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**A TEN-YEAR  
INDUSTRIAL  
STRATEGY**

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**FOR  
BRITAIN**

Proposed by Tony Benn, Frances  
Morrell and Francis Crinne

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# A Ten Year Industrial Strategy for Britain

By Tony Benn, Frances Morrell, and Francis Cripps

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The *instruments* of industrial planning described by the Labour Party in Programme 1973 will very shortly be available to the Labour Government with the passage of the Industry Bill through Parliament.

The seriousness of the economic and industrial situation facing this country requires that the Labour movement now reach specific agreement on the industrial strategy which it wishes to see implemented by the Government.

This memorandum proposes a ten year industrial strategy designed to halt the process of de-industrialisation and restore Britain's manufacturing capacity.

1. The heart of the problem is that British manufacturing industry, the primary source of our national income is trapped in a spiral of decline, and after thirty years of low investment is contracting under its own momentum. Britain's economic and industrial crisis springs directly from this devastating trend to contraction whose symptoms are inflation and unemployment. And this problem must be completely distinguished from the present world recession although it is likely to be accelerated by it.
2. We must therefore now aim to double the annual rate of new investment in manufacturing industry using the NEB and the Planning Agreements so that within ten years we will be spending £6 billion a year, at today's prices.
3. Government must meanwhile provide systematic support for firms in financial difficulty so that they can maintain jobs and make their contribution to our national income during the first phase of re-equipment.
4. Additional investment on the scale required must necessarily draw heavily on money from taxation and pension and insurance funds which in future will need to invest a higher and agreed proportion of their new funds in manufacturing industry every year.
5. The Government contribution to this programme will necessarily require the evolution of an economic strategy which will ensure a return to full employment and will help industry to gain new markets and regain those lost to foreign competitors.
6. The Government and public agencies must accept responsibility for planning

the funding, manpower policy, location of jobs and provision public utilities and services which would accompany such an investment drive. Since democratic planning is essential guidelines should be openly discussed and agreed, and should require government planners to disclose information, including their own criteria for decision making, and agree to plan with trade unions and management and other interested parties at the appropriate level before taking a major decision. This democratic planning concept will provide a new and broader framework within which full industrial democracy can develop along the lines to which we are committed.

7. The Party should seek to reach a new agreement with the Trade Union movement on the basis of this strategy and in the light of our desperately difficult economic circumstances
8. This crisis in our present economic system is deep and real and our socialist analysis helps us to understand that the problems it has thrown up cannot be blamed, as the Tories would have it, on working people who are now expected to pay the price for Britain's industrial failure.

Britain's industrial future, whatever the verdict of the British people on the Common Market, depends upon the adoption of such a policy which combines sustained new investment on an unprecedented scale with determined support for our existing industrial base.

The only alternative open to us is the acceptance of the continuing shutdown of British Industry that has accelerated since 1970, and the low wages, rising unemployment and emigration of our skilled workers which has historically accompanied these circumstances in the past.

## 1. THE SPIRAL OF DECLINE

The trend to contraction of British manufacturing industry has gathered force in the last four years. If this trend is allowed to continue, we will have closed down 15 per cent of our entire manufacturing capacity and nearly 2 million industrial workers will have been made redundant between 1970 and 1980.

The shift of workers into low paid service jobs in this country is a symptom of depression and not, as in the United States where per capita income is twice as high, a manifestation of prosperity. The suggestion often made that as a country we might live by exporting services such as tourism and banking is wildly unrealistic. Our service exports last year were £6 billion; our earnings from the export of manufactures were £14 billion and this excludes the saving of imports represented by production for the home market.

Industrial depression is beginning to turn Britain into a branch economy controlled by multinational corporations whose policy is more and more to produce elsewhere and sell here. In this way the decline of our manufacturing base is reinforced by multi-national pessimism about our future.

The trend nature of our industrial contraction is confirmed by examining the performance of British industry in the boom of 1973. Compared with the last peak

in 1969, one-quarter of manufacturing industry showed an absolute fall in output and 90% showed a fall in employment.

Overall, the increase in manufacturing output was about 7% below that required to secure full employment and a strong balance of payments. The 7% shortfall of industrial capacity was matched by a 7% fall in manufacturing employment. During the period 1970-74 the average number of manufacturing jobs lost through redundancy was about 160,000 a year. Less than one in three of the jobs lost was effectively replaced by creation of a new job in the manufacturing sector.

The growing shortage of industrial capacity is reflected by worsening balance of trade in industrial products. Over the four years 1970-74 the volume of imports of manufactures to Britain rose 67%, twice as much as British exports of manufactures which rose only 35%. The trend nature of the contraction of industry, spread across almost all sectors, is confirmed by the geographical spread of industrial dereliction within Britain and by the fact that the trade balance has worsened in almost every category of industrial product.

The lack of capacity, loss of markets to foreign competitors and contraction of jobs from which we now suffer follows years of low investment in British industry. Over the decade 1963-72 the value of investment per worker in manufacturing industry in Britain was lower in every year than in every other competitor country for which we have figures — and in general it was only about one-half the average level in those countries.

Past failure to invest is not the only cause of our economic and industrial decline. Different schools of thought attach different weights to the influence of Government management of the economy, the activities of large multinational companies, the stalemate in management-labour relationships, and the destructiveness of the class organization of British society. But our low investment can be measured, it can be remedied and we know that higher investment is a pre-requisite for industrial recovery. For this reason we argue that the direct answer to the accelerating collapse of British Industry must lie in the provision of an adequate level of investment to provide the successful industry on which our future national income depends. But new investment is not immediate in its effect, and during the next few years the Government must also be willing systematically to support firms and enterprises in trouble, and offer assistance to companies and workers to enable them to continue to operate. This two-fold recovery programme will provide the basis for an industrial strategy for a decade.

## 2. DOUBLING THE ANNUAL RATE OF NEW INVESTMENT

Within the next decade Britain must increase the rate of investment in manufacturing industry from the present £3 billion a year to double this level — roughly £6 billion a year at today's prices. Investment on this scale will be needed to expand the growth of productive capacity at an adequate rate, to provide a sufficient flow of new jobs and to re-equip workers by modernising low-wage, low-productivity jobs throughout industry.

This investment must be determined by long-term needs and must not be defer-

red on account of temporary manifestations of excess capacity during the world recession.

To carry through such a large expansion of investment will be an unprecedented task. Over the last decade investment in manufacturing industry rose by one-third, an average of 3% a year. In the next decade Britain needs to increase manufacturing investment by at least 10% a year — more than three times as fast. We shall need to increase the rate of new job creation to some 150-200,000 a year — three or four times as high a rate as in the past — if we are to ensure adequate opportunities for redeployment. In addition it will be necessary at least to double the rate of expenditure on re-equipment and modernization of existing jobs.

The National Enterprise Board and Planning Agreements are the instruments of this investment policy. The Industry Bill sets out the functions of the Board as follows:

- (a) establishing, maintaining or developing, or promoting or assisting the establishment, maintenance or development of any industrial enterprise;
- (b) promoting or assisting the reorganisation or development of an industry or any undertaking in an industry;
- (c) extending public ownership into profitable areas of manufacturing industry;
- (d) promoting industrial democracy in undertakings which the Board control; and
- (e) taking over publicly owned securities and other publicly owned property, and holding and managing securities and property which are taken over.

If the instruments the Labour Movement devised are to satisfy the objectives we have proposed, we must fund them on a scale which matches the magnitude of the problem.

### 3. SYSTEMATIC SUPPORT FOR FIRMS IN TROUBLE

We face the need to tackle redundancies and closures urgently so as to arrest the present contraction which could otherwise lose us the next 7-10 per cent of our industrial capacity by 1980.

It will take some 8-10 years to generate a sufficient flow of investment spending. The fastest growth of investment in manufacturing industry in recent times was the 6½% a year average increase achieved in 1964-70. Since then, manufacturing investment has not increased at all in real terms. To achieve a steady rate of increase of 10% a year or more will inevitably take time, and even when such a high rate of increase has been achieved a further 6-7 years must elapse before the investment total reaches an acceptable level. Thus the full benefits of the doubling of manufacturing investment which Britain so urgently needs will not be realised before 1985. In the interim period, industry will continue to suffer, though on a reducing scale, from the chronic low level of investment which has resulted in contraction of employment, low wages and loss of trade to foreign competitors.

Each closure of manufacturing plant involving 1,000 redundancies not replaced

by new jobs costs the Government some £2 million a year in reduced tax revenue and extra social security payments, and it costs the nation substantially more each year in lost output, much of which is a direct cost to the balance of payments. Thus the 800,000 redundancies in manufacturing industry in 1970-74 can be seen as constituting a heavy burden on the Government and on the economy.

It is for these reasons that we must have a defensive overall short term strategy involving Government willingness to subsidise plants and enterprises in trouble and efforts by the companies and workers involved to seek solutions which would permit them to remain in operation with Government assistance. The cost of such assistance will often be small when set against the losses which the Government and the nation would inevitably incur if the plant or enterprise were forced to close down.

There is an urgent need to discuss openly and agree realistic criteria for Government support to firms in trouble, taking account of the availability of good alternative jobs, effects on the balance of payments, implications for other enterprises and the need to plan for a return to financial viability in the long term.

#### 4. ADDITIONAL FINANCE FOR INVESTMENT

Over five years the financial cost of expanded investment and assistance to industry on public account could build up to £3 billion a year or more. Part of this expenditure will have to be financed, through taxation, at the expense of consumption and immediate living standards. But if the programme were entirely financed in this way, the large increases in taxation would intensify cost inflation and place an excessive burden on working people.

For this reason, part of the industrial programme must be financed by holding back less urgent investment in other sectors such as commerce, services and property development and investment overseas. To achieve this, investment funds in the private sector will have to be guided in accordance with national priorities.

The main source of new funds in the private capital market is contributions to life assurance and pension funds paid by or on behalf of working people. The net increase in these funds, over £3 billion each year, is at about the same level as total investment expenditure in manufacturing industry. Yet only about one-quarter of the money accruing to these funds has in recent years been invested in the public sector or in private manufacturing industry.

The growth of these institutional savings has shifted financial power in the private sector away from wealthy owner-managers into the hand of financial companies in the City, and the reinvestment of private savings is increasingly controlled by the decisions of a small financial community. This shift of power to the City has been responsible for the growing volatility of financial markets and recent massive speculation in land and property.

To back up the industrial programme it is essential that a large agreed proportion of institutional funds should be re-invested in manufacturing industry. Insurance and pension companies should be required to channel minimum proportions of their new funds as loans to the NEB or other public enterprises, as loans or new

equity in large companies to finance investment approved under Planning Agreements, or through a fund to finance manufacturing investment by small and medium-sized companies. There would clearly have to be assurance to policy-holders over the financial security of funds channelled to industry in this way, which takes account of the minimum standards laid down in Labour's Pensions Bill. The only long-term guarantee of the real value of pensions resides in the prosperity of the economy as a whole, and from this standpoint a high and stable level of investment is essential to the security of pension funds.

Half of the cost of the industrial programme might be found from institutional sources. The other half, to be financed from taxation or planned reallocation of public expenditure, would then impose a budgetary cost rising over a 5-10 year period by only £200-300 million a year.

When up to 50% of investment is financed by these means, on public account, the balance between the public and private sectors will shift, leading to a major extension of public enterprise in manufacturing industry.

## 5 THE ECONOMIC FRAMEWORK

The industrial programme can only succeed in an economic environment which ensures a return to full employment and helps industry to regain markets lost to foreign competitors. Without such a prospect, investment to modernise and expand British industry will result in excess capacity and redundancy of industrial labour.

A high level of demand and employment is also essential to protect living standards and to provide resources for increased investment.

The main argument against maintaining full employment has been its impact on sterling. Reflation of demand therefore depends on an effective programme to strengthen the UK balance of payments. Such a programme must include measures to help British producers to compete in the home market and in world markets, strict limits on public and private spending overseas, and the monitoring through planning agreements of the international transactions of large multinational companies.

It is only by using these measures to secure a full use of resources and by reversing the process of de-industrialisation that the spiral of inflation can be broken and Britain restored to solvency.

## 6 GUIDELINES FOR DEMOCRATIC PLANNING

The machinery for planning already exists, in companies, public enterprises and the Government. The problem we face is how to ensure that the planning machinery operates in accordance with policies agreed by the Labour movement and in the interest of working people.

The Industry Bill already provides for disclosure, consultation and industrial democracy as applied to the plans of companies and public enterprises in order to secure for working people the right, through trade union representatives, to



influence the plans of the enterprises in which they work, and to move towards joint control.

It is essential that we should now also apply the same principles of disclosure and consultation to industrial planning and decision-making within the Government. The Government will have to plan the promotion and finance of investment, the provision of assistance to enterprises in difficulty, and the matching of training and job creation to employment needs. Planning machinery for these purposes largely exists already and can be extended when it is required. The main problem which must be faced will be how to make sure that this Government planning machinery operates in accordance with the overall industrial strategy, in the interests of working people and the nation as a whole.

The rights to disclosure and consultation must operate in respect both of specific decisions and of general policies and criteria. The parties directly involved in individual industrial decisions, in particular managements and union representatives, must have the right to information available to the Government and to discuss proposals with the Government before decisions are taken. But also the general policies and criteria which govern administrative decisions on industry — the guidelines of planning — should be made public, discussed with the TUC, CBI and other national bodies representing industrial interests, and presented to Parliament so that the Government's industrial planning is fully accountable to the nation.

It is only through the application of these principles that industrial planning can be made to reflect the true needs of the nation and the realities of the economic and industrial situation. It is only in this way that it will be possible to carry through an industrial programme to check and reverse Britain's economic decline.

## 7 CONCLUSION

We argue that the spiral of inflation and industrial collapse must be broken by a return to full employment, massive investment and systematic support for firms in trouble. The alternative approach recommended by big business and the Tories, is to allow unemployment to rise, unprofitable plants to close, and excess labour to be made redundant until the power of working people to defend their jobs and living standards is finally broken.

This policy of wage-cuts and shake-outs is intended to restore the efficient working of the market economy. But in this it cannot possibly succeed. High unemployment and closure of unprofitable firms would cripple industry, perpetuate low investment and encourage practices of job protection which lead to overmanning. In circumstances of deflation and unemployment, the market economy cannot function to shift resources into the expansion of industry. The process of redeployment following closures and redundancies does not take place. Redundancies are no longer a frictional problem which can be solved by advance notification, retraining and financial compensation for hardship. Instead redundancy and closure reinforce the vicious circle of low profits, low investment, high taxation and inflation. Even though workers may be induced to trade their jobs for high redundancy payments,

the nation cannot be compensated for the loss of production and tax revenue and will incur a rising burden of social security payments.

For all these reasons it is essential that the Labour movement should now adopt a strategy which meets the needs of working people by securing an extension of public ownership, industrial democracy in the organisation of work and the planning for industrial recovery so that Government, managements and union representatives can jointly devise means of safeguarding existing production and plan the new investment needed to restore Britain's economy viability as a manufacturing nation.

An industrial strategy based on these principles is the only alternative to the Tory policy which aims to make working people pay the full price of Britain's past industrial failure.

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