Working Paper 307

Capital and State: the economic background to national transport policy in Britain since 1945.

Roy Barton

School of Geography
University of Leeds
LEEDS LS2 9JT
England.

June 1981

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CAPITAL AND STATE: THE ECONOMIC BACKGROUND TO NATIONAL TRANSPORT POLICY IN BRITAIN SINCE 1945

1. Introduction

In a recent article on the political development of British transport policy in the post-war period, Ray Hudson (1980) emphasises the roles of the state in the accumulation of private capital and in legitimating this activity. Hudson argues that these two roles are contradictory and, as a consequence, it is unable to provide adequately for either function, thus creating crises. This conclusion draws heavily upon Habermas' (1976) concept of a legimation crisis and Hudson's analysis concentrates upon the political aspects of this emerging crisis. While there is some reference to the economic background of the accumulation process in Hudson's paper, this aspect of state activity is underdeveloped in the analysis. If we are to develop a meaningful Marxist analysis of the historical development of British national transport policy we must take as our background the development of the accumulation process and the role played by the state through transport policy in particular in that process. It is this problem which I address in this paper.

The analysis proceeds from a brief review of Marxist theoretical formulations of the role played by the state in the accumulation process of private capital (section 2). We then identify the ways in which the state may become involved in the accumulation process through intervention in the transport system (section 3). Against this background we can consider the historical development of British transport policy since the war by stressing the relationship between the development of capitalist accumulation and its emerging crisis and the form of state intervention in the accumulation processes (section 4).

In considering the argument two problems should be recognised from the outset. Firstly, the distinction between the 'public' and 'private' sectors of the transport system is not clear. In Britain at least, the state provides a large proportion of the fixed capital of the transport industry, while the 'private' sector utilises a state produced infrastructure. Secondly, our analysis is concerned with inter-regional and national transport flows and as such little mention is made of local flows which are of importance to local accumulation and the reproduction of labour power (notably with the problem of the journey-to-work). The local problem must be the subject of further research. We are, therefore, concerned with the state provision of a national transport network, and the state provision of certain transport services. We must also consider the relationship between state provision of service and their provision in the private sector.

2. Capital and the state: intervention and legitimation

It is a fundamental thesis of Marxist analysis that the capitalist *mode of production* (the set of production techniques and associated social relations) contains a series of contradictions. These contradictions are manifested as periodic crises whereby the dominatory nature of capitalist social relations are exposed and a period of intense struggle results (Conference of Socialist Economists, 1979). For, the basis of capitalist production is the exploitation of one class (the working class) by another (capital or the bourgeoisie). Capital exclusively owns the means of production and is able to employ and exploit wage labour by keeping a proportion of the value created by labour in the labour process[1]. The *surplus value* thus appropriated by capital is, after reductions for rent and interest payments, turned into profit. If capitalism is to continue, then a proportion of this surplus value must be reinvested to buy more capital and more labour power. It is essential, therefore, that the conditions which allow accumulation to take place must be reproduced. In essence, this involves the continued availability of wage labour and the maintenance of a sufficiently high rate of profit. The theory is more complex than presented here, but for our purposes this brief review will suffice for the time being.

Capitalism is self-contradictory in that it cannot of itself reproduce these conditions. The most important mechanism which acts to prevent the continuation of accumulation is what Marx called the *law of the tendency of the rate of profit to fall* (Marx, 1959 edn.). We can define the rate of profit by the simple equation:

$$p' = \frac{s}{c + v} \qquad (1)$$

where p' denotes the rate of profit;

s is the quantity of surplus value appropriated by capital;

c is the quantity of constant capital used in the production process (ie. the means of production, both fixed and circulating capital);

and v is the quantity of variable capital (ie. labour) used in the production process.

It follows that if c should increase while s and v remain constant then the rate of profit will fall. But capital accumulates surplus value and the proportion of constant capital does rise, except in occasional periods of recession. It follows, then, that if the quantity s cannot be increased and v cannot be decreased to compensate for the increase in c, the rate of profit will fall thereby hampering capital accumulation. That capital is able to continue is the result of the existence of certain mechanisms which compensate for the tendency of profits to fall. These counteracting tendencies were well documented by Marx (*ibid.*, chapter XIV) and, more recently, by Hirsch (1978). Hirsch identified two types of process: (i) increasing the productivity of labour power and (ii) increasing the concentration of capital accumulation.

The increased productivity of labour power can be achieved in two ways (Hirsch, 1978). Firstly, by technological and scientific improvements to the production process and, secondly, by reducing the real cost of wage labour (through the use of 'cheap' labour such as women or immigrants, through the use of cheap labour abroad or by depressing the job market through high levels of structural unemployment). Until recently, it was the former type of structural reorganisation which was the main mechanism for stimulating declining profits, but with the onset of mass unemployment in the seventies and eighties the devaluation of labour is playing an increasing role in the process.

However, Marx, Hirsch and others have shown that these counteracting processes are, themselves, contradictory. One illustration should suffice for the present. In *Capital III* (chapter XV) Marx (1959 edn.) argues that the intensification of labour has two effects: (i) an increase in surplus value in the short term and (ii) a decrease in the quantity of labour power needed to operate capital. The latter, by reducing the very source of surplus value, will, in the long run, *reduce* the rate of profit. The intensification of labour power "may, for this reason, well check the fall in the rate of profit, but cannot prevent it altogether" (Marx, 1959 edn., p. 247). The periodic reorganisations undertaken by capital cannot reverse the tendency of the rate of profit to fall and crises reoccur periodically.

The state intervenes in the accumulation process by providing part of the capital needs of the private sector at a subsidised cost, thereby devalorising a proportion of constant capital in the private sector[2]. The state's provision of such services include advanced factory units, investment grants and, as we shall see later, transport infrastructure. The state also removes from the rivate sector (by nationalisation) certain unprofitable industries. The effect of nationalisation is to stimulate the overall profitability of the private sector.

Not only is capital inherently incapable of reproducing the economic conditions necessary for its own continuation, it also cannot reproduce the necessary social relations. Capital cannot itself physically reproduce labour power, for the over-riding aim of each unit of capital is to intensify the exploitation of labour. This process would, without some form of control, involve the payment of wages which are below subsistence level. This was, of course, a recurrent situation in the nineteenth century. Government legislation has prevented the continuation of this situation.

But the reproduction of labour power is not merely the physical reproduction of successive generations of labour. It also involves the reproduction of a labour force which is

> "adequately housed, fed, clothed, educated, cared for, etc., to provide the work capacity (and acceptance of existing relations of production)." (Pickvance, 1976, p. 19)

The state increasingly provides these social services (Cockburn, 1977) which capital cannot provide. For, if they were produced as capitalist commodities, they would be produced at a profit, which must be paid for by the consumer. This would necessitate higher wage levels. They are, therefore, provided by the state on a non-profit basis.

Capital also cannot ensure the reproduction of its own relations of production. Capitalist production is based upon wage labour and class exploitation. This inevitably leads to conflicts of interest, and a class conscious working class would overthrow the capitalist system if some form of control did not exist. Thus an *ideology* exists which supports the capitalist mode of production. The state is again involved in this control mechanism by the active suppression of the working class and by creating a "frame of mind" (Cockburn, 1977, p. 56) which supports and *legitimises* the productive relations of capitalism (Habermas, 1976).

This brief review of the Marxist theory of the state provides only a skeleton upon which we can build our analysis of British transport policy. Even within Marxism, the theory of the state in a controversial problem about which a vast volume of literature exists (see Barton, 1980). But there is general agreement that the state functions as an important support for the capitalist mode of production. We can now turn to the problem of how this function may manifest itself in the field of transportation.

3. Capital, state and transportation: an overview

Implicit in our analysis so far are two underlying themes: that state activity serves the interests of capitalist accumulation; and that government policy will respond to the historical development of the forces of capitalist production. We shall consider the first of these themes now and move onto the second in section 4.

An important thesis contained within Cynthia Cockburn's (1977) analysis of state function, is that the central state is involved in the production and accumulation processes of capitalism while the local state participates more in the process of the reproduction of labour power. A list of state functions in each field of policy by each level of the state bears witness to Cockburn's claim (see figure 1). Interestingly, transport is one field of activity which lies both within the sphere of production and within the sphere of the reproduction of labour power (particularly with the journey-to-work). However, as we pointed out in the introduction, the local problem is not of concern in this paper and must be left for future consideration[3]. But what, we must ask ourselves, is the role played by transportation in the production process and why has the state become so involved in the production process?

Transport, as a commodity, is many faceted. Like all commodities it is produced, exchanged and consumed but it has the unusual characteristic that it is produced, exchanged and consumed at one and the same time (cf. Marx, 1956 edn., p. 54). Furthermore, transport is a means of circulation concerned with the movement of goods and people from one place to another. It is (partially at least) consumed by various users at the same time. Concomitantly, transport is often

Figure 1. Functions of the State in Capitalism (after Cockburn, 1977, p. 53)

Securing conditions favourable to capital accumulation

Contributing to capitalist reproduction

Reproducing the labour force

health
education

planning
health
social services
housing
local transport
education

Reproducing the relations of production

Ideology

judiciary
religion
education

education

Repression

MILITARY
POLICE

police

judiciary

Contributing to capitalist production

ECONOMIC AND FISCAL POLICY
TRANSPORT AND COMMUNICATIONS
DEFENCE
FOREIGN POLICY
ENERGY

planning

nationalised industry
energy, water, etc.

UPPER CASE indicates responsibility of central government

lower case indicates responsibility of local government

italics indicates responsibility of semi autonomous authorities regarded as a 'public good' which should be publicly produced (that is produced by the state). But this argument is naive. For it does not necessarily explain why transport cannot be a privately produced commodity or why it is not wholly a public good (with sectors of the transport industry such as trunk haulage remaining private concerns)[4]. The solution lies partly in the needs of the overall system of capitalist accumulation.

Transport is an essential service for capital in that it provides the means by which commodities are taken to market (and workers to workplace) and is, therefore, an essential element of the accumulation process. However, capital incurs costs in the consumption of transport services which either add to the capital costs of production (if transport was provided by each individual capital) or subtracts from appropriated surplus value (if capital pays for an externally provided service). It is, then, in the interests of particular capitals (except those that provide transport services) and in the general interests of capital as a whole that transport costs are kept as low as possible.

Ameliorations in the transport system can stimulate the profit rates of the private sector in various ways. Scott (1978, p. 349) identifies four mechanisms:

> "(a) by reducing the costs of the journey-to-work, thus diminishing the price of labour; (b) by increasing the temporal velocity of circulation of commodities; (c) by reducing the final delivered price of commodity inputs to the production process; and (d) by reducing consumers' travel costs to buy, thus increasing final consumer demand."

The first and fourth of these mechanisms are localised processes which we will not discuss further. The second is more important, for it reduces the volume of 'idle' capital (that is, capital which is in transit; either raw materials on the way to the factory or finished goods on the way to market). This then subtracts from the total constant capital and stimulates profit rates.

The third of Scott's mechanisms is obvious. However, we should expand it to note that cheaper transport for finished commodities also produces a higher profit margin.

Finally, we should also note that more efficient transport expands the markets open to each firm. That capitalism needs to expand on to a world market is well documented (see Marx, 1959 edn., Lenin, 1973 edn., *interalia*). But as well as international expansion and uneven development, expansion also occurs at an intranational (regional) scale. The monopoly concentration of capital creates a spatial concentration which produces uneven regional development (Jensen-Butler, 1979; Holland, 1976a, 1976b). Transport ameliorations facilitate the expansion of a centralised economy to a peripheral market.

By providing state investment at a subsidised case the state can, therefore, stimulate the profits of the private sector. But does the state offer transport services at a subsidised cost? That some state operations in the transport sector have operated at a loss is indisputable. The financial problems of British Rail bear witness to this. As we shall see later, rail freight traffic has almost continually operated at a loss. However, state investment in transport is now dominated by road investment, the finances of which are less easily analysed. What we need to know is the proportions of costs paid by particular types of road uses, in particular between the costs paid by industrial users (ie. freight transport) and individual users (passenger transport).

The problem of road track costs is a highly controversial and by no means simple one. It has long been held that road freight traffic is heavily subsidised and that it does not meet the costs which it incurs (see British Railways Board, 1964). Indeed, the subject was covered in detail by the Geddes Committee (Ministry of Transport, 1946). While evidence has been levelled to the contrary (see, for example, British Roads Federation, 1969, 1970) the evidence is still that freight traffic, particularly the heavier goods lorries, are heavily subsidised. The recent enquiry into lorries, people and the environment (the Armitage Committee, Department of Transport, 1980) firmly supported this view. And this debate has centred around the problem of road *track* costs, omitting the many social and environment costs incurred by goods traffic but not borne by their operators.

What then is the origin of this subsidy? Following Scott (1978) we can define the nature of this subsidy by the following relationship:

$$S \propto \theta_1 + \theta_2 + \theta_3 \qquad (2)$$

where S is the level of subsidy, and, Θ_1, Θ_2 and Θ_3 are the rates of taxation (both indirect and direct) levied by the state on profits, wages and rents, respectively. The state is, therefore, returning to capital a portion of surplus value which had been lost in the payment of taxes, wages and rent. The obvious effects can be seen through equation (1). For each individual capital, subsidised trnasport increases the value of surplus values (s), devalues constant capital (c) (by providing subsidised capital in the form of transport infrastructure) and can devalue variable capital (v) (by reducing the costs of the journey-to-work and, thereby, reducing (real) wage demands). This stimulates the rate of profit for each individual capital.

But if the state does assist the process of capital accumulation through the provision of transport infrastructure and services there are certain problems and contradictions in the process. Firstly, there is a conflict between the private nature of commodity production and ownership and the collective consumption of transportation (Castells, 1978). It creates conflicts between different groups of users which cannot be resolved behind the mask of market force determination. The conflict is partly resolved by the ideological differentiation between the 'private' and 'public' sectors of transport. As we noted earlier, there is no such thing as 'private' transport in Britain since all form of transport rely heavily upon the public provision of infrastructure. Certain forms of transport, essentially the motor car, are therefore 'privatised' producing an ideology of transport which disguises its public (and collective) production (and consumption) (Castells, 1977).

Secondly, the provision of transport which mainly favours the interests of one particular group (capital) has to be legitimised. In the case of transport policy this has in the past proved to be a relatively simple task. The main devise is the ever prevailing 'national interest'. In the 1977 White Paper on Transport Policy (*Cmnd. 6836*, p. 2) the government declared its aims to be "to create the means by which our transport system can best meet the nation's needs" with particular priority being given to services to industry[5]. This legitimation process is strengthened by transport planning being presented as a highly technical process, thereby mystifying the underlying political and economic processes (cf. Sandbach, 1980; Wynne, 1980).

It is against the background of this analysis of state intervention that we now turn to the historically specific problem of the development of national transport policy in Britain.

4. British transport policy since 1945

Four distinct phases can be identified in the post-war developments of transport policy in Britain. These are (a) the years of the Labour government, 1945-1951; (b) the Conservative years, 1951-1964; (c) the Labour Governments of 1964-1970; and (d) the period of the seventies. At first, these periods appear to be determined by the political control of the state. Certainly there are political motivations behind various measures of transport policy. However, the four periods are more defined with regard to phases of the development of the structure of capitalist production and a response to be identified in transport policy. They do not correlate perfectly with political changes. The use of governmental terms of office does, however, give a readily identifiable definition of the four phases.

(a) The Labour Government, 1945-1951: post-war reconstruction

A nationalised transport system had long been advocated by the Labour Party and when it was elected to office in 1945 with a reforming mandate, the dream became more of a reality. Indeed, the *1947 Transport Act* laid the foundations for the fulfillment of this long term goal. The main provision of the Act was to set up British Transport Commission (BTC) as an agency for state control of inland transport. The terms of reference of the BTC was

> "to provide, or secure or promote the provision of an efficient, adequate, economical and properly integrated system of public inland transport and port facilities within Great Britain for passengers and goods."
> (Transport Act, 1947, sect. 3(1))

In order that the BTC could fulfill this role it was given control of several nationalised industries, the best known of which was the railways. The BTC was also given a monopoly on contracted road freight haulage (but *not* for goods carried for the owners own business). Road passenger transport was less fully provided for. The BTC took control of the many bus operations which had been owned by the railway companies, and, if the legislation had ever been fully implemented, would have developed a major share in road passenger transport[6].

The financial provisions of the Act were two sided. Firstly, the owners of the concerns which were nationalised were to be given 'fair' compensation although there was much debate and controversey as to the levels of payments to be made. It was finally decided that payments would be based on Stock Exchange evaluations for the first week of November 1946. For the railways in particular this meant a payment of over £1,000 million, and so, from the onset "an albatross of debt encumbrance was hung around the neck of the nationalised railway industry" (Hudson, 1980, p. 9).

The second provision was for the financial provisions under which the BTC was to operate. The Act dictated that the BTC

> "should so conduct its undertakings as to secure that revenue is not less than sufficient for meeting costs ... taking one year with another."

The charge is extremely vague. But it does appear that the BTC was to operate at break even level *overall* and that cross subsidisation was to be permitted to ensure provision of certain unremunerative but socially necessary lines. However, cross subsidisation proved to be impossible under the provisions of the Act. For, in terms of past performance, the profitable sector of the transport industry was road haulage. Because of the continuation of 'C' licence (owner carriage) haulage, monopoly prices for road haulage could not be charged by the BTC (if this was ever intended). Cross subsidisation was, therefore, impractical.

The Government had originally intended to introduce restrictions on 'C' licences and had incorporated provisions in the first Bill. However, after prolonged controversy and debate, the measures were dropped and 'C' licence operators were allowed to operate unrestricted[7]. It is difficult to imagine how such proposals could have been implemented without a major outcry from industry. They were not implemented and the BTC was left with no control over an important part of the transport sector. A Ministerial Committee had estimated that non-implementation of restrictions on 'C' licences would cost the BTC some £7½ million in lost revenue (Chester, 1975). As it was, the use of 'C' licences mushroomed over the next few years. In 1945 there were some 306,000 vehicles operated under 'C' licences (some 69% of all vehicles) but by 1951 this number had risen to 796,000 (82%) (Annual Abstract of Statistics, 1953). The lost revenue was therefore in the region of £10 million (Thompson and Hunter, 1973).

That the full provisions could not be implemented was partly a response to the prevailing economic conditions. Industrial output had be stimulated as a result of wartime conditions but capital investment had been seriously restricted. If industry was to be returned to a firm footing after the war, a massive investment was needed but the money was not available in the private sector and the state needed to step in. This is a partial explanation for the vast programme of nationalisation in the key sectors of the economy (transport, energy, etc.). But road transport needed only the state provision of the infrastructure with minimal interference in the actual transportation process, it therefore offered an ideologically sound economic stimulus to capital.

For the railways, it can be argued that nationalisation in 1946 was inevitable (Aldcroft, 1968). Net receipts had shown an overall, though spasmodic, decline during the interwar years (table 1) and there was almost continuous under-investment in the industry (table 2). This situation was exacerbated by lack of maintenance and damage during the war which was equivalent to a disinvestment of over £200 millions (Aldcroft, 1968). The railway companies would be either unwilling or unable to clear this backlog of investment.

Table 1: Expenditure and receipts of main-line railway working - selected years, 1920-1938

	Total expenditure	Receipts Passenger	Receipts Goods	Totals	Net receipts
1920	232.0	109.4	126.9	238.9	7.0
1922	174.8	101.8	115.6	219.3	44.5
1924	166.9	95.1	106.4	203.4	36.5
1926	154.0	85.1	85.0	171.9	17.9
1928	149.1	82.0	103.1	186.9	37.7
1930	143.3	76.8	99.3	177.7	34.4
1932	125.2	67.1	81.2	149.6	24.4
1934	126.8	68.6	85.5	155.6	28.8
1936	130.6	72.2	90.2	164.0	33.4
1938	137.7	75.3	87.8	164.7	27.1

Source: Aldcroft (1968), p.48

Table 2. Investment in British Railways - selected years 1920-1938

(£m @ 1930 prices)

	Gross fixed capital formation in all assets	Depreciation	Net capital formation Total	Permanent way & Works	Rolling stock
1920	11.0	21.5	-10.5	-9.7	-0.1
1922	10.3	21.3	-11.0	-7.1	-3.8
1924	15.2	21.2	-6.0	-5.9	0.6
1926	15.4	21.4	-6.0	-7.6	1.5
1928	15.6	21.6	-6.0	-7.1	1.5
1930	15.6	21.6	-6.0	-6.2	0.1
1932	15.4	21.4	-6.0	-3.1	-2.9
1934	11.4	21.4	-10.0	-8.4	-0.6
1936	17.6	21.6	-4.0	-6.3	2.7
1938	21.7	21.7	0.0	-2.8	2.5

Source: Aldcroft (1968), p.70

Besides, state intervention in the railways had a long tradition dating back to the nineteenth century as a response to the monopoly power that the railways were exerting over the rest of industry. Certainly, the rigorous intervention was untypical of a period of *laissez-faire* government (Gwilliam and Mackie, 1975). That nationalisation was inevitable can also be said of the inland waterways which were, anyway, mainly owned by the railways.

The political legitimation of the main measures was a formality. Not only were many of the policies in the long term general interest of capital but the government had a clear mandate to 'socialise' the transport system. Following the depression of the thirties and the violence of the war, there was great discontent amongst the working class and a demand for a new beginning. There was social threat to capitalism at this time, and it was in the long term interests of capital to accept the political expression of this discontent which, anyway, presented little threat to the capitalist structure. However, there was a deep conflict between economic efficiency and the broad socio-political aims of the Labour government which remained hidden in these years (Hudson, 1980). Besides, there was little opportunity for the conflict to emerge when the Government was defeated in the 1951 election before many of the provisions of the 1947 Act had even been implemented.

(b) <u>The Conservative Years, 1951-1964: competition and growth</u>

The election of the Conservative Government brought an immediate change of direction in transport policy. The Conservative philosophy traditionally holds a dislike of nationalised industry with an acceptance that some state ownership is necessary. There is an important political and ideological issue here which must be considered in detail at a further date. But the new administration did herald a phase of denationalisation of some state industries and this was partly reflected in transport policy.

A White Paper (*Cmd. 8538*) was published in May 1952 and this was to form the basis of the 1953 Transport Act. The paper gave scathing criticism of the 1947 Act. In particular the railways administration was deemed to be over-centralised and the BTC's road haulage operations were criticised:

> "the Road Haulage Executive, with the elaborate system of depots working under its direction, cannot give trade and industry the speedy, individual and specialised services afforded by free hauliers before nationalisation and could not stand up to competition from them." (*Cmd. 8538*, p.2)

New legislation was declared to be needed. But, said the government,

> "It is not enough merely to amend or remove the undesirable features of the [1947] Transport Act: a positive approach is needed under which, with a minimum of central control, the transport system may be stimulated to adjust and develop itself in accordance with public needs, and may regain and increase the flexibility without which the demands of trade, industry and commerce cannot be adequately met." (*ibid.*)

The cornerstone of the policy was to be selective denationalisation and regulation through capitalistic competition. The ideology behind the measures is obviously capitalistic and, besides, the necessity of state intervention during the years of post-war reconstruction was rapidly receding as Britain entered a new phase of economic growth and prosperity.

The most important feature of the legislation was the provisions for the denationalisation of the road haulage sector of the BTC (the Road Haulage Executive (RHE)). The RHE was to be sold off in lots at what amounted to a give away price. This, the government argued was justified on the grounds that:

> "Since the goodwill of the former businesses out of which the Road Haulage Executive was formed has substantially disappeared, its undertaking is unlikely to be sold at the price at which it was bought." (*ibid.*; p. 3)

In the end, the prediction was realised although for different reasons. There were few potential buyers for the dismembered RHE, attractive though the offer was. Thomson and Hunter (1973) suggest three reasons why this happened: (i) the asking price, though relatively cheap, still involved a large capital outlay; (ii) there were fears that a Labour government would renationalise the industry; and (iii) the BTC run British Road Services (BRS) had become a well organised and competitive road haulage company. In view of the lack of interest the denationalisation plans were dropped in 1956.

In fact, it seems unlikely that the road haulage industry would have proved to be a viable concern. The tendency for increased transport goods by owner operated vehicles was continuing for this offered relative freedom of action to the individual capitals. Besides, the provision of vehicle stock and driving staff was as economical for the individual firm as for a state owned haulage industry. It may even be less costly if cross-subsidisation from road haulage was to be a feature of state transport policy. The share of traffic carried in owner-operated vehicles was increasing and with a government policy encouraging economic freedom for the private sector, this was likely to continue.

The 1953 Act provided little for changes in the operations of the railways save that many of the restrictions on pricing were abolished. But in the 1952 White Paper the government had announced that reorganisation of the railways was to be given priority. The plan was launched in 1954 (*Cmd. 9191*) with the BTC's proposal being published in 1955 (BTC, 1955) with revisions in 1956 (*Cmd. 9880*), and 1959 (*Cmnd. 813*). The plan was to organise the railways into regional organisations with "a healthy rivalry" (i.e. competition) between the regions (*Cmd. 9191*). The proportion of inter-regional traffic made the goal impractical and produced waste of money and development work through equipment variations and duplications between the regions (Thomson and Hunter, 1973).

At the same time, the railways were to be put on a profitable operating basis through modernisation, elimination of unprofitable services, increased productivity and further relaxations of statutory obligations (*Cmd. 9880*). But the whole programme deteriorated into a comedy of errors or, as the Select Committee on Nationalised Industries described it (*House of Commons Papers, 254-I*, p. xi) "a hotch-potch ... ill-qualified and not really explainable". Costs were underestimated, traffic forecasts overestimated and so on. The result for the railways was a financial crisis which prompted the investigations of the Stedeford Committee (*Cmnd. 1248*, 1960), the 1962 Transport Act and, finally, the notorious Beeching proposals (British Railways Board, 1963).

Planned coordination of the national transport industry was finally abandoned when, by the 1962 Act, they set up five independent boards (including the British Railways Board (BRB)) with the boards being given almost complete commercial freedom to act as competitive companies (Aldcroft, 1968). The philosophy of the market ruled supreme. The Act wrote off a large proportion of the BRB's debts but the unfair competition from road traffic and the mismanagement in the fifties left the railways in a state of near collapse. The drastic result was the Beeching proposals of massive line closures and the abandonment of any attempt to compete in trunk freight traffic except for bulk goods.

But while the railways were falling deeper into crisis, road transport was a growing concern. It was the Conservative governments of the fifties that launched the massive injection of finance into the motorway programme while the railways were being starved of capital. Not only was the road transport sector being expanded and subsidised (to the delight of the new powerful road lobby (Hudson, 1980)) but the vehicle production industry was the major growth sector of the British economy on both domestic and export markets. It has even been suggested that the railways were being deliberately run into debt in order to provide "the pretext for a simultaneous reduction of the rail network and expansion of the road building programme" (Hudson, 1980, p. 13)[8]. We cannot prove volition, but the response was there.

What happened in the fifties, then, was a response to the economic needs of private capital. Capitalism was passing through a period of growth and the proof of the pudding was in the eating - 'you've never had it so good'. The philosophy of competition and economic efficiency reigned supreme whilst the state embarked upon a programme of technological innvoation in transport which was providing support for an ever expanding private sector. The bubble, however, was soon to burst.

(c) Labour in the sixties: the emergence of crisis

By 1964 the harsh realities of the conflict between competition and economic efficiency on the one hand and the desire to maintain social services was beginning to emerge. It was most manifest in the railways crisis. Under the logic of commercial viability and the rule of the market, closure of unremunerative lines was essential. But it is unlikely that, with a general election drawing near, the Conservative Government would have implemented fully the Beeching proposals and several lines were saved (Thomson and Hunter, 1973). In the event, Labour were returned to power in 1964 and they soon began to lay the foundations of a return to a more directly controlled transport industry.

That the mechanisms of the free market were an inadequate and undesirable form of regulation for the public transport sector was recognised by the new government.

> "New thinking is required, not only about types and combinations of public transport, but also about how they should be financed. To attempt to solve these problems in exclusively commercial terms is to bring the Victorian mentality to the solution of modern problems." (*Cmnd. 3057*, p.2)

The radical alternatives presented by the Labour government were a return to planned state coordination of the whole public transport sector and the strict definition of the social and commercial responsibilities of each organisation. The main piece of legislation which formed the basis of this policy was the 1968 Transport Act.

The public sector of the freight transport industry was reorganised under the overall control of the newly created National Freight Corporation (NFC). No attempt was made to renationalise those parts of the freight industry that had been hived off in the fifties. The main drive of the NFC was to be the search for technical efficiency and cost reduction with the elimination of "wasteful and inefficient competition between publicly-owned road and rail services for the same traffic" (*Cmnd. 3470*, p. 2). Each of the subsidiary companies of the NFC were given a 'break even' financial target and were to be operated on "strictly commercial lines" (*ibid.*, p. 3). The possibility of cross-subsidisation was thus removed.

The government was therefore attempting to reduce the transport costs of industry. However, an important aspect of the legislation was the attempt to introduce 'quantity licencing' to the private road haulage sector.

The Geddes Committee had only recently concluded that the current system of licencing was wasteful and complicated and should be abolished (Ministry of Transport, 1964). The government, however, introduced two tier licences. All operators had to hold *quality licences* to ensure safe operations, and *quantity licences* were to be required for haulage over distances greater than 100 miles in vehicles over 16 tons gross weight. The criteria for issuing quantity licences was that the operator had to prove that the operation could not be provided more economically by the NFC. It was an active attempt to transfer traffic to the railways[9]. Economically, the legislation was to be a bonus for private industry in that it would have ensured that the cheapest transportation available was used. But it conflicted with the ideology of freedom of choice and freedom of operations. It is not surprising, therefore, that the measure proved to be the most controversial in the Act (Munby, 1968) and the provisions were never fully implemented.

The other feature of the Act which is important to our discussion was policy towards the railways. In 1967 the Government had outlined its plan for national rail route plan (Ministry of Transport, 1967) which, while it did include some closures, was more extensive than the Beeching proposal. At the same time the BRB was to lose its responsibility for rail freight traffic (to the NFC) and for local urban services (to the newly created Passenger Transport Authority). Of the remaining passenger services, the perennial problem of the unremunerative lines had still to be resolved. The solution proposed by the government was that lines were to be kept open (and subsidised by the government) if they could be shown (by cost-benefit analysis) to be of sufficient social benefit. In the event many lines were kept open even though cost benefit analysis could not warrant anything but closure (Dodgson, 1977). The lines were kept open for political reasons (Hudson, 1980).

Whatever the outcome of the policy on passenger transport, the important feature is that rail freight operations were freed from the ill defined obligations of social provision and it became easier to achieve the goal of economic efficiency. But the state freight transport industry still faced the competition from the ever expanding and subsidised private, owner carriage sector of road transport. Despite governmental utterings to the effect that goods vehicles did not pay their share of road track costs little was done to redress the imbalanced. And, besides, road traffic does offer considerable advantages over the railways, partly as a result of government provision of the infrastructure.

But what of the development of the trunk road and motorway network? It is notable that the road network has never been considered as part of the totality of transport policy. Indeed, it was not until 1970, by which time a large proportion of the motorway network was either already built or under construction, that a national trunk road plan was published (*Cmnd. 4369*). Until then, the motorway network had been developed as a technical response to demand. The 1970 White Paper prpposed a huge investment programme which was to complete

> "A comprehensive national system of trunk roads on which commerical traffic and private cars can move freely and safely and on which congestion and the frustration and economic costs it creates have been virtually eliminated."
> (*ibid.*, p. 1)

The obvious consequences of the development of such a programme would be to reduce transport costs, allow for the expansion of markets and thus make road transport even more attractive, thereby attracting traffic away from the railways. The government was offering the best of both worlds with a more efficient rail freight service and an improved road network.

Whatever the intentions of the government, and that is a question for further discussion, transport policy in the sixties played an important structural role in capital development. Throughout the sixties profit margins in British industry had been steadily falling as the growth of the fifties receded and structural processes came into force (Glynn and Sutcliffe, 1972). The overall response was an increased state involvement in the production process, and a stimulation of the deteriorating profit margins of the private sector. Transport policy played a part in this underlying process.

(d) <u>Cuts and crisis in the seventies</u>

The 1970's have proven to be one of the most critical phases of British economic history. The profitability crisis which was emerging in the late sixties has been the cause of a prolonged recession of a scale not witnessed since the thirties. The necessary increased level of state expenditure in the late sixties and early seventies, resulting from successive governments' attempts to stimulate the flagging economy, have created a fiscal crisis for the state (O'Connor, 1973) which has resulted in the drastic public expenditure cuts of recent years. The first major cuts in planned expenditure came in 1974 but by 1976, partly as a response to demands made by the International Monetary Fund, cuts in the real level of expenditure were made for the first time ever (Conference of Socialist Economists, 1979).

Against this background one would expect to find major changes in the direction of transport policy. The great 'oil crisis' of the early seventies would strengthen the expectation. Such changes have come but they have been in directions which may not have been anticipated.

The Conservative Government of 1970-1974 instigated little change in the direction of national transport policy. Their main concern was with the reorganisation of local government (Local Government Act, 1972) and its concomitant effect upon local transport policy provision. The Labour Government of 1974-1979 tackled some long standing problems with a return to policies which had been tried in the sixties (but which had failed). The Conservative Government since 1979 have, typically produced a significant change in policy. What then has happened over the last 10 years?

In the first place, the railways are entering a new phase of crisis. In the late seventies they had been put on a reasonably secure financial footing and in the years 1969-1972 they actually showed an operating profit. But they were still unable to generate enough capital for a reinvestment programme and, coupled with a decline of bulk freight (coal and steel), this created a new deficit of £14.5 million in 1973 and £107 million in 1974 (*Transport Statistics, Great Britain: 1968-1978*). The outcome was the 1974 Railways Act which returned to the old system of direct deficit finance.

While the railways had received direct payments for unremunerable lines, they were relatively autonomous of government finance. The government simply paid for socially necessary lines. With direct deficit finance, the railways were secure only for as long as the government was prepared to pay (for which there was no longer a statutory obligation). In the event, British Rail's finances continued to deteriorate, and government support continued to rise (table 3). In a period of cuts, this could not continue.

Reviews on railway policy in 1977 (*H.C. 305* and *Cmnd. 6836*) stressed the need for B.R. to be competitive but allowed for some government support. The 1974 Act had allowed for an element of the Public Service Obligation (PSO) to continue to be paid but the 1978 Transport Act completely abolished the PSO and the road was clear for drastic cuts in financial support for the railways. They came with the Conservative Government continually restricting the cash limits for British Rail. Ironically, under the 1980 Transport Act, many of the more profitable of British Rail's operations (Sealink and hotels) are to be hived off to the private sector. Furthermore, the removal of the National Bus Company's (NBC) monopoly on trunk coach services introduced competition from operators who can operate services on the lucrative trunk linkes with no obligation to provide 'social' services. The threat to B.R. (and the NBC) is clear but the result has yet to be seen. The threat of cuts of the level of the Beeching proposals still remains (see *The Guardian*, 20 Nov., 1980; *The Sunday Times*, 30 Nov., 1980).

Table 3. Government support and net operating account: British Rail, 1967-1979

Year	Passenger government support (£m)	Net operating profit (£m)	Year	Passenger government support (£m)	Net operating profit (£m)
1967	-	97.4	1974	154.3	-107.0
1968	-	-95.0			
1969	61.1	41.1	1975	324.1	-52.7
1970	61.7	39.5	1976	319.1	-12.0
1971	63.1	17.2	1977	363.5	30.9
1972	68.2	7.3	1978	434.1	23.1
1973	91.4	-14.5	1979	522.5	16.7

Sources: *Transport statistics, Great Britain, 1967-1977*: BRB (1979; 1980)

With the enormous rises in the price of petrol resulting from the oil crisis of 1972 onwards, one might have expected both a fall off road traffic demand and the emergence of a government initiative to divert traffic from the roads to the railways. In fact, neither have occurred. The growth of road traffic did temporarily halt but after two years, the growth continued. At the same time, despite the general cuts in public expenditure, trunk road provision has remained virtually unaffected. In a 1978 White Paper on roads policy (*Cmnd. 7132*), the then Labour government announced that the road system was almost completed and that priority could now be given to roads which were necessary for environmental ra-sons. *But* in the same paper, the government argued that priority had to be given to vital industrial routes.

By 1980, in the light of the drastic cuts this emphasis has changed. Expenditure on main trunk services has hardly been cut at all while the brunt of the cuts has been borne by the 'environmentally necessary' routes (*Cmnd. 7908*). A carrot is left dangling before the public:

> "By the mid-1980's the balance of the road programme is likely to change. The major routes of national importance which remain to be completed will have priority .... Increasingly, however, the emphasis may shift to schemes which are required to deal with specific local problems. Many of these will be by-passes of individual towns and villages."
> (*Cmnd. 7908*, p. 8)

In recent years, however, the government has found it difficult to legitimise roads policy. In particular the well known attacks on government trunk road policy led by John Tyme in the mid seventies (Tyme, 1978) instigated police action and questioned the "democracy" of the whole public participation procedures in road planning. The protests did prompt some reform of the procedures but the impetus was lost.

Indeed, in policy towards road freight, we can even see signs that heavier lorries, economically viable for capital but environmentally damaging, will appear on the roads. Restrictions on heavy lorries were partly lifted under the 1980 Transport Act and if the recommendations of the Armitage Committee (Department of Transport, 1980) are only partially implemented, the way is clear for the continued subsidised use of roads by heavier lorries. The Labour Government had again recognised that heavy vehicles did not pay their way and in the 1977 Budget (Finance Act, 1977) there were disproprotionate increases in road taxes for heavy vehicles. But at the same time the government was arguing that this did not allow for the 'social costs' (pollution, noise etc.) incurred by heavy lorries. These costs, the government argued

> "Cannot ... be measured in any objective way, and a tax on them would be no substitute for constructive policies to help people who suffer from the impact of lorries on them and their communities." (*Cmnd. 6836*, p. 40)

In other words, the state will continue to bear these costs attributable to freight transport.

In summary, what we have witnessed in the seventies is a continuation of the state's involvement in the production process, we have seen an increased concentration of government policy in the provision of road transport facilities which are of particular interest to industrial and commercial users (ie. capital). At the same time, the cuts in public expenditure have meant a tendency towards a worstening of the financial position of British Rail. Policy has rapidly reverted towards the regulation of the transport industry through competition, with several state owned sectors being sold off to the private sector.

5. Conclusion

The main theme of this paper has been to investigate the relationship between the development of British transport policy and the development of the productive forces of capitalist production. A broad correlation between the two themes has been identified. The immediate post-war years were a period of reconstruction of British industry. State ownership of a large proportion of the transport sector stimulated investment in the total national infrastructure and was instrumental in the re-establishment of the British (capitalist) economy. In the fifties, with reconstruction largely complete, a period of economic growth emerged in which the free market dominated with state activity reduced to a level where it was able to provide essential services for industry. The drive for economic efficiency was an exercise to reduce transport costs and, while the public sector was to be run on competitive lines, this was not competition in the true sense, for the private transport was increasingly dominated by owner-operated haulage (designed for cost reduction) rather than commercial haulage (driven by profit motives).

By the sixties, however, two crises were emerging: capital was beginning to revert to a profitability crisis while the state was increasingly unable to control the contradiction between the market and collective consumption. By the seventies, these crises had deepened and were rapidly becoming expressed as a fiscal crisis and a legitimation crisis for the state.

However, while this broad correlation can be readily identified in British transport policy, we must be aware of the many questions which lie outside our scope of analysis. In commentating upon the economic theme we have said little of the political and social processes which play a part in the formation of policy. If we are to develop a thorough, meaningful analysis of the development of transport, we must incorporate these processes with our economic analysis and, through further research, synthesis a broader view of the problem which draws away from the economic determinism inherent in the analysis presented above.

Notes

1. The essence of Marx's argument is that the value of a commodity is determined by the volume of labour power used in its production (*the labour theory of value*). If capital can, as it must, pay labour a price (wage) that is less than the value created by that labour, it (capital) has appropriated a proportion of that value, which we call *surplus value*.

2. This does not necessarily mean that the state produces at a loss (though this is often the case) but that the state produces services at a cost to industry that would not be viable for a private company (cf. Castells, 1978).

3. Some comments on this theme are to be found in Castells (1977, 1978) and Feldmann (1977).

4. We should note that there is no such thing as 'private' transport, for, the state provides at least a proportion of the infrastructure for all forms of transport.

5. This emphasis is expressed even more strongly in the 1980 White Paper (*Cmnd. 7908*).

6. Many of the provisions of the Act had not been implemented when the Conservative government came to power in 1951 and changed the direction of transport policy.

7. The controversy is well documented in Chester (1975, pp. 117-39).

8. Hudson cites Herbert Morrison as a propounder of the thesis (see Donoghue and Jones, 1973) and the idea has also been aired by Brown (1963).

9. Extra levies were to be charged on abnormal loads and on heavy lorries.

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