite were the dominant force.<sup>9</sup>

### **Critics of Anderson**

The Anderson-Nairn has its critics. Geoffrey Ingham rejects the view that Britain was an exception in the development of global capitalism. He argues that Britain had a unique feature the 'dualism of capitalism', the City of London and the rest. The two grew together but apart.<sup>10</sup> Ingham argues that the City must be viewed as something entirely separate from British industrial capitalism. Britain was unique '*no other industrialised society has ever acted as host to a centre which has undertaken such a large share of the world capitalist*

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<sup>9</sup> W.D.Rubinstein, 'Wealth, Elites and the class structure of modern Britain', Past and Present, 76, (1977), p.125. 99-126.

*systems, commercial, banking and financial activities.*

*Britain was not only the workshop of the world but also its clearing house.<sup>11</sup>*

## **Politics and the British State**

If Britain was an exception and did not have a bourgeois ruling class this is reflected in the political arena. The electoral reforms of the nineteenth century only slowly enfranchised the population. The 1832 Reform Act although giving the vote to the owners of industry only enfranchised 50% of the middle class. The system based on the geographical constituency, reflecting land not population, required majority support for election that suppressed the formation of new parties forcing the bourgeoisie to enter the political arena via one of the two established political groups.<sup>12</sup> Citing the research of

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<sup>10</sup> Geoffrey Ingham, Capitalism divided? : the city and industry in British social development, (1984), p.12.

<sup>11</sup> Geoffrey Ingham, Capitalism divided? : the city and industry in British social development, (1984), p.40.

<sup>12</sup> Perry Anderson, 'The Figures of Descent', New Left Review, 161, Jan/Feb, (1987), p.39.

Rubinstein, Anderson states that between 1818 and 1900 there was no increase in the number of commoners in British Cabinets for example. Industrial capital “*remained junior partners in the natural order of things, without compelling economic motives or collective social resources to transform it.*”<sup>13</sup>

Unlike France or Germany, the British State was a model of minimalism. This model according to Anderson again pre-dates industrialisation and the influence of an industrial bourgeoisie. The late Victorian British State did not intervene and public expenditure hardly rose. In 1881 British civil servants both national and local numbered 80,000 compared with the expending German state with over 450,000 civil servants. Although the bureaucracy of the state was modernised in the 1870s following the Northcote-Trevelyan reforms the ship of state was still steered by the aristocratic elite. The

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<sup>13</sup> Perry Anderson, ‘The Figures of Descent’, New Left Review, 161, Jan/Feb, (1987), p.40.

introduction of civil service exams according to Anderson only “groomed rather than displaced this gentlemanly intake.”<sup>14</sup>

***The Bottomleys***

*Sir William Cecil Bottomley d. 1954  
Trinity College, Cambridge and Colonial Civil Servant*

*Sir James Bottomley KGMC  
Westminster School, Trinity College and Foreign Office*

*Peter: MP, Westminster School and Trinity, Cambridge*

*Henry: Westminster School and Trinity, started in Treasury now at DTI*

*All members of Drapers' Livery Company*

Minimalism extended to no army conscription and no public education. Pressure from industry to improve the skills of labour through the provision of widescale technical education were promoted by some industrialists like Sir John Brunner. Most were associated with new industries like Brunner with chemicals but there was a considerable body of opinion who opposed the spending of money on ‘*educating poor boys*’ and consequently there was only a slow response from the state.<sup>15</sup> It was not

<sup>14</sup> Perry Anderson, ‘The Figures of Descent’, New Left Review, 161, Jan/Feb, (1987), p.38.

<sup>15</sup> Roy Hay, ‘Employers and Social policy in Britain: the evolution of welfare legislation, 1905-14’, Social History, (1977), pp.435-455.

until 1902 that free public secondary education was available to all children.

In higher education despite reform, the Oxbridge model was dominant according to Keith Vernon.<sup>16</sup> British universities compared with France or Germany were kept at arms length and with the exception of Imperial College the place of science and technology in higher education was excluded. (Reformers within the Board of Education appear to have wanted a more integrated and directed educational system).<sup>17</sup>

British industry had little weight to influence the overall direction of economic policy. Anderson and Rubinstein give the example of the failure of the Chamberlain campaign to introduce tariffs at the turn of the century, Britain introduced none until it was faced with no option

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<sup>16</sup> Keith Vernon, 'Calling the tune: British universities and the state, 1880-1914', History of Education, VOL. 30, NO. 3, (2001), pp.251-271.

<sup>17</sup> Keith Vernon, 'Calling the tune: British universities and the state, 1880-1914', History of Education, Vol. 30, No. 3, (2001), p.270.

in 1931 and particularly the post First World War return to the gold standard in 1925.

Even over the question of tariffs, British industry was divided. Engineering wanted it but the big three industries of cotton, coal and shipbuilding were comfortable with the status quo. Textiles held over 50% of the UK manufacturing exports and were protected by the empire particularly the huge India market. Coal still had strong export markets particularly associated with shipping and the requirement for strategic stockpiles. Finally, shipbuilding could rely upon the massive British domination of shipping and the Royal Navy for orders. Even the new modern industries of food processing, drink and tobacco were far more profitable than engineering and did not rely upon the export market. Manufacturing industry stood alone in demand for protection, the City could show that it was hugely successful without and there was always the danger that protectionist policies

would drive up food prices causing discontent amongst the working classes.<sup>18</sup>

The First World War forced government intervention into industry for the sake of the war effort and quickly untangled itself. (*the Carlisle Breweries remained nationalised until the 1970s*).

Britain had dropped the gold standard due to the war and to return to it in the 1920s meant that sterling would be revalued at a high rate against the dollar, forcing export prices up to the detriment of manufacturing. The City demanded it to restore confidence in London as the centre of world trade. They won; Britain returned to the gold standard in 1925 only the massive scale of the global slump in the 1930s forced Britain to change. Similarly, the industrial restructuring and industrial collaboration between labour and capital demanded by Sir Alfred Mond of ICI was largely ignored.

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<sup>18</sup> Perry Anderson, 'The Figures of Descent', *New Left Review*, 161, Jan/Feb, (1987), pp.43-44.

I have suggested that industry lacked the political clout. It did not speak with one voice, the Federation of British industry, later the CBI was not formed until 1916. It is assumed today that the Conservative Party represents the voice of British business. Rubinstein says, the party favoured the City not industry. Although Joseph Chamberlain came close to getting the Tories to fully endorse tariffs in 1905 they lost out to the Liberals for more than a decade.

Weiner describes the Conservative Party as being less committed to industrial capitalism, it was a rural, aristocratic, gentry run political organisation. Harold Perkin<sup>19</sup> (1981), said it is “*one of the more surprising quirks of modern British history that it should have been the Conservatives, the traditional party of the majority of landowners, rather than the Liberals, the party of the*

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<sup>19</sup> Harold Perkin, The Structured Crowd, Essays in Social History, (1981).

*majority of Victorian businessmen, which survived into the twentieth century as the party opposed to Labour.”<sup>20</sup>*

In an alternative view, John Turner (1984),<sup>21</sup> suggests that the influence of business in the political arena has been very under-rated. Although Turner accepts that capital did not speak with one voice and particularly cites the different attitudes towards tariff protection but the relationship between capital and state was not a one sided affair. Turner suggests that the “*relationship between business and the state was **not** one of domination by either side, but of bargaining between two weak entities which did not know their own minds.*”

According To Turner, the influence at Westminster of manufacturing was growing. In 1914, ninety-four MPs came from a manufacturing background compared to 81 from commerce and finance.

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<sup>20</sup> quoted in Perry Anderson, 'The Figures of Descent', New Left Review, 161, Jan/Feb, (1987), p.26.

<sup>21</sup> John Turner, Businessmen and Politics: Studies of business activity in British politics, 1900-1945, (1984)

In an essay by Stephen Tolliday,<sup>22</sup> during the inter-war period the state was broadly in favour of rationalisation of companies.

Within the steel industry, all sides agreed that company amalgamation was necessary, but the industry was massively fragmented and small firms could not resource the massive new investment required. The larger steel makers were prepared to absorb small local rivals but only if they were given a state guarantee of protection over the home market. Other steel makers cut costs by importing and were completely opposed to protection. No strategy could be agreed that had widespread appeal. In contrast where an industry was in agreement the government was easily persuaded as in the case of the electricity supply industry and the creation of the national grid.

According to Tolliday, tariffs and industrial modernisation became entwined. *'The government was only likely to look favourably on intervention when it could be linked to reconstruction'*.<sup>23</sup>

Similarly, initiatives pursued by industrialists like Sir Alfred Mond (later Lord Melchett) to modernise industry including industrial relations received a cool reception. Mond an advocate of health insurance and profit sharing organised the Mond-Turner talks with the TUC in an attempt to achieved some form of consensus between labour and employers after the General Strike to both recognise the role of trade unions within industry and to support rationalisation. However, according to Michael Dintenfass, the FBI and the National Confederation of

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<sup>22</sup> Stephen Tolliday, 'Tariffs and Steel, 1916-1934: The Politics of Industrial Decline', in J.Turner (ed.), Businessmen and Politics: Studies of business activity in British politics, 1900-1945, (1984), pp.50-75.

<sup>23</sup> Stephen Tolliday, 'Tariffs and Steel, 1916-1934: The Politics of Industrial Decline', in J.Turner (ed.), Businessmen and Politics: Studies of business activity in British politics, 1900-1945, (1984), p.55.

Employers' Organisations (NCEO) remained unconvinced and nothing came of the initiative.<sup>24</sup>

The failure by manufacturing industry to establish one effective voice in their dealings with the state has been noted by Tolliday and Zeitlin as a distinctive feature that separates British employers from that of other countries on an international comparison.<sup>25</sup> However, they also suggest that Britain's parliamentary system had sufficient hold over the state so as to brake the development of corporatism and consequently the influence of employers organisations in the decision making process.<sup>26</sup>

The literature and debate would appear to suggest that industrial capital in Britain had to share economic power

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<sup>24</sup> Michael Dintenfass, 'The Politics of Producers' Co-operation: the FBI-TUC-NCEO Talks, 1929-1933', in J. Turner (ed.), Businessmen and Politics: Studies of business activity in British politics, 1900-1945, (1984), pp.76-92.

<sup>25</sup> Steven Tolliday and Jonathan Zeitlin (eds.), The Power to Manage?: Employers and industrial relations in comparative-historical perspective, (1991), p.1. and p.278.

and the argument that Britain was unique in this respect is very persuasive. There was no key economic issue associated with either protection or modernisation that industry could unite around to pursue a common agenda to maximise its influence within the political system. Industrialists were never marginalised, leading figures like Mond were extremely influential and even played a role in government itself. One of the leading political figures of the interwar period, Stanley Baldwin was himself from a manufacturing background. However, different industries demanded different responses from the state and so their voice was weak.

In the past the historians have emphasised the ideology of laissez-faire that led the nineteenth century British State to avoid government intervention, as Andrew

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<sup>26</sup> Steven Tolliday and Jonathan Zeitlin (eds.), The Power to Manage?: Employers and industrial relations in comparative-historical perspective, (1991), p.301.

Yarmie has suggested employers looked to the state ‘as *the guardian of their view of capitalism*’.<sup>27</sup>

But as we shall see, welfare reform arose from the patriarchal values of certain employers and the growing fear that labour needed to be assuaged to prevent a social and political revolution. The new Liberalism of the post 1906 landslide government advocated state intervention not to support industrial protection and modernisation, but to control social unrest with welfare provision.

Although a significant and influential proportion of industry supported welfare provision, again industry was divided, particularly over whether to support the 1911 National Insurance proposals.

In conclusion, if the state represented the economic interests of the industrial bourgeoisie as a Marxist would argue why did it not provide a framework of protection for industry? The modernisation of welfare provision

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<sup>27</sup> Andrew Yarmie, ‘British employers resistance to grandmotherly government, 1850-80’ in Social

proceeded to take place against employer resistance. The conclusion does therefore point to some form of exceptionalism outlined in the Perry-Nairn theses. The political outcome of economic power is obviously much more complicated, perhaps the answer lies with the influence of the widening franchise and the struggle between labour and capital and its interaction with the state.