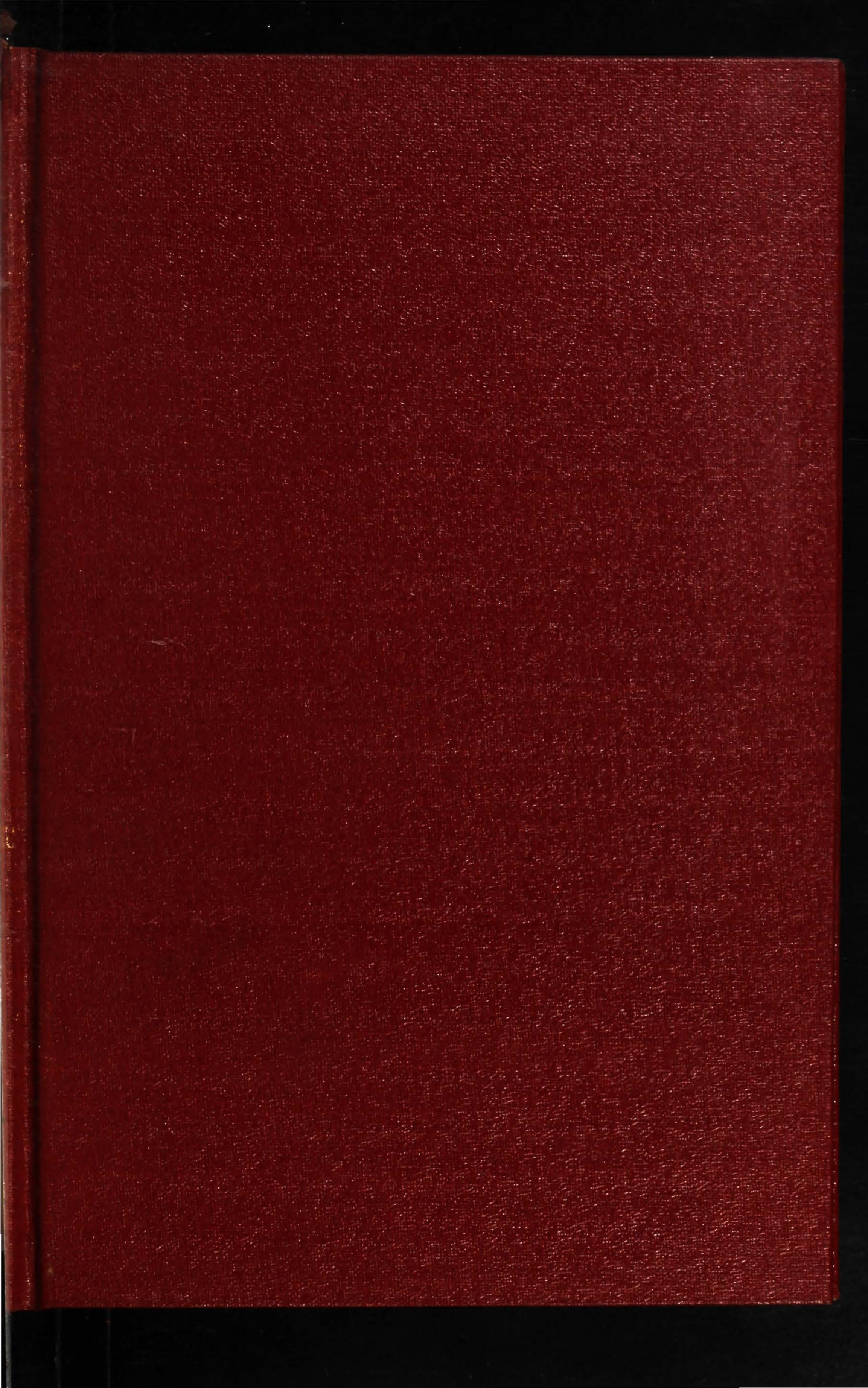
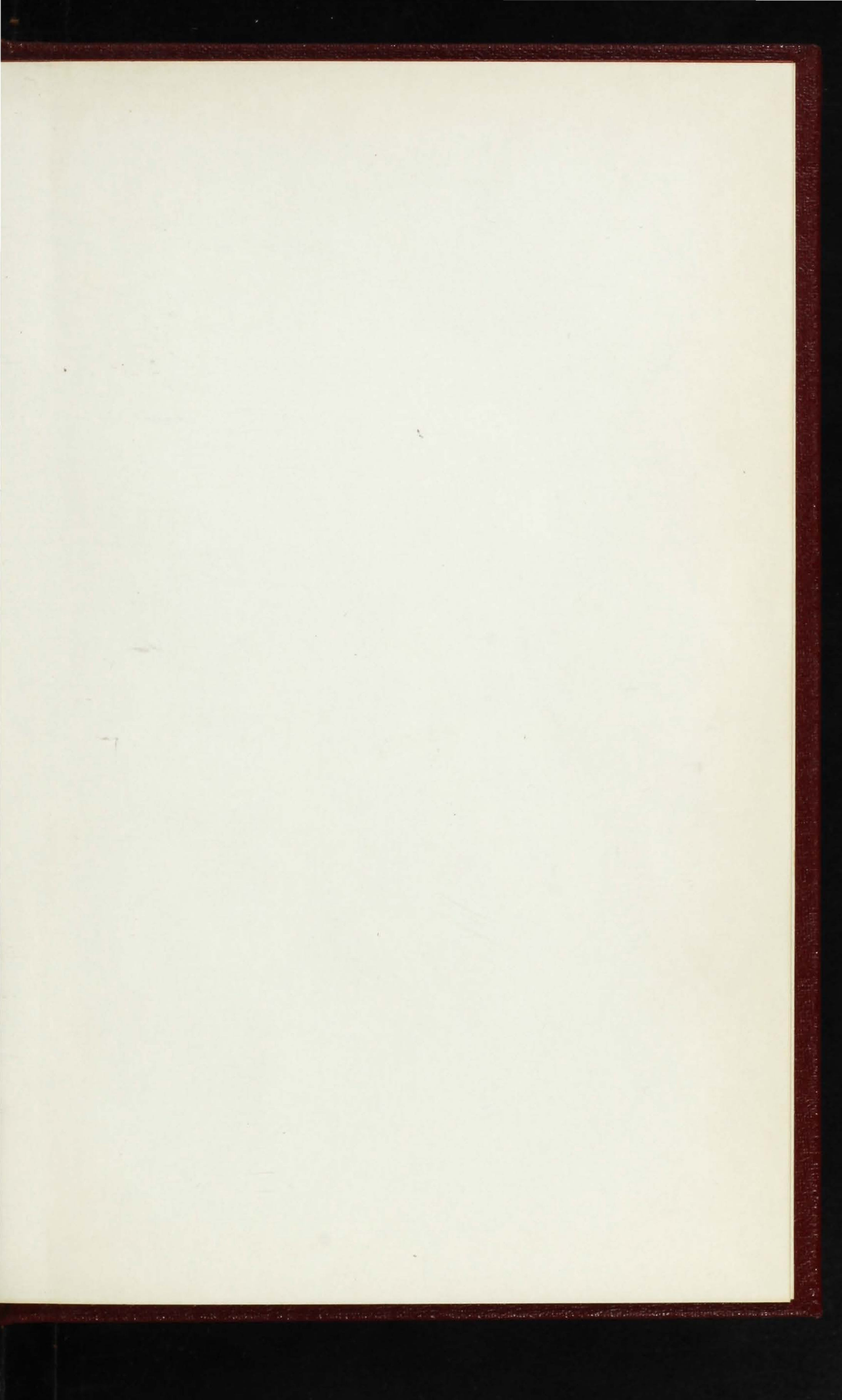
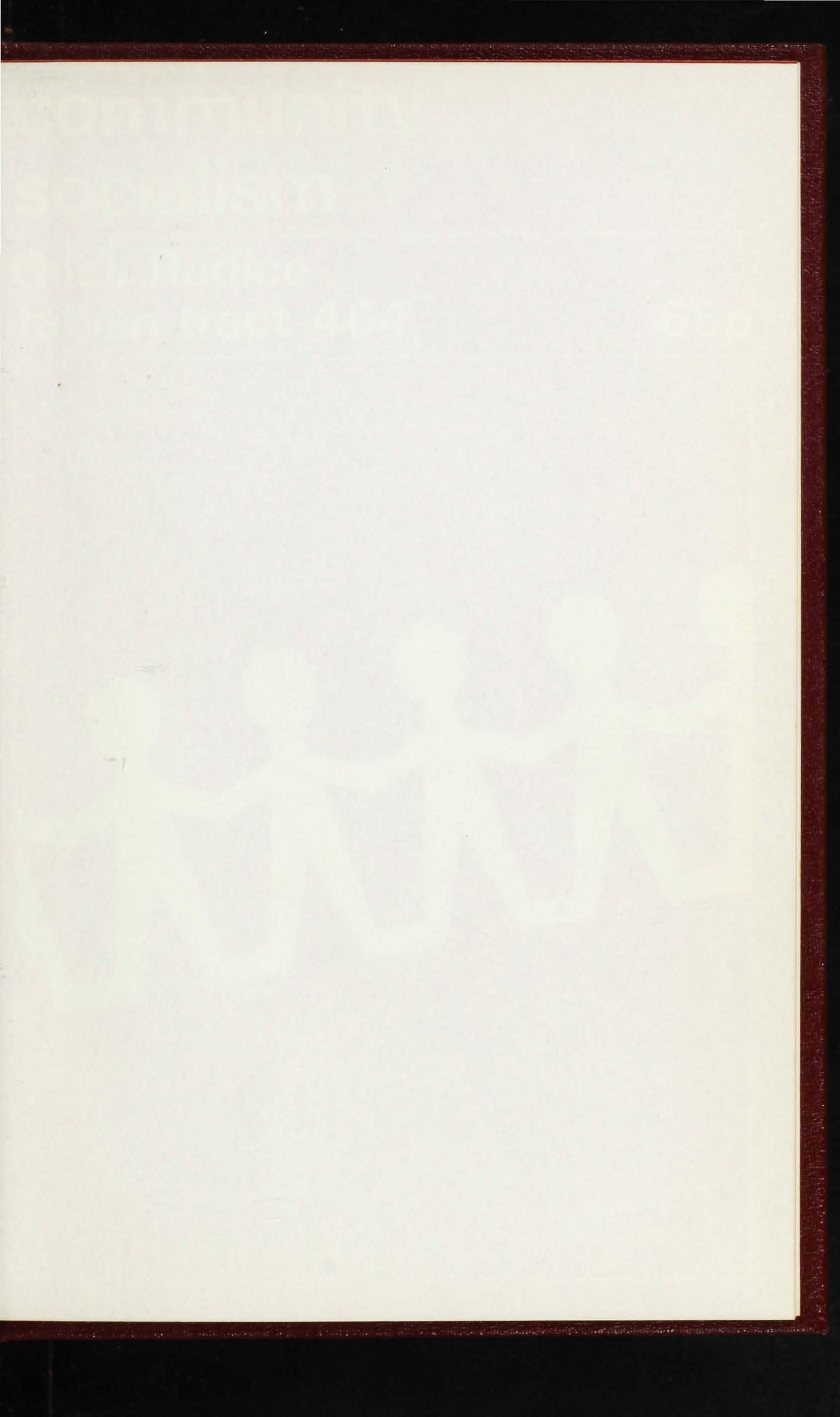
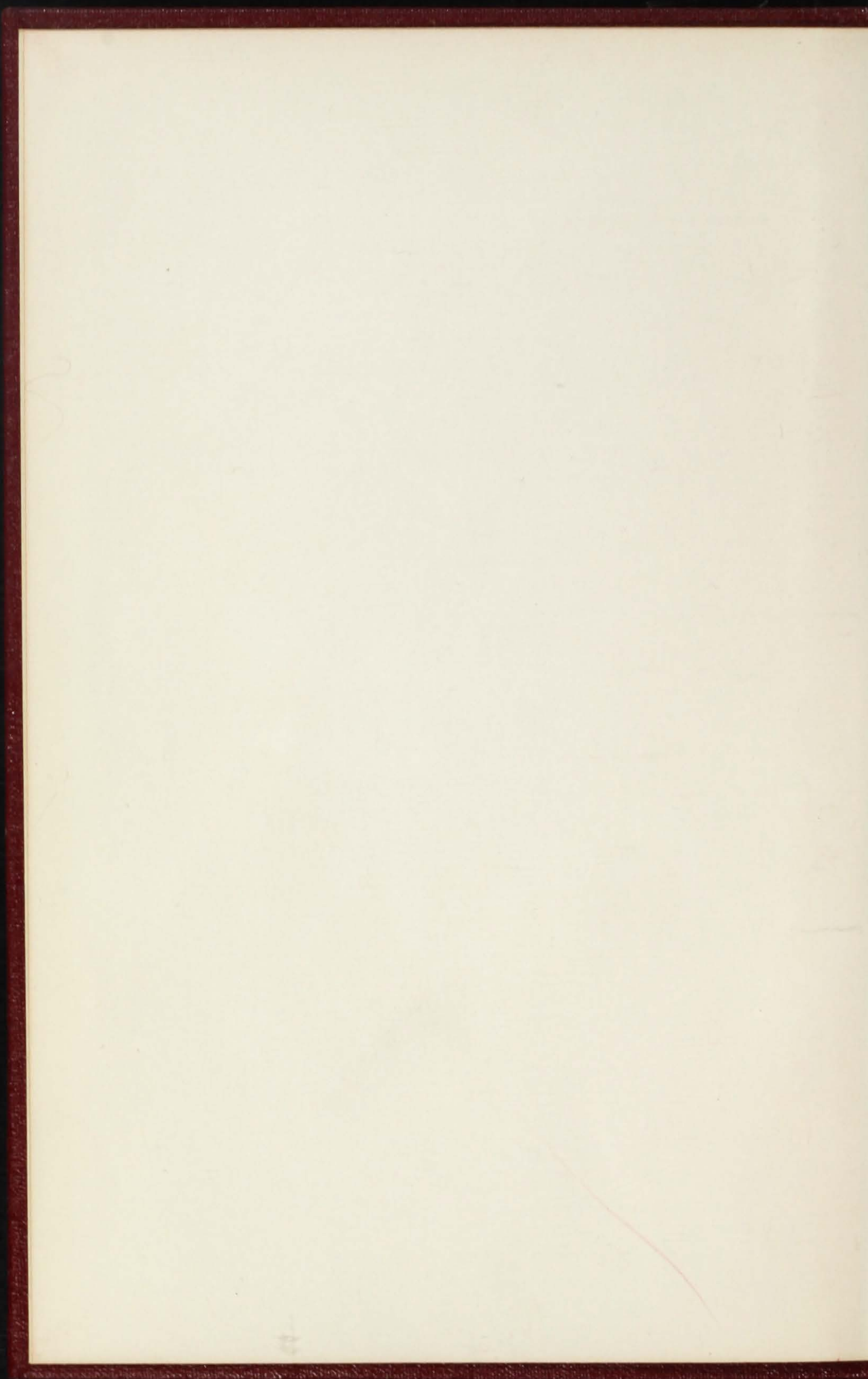


BRITISH LIBRARY
OF POLITICAL AND
ECONOMIC SCIENCE

LONDON SCHOOL OF
ECONOMICS AND
POLITICAL SCIENCE
10, PORTUGAL STREET,
LONDON WC2A 2HD
Tel. 01-405 7686







community socialism

BP 161511(464)

Giles Radice

fabian tract 464

65p

fabian tract 464
community socialism

chapter			
	1	introduction	1
	2	the case for democratic socialism	3
	3	economic and industrial policy	10
	4	the drive for social justice	17
	5	strengthening the community	21

Giles Radice has been MP for Chester-le-Street since 1973. In the last Parliament he was PPS to Shirley Williams and promoted the Industrial Democracy Bill. Prior to entering Parliament he was research officer of the National Union of General and Municipal Workers. A former chairman of the Fabian Society he currently serves on its Executive Committee. He is the author of a number of Fabian pamphlets and a recent book " The Industrial Democrats ".

this pamphlet, like all publications of the Fabian Society, represents not the collective view of the Society but only the views of the individual who prepared it. The responsibility of the Society is limited to approving publications it issues as worthy of consideration within the Labour movement.
Fabian Society, 11 Dartmouth Street, London SW1H 9BN.
October 1979 ISSN 0307 7535 ISBN 7163 0464 3

1. introduction

MSS
HX
246
R12 21/4/80

My purpose is not merely to consider how best Labour can win the next general election but also to explore how to create a new climate of opinion, based on an acceptance of Democratic Socialist values and ideas, which will sustain a Labour Government beyond the life of a single parliament, and so enable it to carry through major social, economic and political changes. It is to this fundamental aspect of our work in opposition that this pamphlet is primarily devoted.

It is now generally recognised that Labour suffered a severe electoral set back in May 1979. Although we did well in Scotland and less badly in the North of England, our share of the poll was the lowest since 1931 and our total vote was over two million less than that of the Conservatives. While it would be pointless to indulge in a lengthy and possibly acrimonious *post mortem*, the causes of our defeat *are* relevant to any discussion of the future. Clearly, if we could agree on the lessons of the past, then it should make it easier to find the right road forward.

Why did we lose so badly? It was not because our leader was more unpopular than Mrs Thatcher. If we had been choosing a President instead of a Prime Minister, Jim Callaghan would have won in a canter. Though a number of voters (particularly in the South and Midlands) were obviously highly attracted by specific Tory polices such as those on tax cuts and the sale of council houses, the opinion polls showed that the Conservatives did not have such a commanding superiority on other key policy issues such as prices and employment. However painful, we clearly cannot ignore the events of last winter.

In the autumn of 1978, Tories and Labour were running neck and neck in popular opinion. It was the rubbish in the streets, the piles of unwashed hospital bedlinen, the silent classrooms, the "secondary" pickets and the dead left unburied which opened up the enormous gap which we narrowed but failed to close during the election campaign. The break down of incomes policy and the disruptive disputes which followed undermined the Labour Government's claim to be able to get on with the trade unions better than the Conservatives and so destroyed our crediblity as an actual and potential Government.

Given that what happened last winter was crucial in determining the election result we certainly should spend time in finding out where we went wrong. We have to consider how best to conduct relations between a Labour Government and trade union movement so that such a breakdown in communication does not occur again; we need to discuss how to ensure that the later stages of incomes policy do not end in chaos and disruption; we can argue whether or not it is possible to find ways of reforming certain aspects of trade union behaviour which are particularly disruptive to the community; above all, we must explain the failure of our economy to grow as fast as our rivals, with inevitable consequences for our living standards, employment and inflation.

the real conservative victory

However, there is one aspect of our defeat which is not so amenable to a relatively straightforward explanation on the lines I have outlined above. The election defeat of 1979 confirmed a longer term decline in support for Labour. The partial victories of 1974 concealed the uncomfortable truth that many of those who voted out the Wilson Government in 1970 failed to return to us then. Instead, they voted Liberal and in 1979 either continued to vote Liberal or voted Tory. The unpalatable truth is that many who we consider to be our natural supporters (amongst the young, the skilled, and even trade unionists) are increasingly attracted to Conservative ideas—on individualism, on the role of the state, on taxation and public spending, on the position of the unions and on law and order—and find Labour's approach unappealing.

What should we do about this disturbing trend? I do not believe we should immed-

iately come forward with a whole host of new policies. To do so would be to imply that everything the last Labour Government did was wrong—even though many of its policies will continue to be highly relevant. Weakening the NEB, abolishing the Price Commission, cutting back on regional and industrial aid—these activities may make Thatcherite Ministers feel that they are "rolling back the frontiers of Socialism". But very soon they will find that it is simply not possible to run a modern economy, particularly the British economy, without Government intervention. And Labour will be able to say "We told you so". It would certainly be a major mistake if we lumbered ourselves with a programme of wholesale, industry-wide nationalisation for nationalisation's sake. Such a strategy would be totally irrelevant to the country's problems, and electorally damaging.

Before the next election, however, we must have new ideas and new policies where new difficulties arise or where old ones have become more acute. What do we do about energy shortages? How can we combine the enjoyment of the fruits of new technology while getting back to full employment? How do we improve the performance of British industry against the background of world recession? How do we attract the best brains into industry? How do we make employees feel that they are genuinely involved in their firm? How do we humanise the "faceless" bureaucracies in both private and public sectors? How do we convince the affluent "majority" that they have a responsibility to the less affluent "minority"? How do we prevent the quality of our environment being impaired by industrial progress?

But at the same time as we prepare new policies, we must not forget that we are fighting a battle of ideas. Labour won in 1945 and again in 1964, not just because of the electorate's experience of Conservative governments, but because our ideas and values were seen to be in tune with the needs and views of the time. In the difficult years ahead, we have to help create a climate of opinion favourable to Labour by demonstrating, not only that Thatcherite ideas are wrong, but, even more important, that democratic socialism is relevant to the majority of the British people.

2. the case for democratic socialism

Democratic Socialism is a system of values and a way of changing society so that it reflects these values. Obviously both these aspects have to be considered. But because it is primarily ideas and beliefs which shape people's behaviour and because it is above all these that we have neglected, I make no apology for turning to values first.

In recent years, Democratic Socialists have attached particular significance to equality. For example, both in *The Future of Socialism* (Jonathan Cape, 1956) and in *Socialism Now* (Jonathan Cape, 1974) Anthony Crosland argued that Socialism was fundamentally about equality. While fully accepting the central importance of equality, we need now to emphasise other socialist ideas. In particular, this pamphlet explores the concept of "community"—the belief that people will work and live together better if they share a common experience and if they have a real say in decision making.

the pursuit of equality

Equality is undoubtedly a controversial idea which has been attacked by its opponents from Plato onwards as unrealisable and dangerous. Plato's argument against equality—still the most powerful one—was that it would be excellent if human beings were equal; but since they are not and cannot be made so, equal treatment would be unjust. One reply was made by Rousseau: "I conceive that there are two kinds of inequality among the human species; one, which I call natural or physical because it is established by nature, and consists in a difference of age, health, bodily strength and the qualities of the mind or of the soul; and another, which may be called moral or political inequality, because it depends on a kind of convention and is established, or at least authorised, by the consent of men. This latter consists of the different privileges, which some men enjoy . . .; such as that of being more rich, more honoured, or more powerful . . . It is useless to ask what is the source of natural inequality, because that question is answered by the simple definition of the word. Again, it is still more useless to inquire whether there is any essential connection between the two inequalities; for this would only be asking, in other words, whether those who command are necessarily better than those who obey, and whether strength of body or of mind, or wisdom, or virtue are always found . . . in proportion to the power or wealth of a man; a question fit perhaps to be discussed by slaves in the hearing of their masters, but highly unbecoming to reasonable and free men in search of the truth" (*The Social Contract*).

The trouble about this Rousseau formulation is that, though it rightly criticises differences not related to natural inequality, it does not answer those, particularily Conservatives, who are prepared (at least in theory) to accept "equality of opportunity" or the removal of unnatural inequalities—provided everybody then has the opportunity to become unequal again through the exercise of different natural abilities. Most Socialists have felt that "equality of opportunity" by itself was not enough. For one thing, there can be no true "equality of opportunity" without a considerable reduction in existing inequalities—whether of income, housing conditions or educational provision. In other words, for there to be an equal start in life there must also be a good deal of equality of condition already—a crucial point which Conservatives always conveniently ignore. But an even more serious objection to equality of opportunity is that it excludes those who fail to win life's prizes. Mrs Thatcher's parrot-cry of "Let the people grow tall" is fine for those that can but not so good for those who cannot. In one of his finest passages, Tawney devastatingly undermines this line of argument . . . "the doctrine which throws all its emphasis on the importance of opening avenues to individual advancement is partial and one sided. It is right in insisting on the necessity of opening a free career to aspiring talent; it is wrong in suggesting that opportunities to rise which can, of their nature, be seized only by the few,

are a substitute for a general diffusion of the means of civilisations which are needed by all men, whether they rise or not, and which those who cannot climb the economic ladder and who sometimes, indeed, do not desire to climb it, may turn to as good account as those that can" (Tawney, *Equality*).

The principle of permitting inequalities, provided these are necessary to maximise the position of the least advantaged (proposed by Rawls in his *A Theory of Justice,* Harvard, 1971) as his criteria for judging the desirability of change is preferable to "equality of opportunity" because it concentrates attention on those who most need it—the poor, the sick, the unemployed, the aged, the exploited, and the unlucky. But it does not justify existing disparities in wealth, status and power.

One can accept that it is neither fair nor practical for everybody to have precisely identical material circumstances. A large family will need a bigger income than a small family. One person might choose to increase his leisure while another might prefer working to save up money for the future. In addition, some incentives may be necessary in order to ensure that people continue to work and save—though how great these should be is a matter of opinion. Some (usually those with special abilities, qualifications and responsibilities) believe that special abilities, qualifications and responsibilities ought to be specially rewarded. The difficulty is to find a rational basis, other than self interest, for paying those who already have the most interesting jobs considerably more than those with less interesting ones.

unjustified inequalities

But, even if there are some inequalities which can be justified on the grounds of need or efficiency, there are a whole range of inequalities which cannot possibly be defended. In 1976, the most wealthy 1 per cent of the adult population owned 25 per cent of total personal wealth, the most wealthy 5 per cent about 47 per cent, while the share of the bottom 80 per cent was only 21 per cent (*Economic Trends,* HMSO, November 1976). These unequal shares of wealth have been perpetuated by the inheritance of large fortunes, a transfer between generations which has little economic or any other justification. Differences in income have become narrower. As regards employment income, in 1975 managerial salaries for the £20,000 a year job level were about eight times the median earnings for manual workers before tax, and almost four and a half times after tax. Even so, taking income as a whole, in 1973/74 the average income before tax of the top 10 per cent was 14 times the bottom 10 per cent and eight times the bottom 10 per cent after tax. And although most people get their income from wages, salaries and pensions, the top 1 per cent derive a third of their income from private investment—a substantial proportion of which is inherited.

It is not only a matter of unjustified inequalities in wealth and income (between regions and nations as well as between individuals); existing disparities in educational provision, working conditions, status and economic and political power are just as indefensible and arguably even more resented. Why should money buy a better education? Why should there be different treatment of blue collar and white collar workers? The discrimination which still continues against women and blacks, despite legislation, can never be justified. Why should there be any difference in status between council tenants and house owners? And is it right that those who are affected by decisions—at work, at school, or on the housing estate—should have little or no say in how these decisions are made? Inequality in power is particularly important. Over many areas of their lives most individuals feel that others, far more powerful, control their destiny.

Given all these unjustified differences, Socialists must continue their pursuit of greater equality. It is not only that these inequalities are morally repugnant and degrade those who are affected by them; they are also deeply divisive. A society

which more nearly corresponded to what most people consider to be fair would be far more likely to be harmonious than one, which, like modern Britain, still remains, in so many unjustified ways, profoundly unequal.

the meaning of freedom

Democratic Socialists also give a high priority to freedom. They believe that each individual should have the maximum possible freedom to live his or her own life as he or she wishes. What do they mean?

In common with other democrats, they consider that certain political freedoms are fundamental. These include the right to criticise those in power, to organise opposition to them, and to replace them through the ballot box by others with different policies. Without these rights, government is always liable to degenerate into an instrument of oppression—as we have seen in Eastern Europe, in Chile and in South Africa.

What is distinctive about the Democratic Socialists' approach to freedom is the importance they attach to welfare rights —including the right to housing, to a decent education, to a minimum standard of living, to treatment in sickness, to security in illness, unemployment, widowhood and old age. If access to certain basics of life depends on wealth, only a few can enjoy it. Socialism means the opening up of opportunities to more people—boarding school places available to those with deprived home backgrounds; a private room in hospital for those who need solitude; mobility arrangements for the disabled.

How far is there a conflict between increasing welfare rights and the more traditional definition of freedom? Take education: Conservatives argue that the spread of comprehensive education to over 80 per cent of secondary school children diminishes educational opportunity. Yet under the selective system only 20 per cent could go to grammar school. There was restricted opportunity for the remainder (apart from the small minority who could pay for private education). It is true that under the new system there is restriction of choice for those who would formerly have gone to grammar schools. But every child should now have the possibility of a decent education, thus widening educational opportunities for the majority. We should note that the widening of educational opportunities required major egalitarian change. The extension of opportunity in employment, housing, health, leisure and retirement and most other aspects of life also requires substantial reductions in inequalities which must imply restrictions on some people's ability to choose.

Clearly freedom can never be an absolute. In order to preserve or increase the liberty of the majority, the liberty of some has to be limited. Murderers, violent aggressors and criminals have to be restrained, the strong have to be prevented from maltreating the weak, the few from exploiting the many. Disputes have to be settled and conflicts resolved. All this implies laws, regulations and agreements. In a complex industrial economy, Government intervention in the economy is also required. The question is how much?

Under Mrs. Thatcher there has been a revival of market conservatism—the nineteenth century belief that, provided the individual entrepreneur maximises his profit, competitive market conditions will ensure that there is no conflict between his private good and the public good, between his interest and the interests of the many. According to this doctrine, not only prosperity for all but the maximising of individual freedom is best achieved by leaving individual enterprises free to manage their affairs ; government intrusion should be left to a minimum—preferably little more than controlling the money supply.

The economic implications of modern market conservatism are dealt with later. As an overall *political* philosophy, capable of defining freedom in its modern context, it is wholly inadequate. As Fred Hirsch has pointed out,

the conditions in which market capitalism was initially successful in the nineteenth century were transitory: "First, full participation was confined to a minority —the minority that had reached material affluence before Liberal capitalism had set the masses on the path of material growth. Second, the system operated on social foundations laid under a different order of society" (*The Social Limits to Growth*, Harvard, 1977). In many areas of vital importance to the whole community such as housing, education, health, social benefits and the essential utilities (like electricity, gas and water) the market system worked so imperfectly and inefficiently that the state was forced to intervene. To promote a fairer distribution of income and wealth than was possible under nineteenth century capitalism, modern Governments have created a system of progressive taxation linked to redistribution in the form of public expenditure on social programmes. In order to achieve other important community objectives, Governments have also had to introduce measures to help control inflation, to correct deficiencies of demand, to improve the balance of payments, to stimulate industrial investment and technological innovation, to assist regional development, to secure and create employment, to ensure an adequate supply of skilled manpower, and to preserve the environment. In a world of economic recession and shortages of basic fuels, of large corporations, multinational companies and nationalised industries, of powerful trade unions and pressure groups, of imperfect markets and rising aspirations, market conservatism offers a dangerously over-simplified approach, which is likely to benefit the few rather than the many.

towards a community socialism

This is not to deny that the power of the state apparatus, created by the needs of modern industrial society, as well as the size of other institutions, including the larger corporations and trade unions, creates major problems. The individual citizen is increasingly likely to feel alienated by the remoteness of the decision-makers. What is needed, however, is not a return to nineteenth century nostrums but a new emphasis on the decentralisation, diffusion and redistribution of power. Indeed there is a relevant value to which Democratic Socialist thinkers as different as Tawney, G D H Cole and the Webbs have attached importance—the idea of fraternity or, as we should say today, a "sense of community"—that feeling of being at one with one's neighbours and society which comes from sharing in common purposes, activities and values. In recent years, though Socialist policies have contributed to the strengthening of community, we have taken this old socialist idea too much for granted. In the difficult world which we now live in we must give it a new emphasis.

The need to cooperate with others has always been essential to human society. Although we may want the maximum possible individual freedom, without mutual co-operation we would not be able to survive. In the 1980s the persistence of world recession, the weakness of British industry, and the growing shortage of fossil fuels will put our society under increasing strain. We shall need to develop the maximum possible common purpose.

Already there are signs that our sense of community needs strengthening. It is easy enough to point to the increase in the rates per thousand of people found guilty or cautioned for serious offences particularly among the young, the growth of vandalism, and the killing and maiming of people in Northern Ireland. There are other pieces of evidence which are also significant. Politically, the proportion of those who vote at general elections —and for the two major political parties —has fallen considerably since 1951 ; the level of voting at local elections varies but can be as little as 10 per cent of the electorate; and membership of the Labour and Conservative parties has declined dramatically. Industrially, even if we forget last winter, the number of days lost through strikes has increased substantially since the 1960s, there is a greater resistance to managerial authority

while the trade union leadership is challenged by shop floor groups.

I am not qualified to comment on the crisis in Northern Ireland—though I suspect that the time is long overdue for a new political initiative by Westminster. As far as the rest of the United Kingdom is concerned there are probably three main causes of the weakening in community. The first is our relative economic and industrial failure. The fast rate of inflation of recent years has set group against group, while the high level of unemployment has created a new sub-proletariat of young, unskilled and black citizens without a "stake" in society. Even for the population as a whole, the expectation of a continuing increase in living standards have been cruelly disappointed. This is not to say that economic growth necessarily leads to greater happiness or stability. Fred Hirsch has shown that there are certain kinds of much sought after goods, such as top jobs, beautiful views, country cottages, access to the seaside, whose supply is limited by "social scarcity". Unlimited pursuit of these "positional" goods is a zero-sum game from which nobody gains. If everybody decides to go to the same seaside resort, they spoil it for each other (*The Social Limits to Growth, ibid*). But even if economic growth based on competitive individualism is inherently unsatisfying, a society which has learnt to take rising living standards for granted finds it difficult to adjust when they stop rising.

The second reason is the shift away from deference towards more assertive behaviour. In itself, this is a welcome development. It is right that children should refuse to accept their parents' assumptions, that marriages should be a union of equal partners and that employees should question managerial authority. However, the changing perception of existing disparities in opportunities, wealth, status and power—many of which are not justified and are possible to change—creates social tension. This tension is intensified by the rigidity of our class structure. The Nuffield survey (see *New Society*, 8 February, 1979) shows that the opportunities to join the middle class are increasing but that they only occur in youth. As Peter Jenkins has commented "anybody who wants to escape from the working class into the expanding new middle or 'service' class had better get on with it quickly" (*The Guardian*, 16 March, 1979). The consequence of this pattern of social mobility is a growing, though heterogeneous, middle class and a shrinking—but often increasingly homogeneous working class —hardly a recipe for social harmony.

The third and equally important cause is the remoteness and the apparent inhumanity of the institutions which shape our lives. British society is dominated by large bureaucracies, huge firms and giant trade unions. Their size creates a feeling of distance. Many people feel that they have little chance of influencing the decisions made by these big battalions and so they either go into permanent opposition or opt out. It is arguable that this lack of involvement is not necessarily harmful to society. There is certainly no reason why everybody should be a budding shop steward, local councillor or Member of Parliament. But there is a difference between disinterest and alienation. There is now a substantial body of people who feel that the "them" are "all the same" or "in it for what they can get out of it" or "couldn't care less for ordinary people". This kind of attitude weakens the sense of belonging, of being at one with one's neighbours and society, and could in time feed extremist, anti-democratic politics of either right or left.

How can we strengthen the community? In feudal times the tenant held land from his lord in return for service; a hierarchical system of rights and obligations maintained social cohesion. In the nineteenth century, patriotism helped provide the cement that bound men together, as well as keeping them apart. Today we are searching for a different, more humanitarian basis for mutual cooperation—a search that is far more likely to be successfully conducted under Democratic Socialist auspices than under those of another creed.

One of the features of the last decade has been the revival in Western Europe of that other nineteenth century philosophy, Marxism, not only as a political force in Italy and, to a lesser extent, in France and Spain, but also as a political philosophy taken seriously in Britain by university teachers and students and by some members of the Labour Party. The attractions of Marxism are obvious. It gives its adherents not only the seductive comfort of a systematic explanation of the world but also the exhilarating feeling that history is on their side. But its approach to " community " is one of its most unsatisfactory aspects.

Marxists rightly point out that social inequalities and differences between classes weaken community. But there is little evidence that the application of their methods would strengthen it. First, the concentration on conflict and violent change in the Marxist model is scarcely compatible with the democratic persuasion required if people from different backgrounds are to work together, as they must, if cooperation is not to break down. Secondly, the belief that a change in ownership is enough to create a greater sense of community, either at enterprise level or in society as a whole, is mistaken. It is difficult to argue that human relations in our nationalised industries have been transferred by a change of ownership or that social cohesion is any greater in Eastern than in Western Europe. Evan Luard has rightly concluded that " the dehumanisation, the remoteness, the alienation, the anonymity, which the modern industrial worker and indeed the modern citizen generally may experience, is not the effect of the system of ownership, but the scale of the organisation and the number of people who are involved in the production process " (*Socialism Without the State,* Macmillan, 1979).

The market Conservatives associated with Mrs Thatcher have little to say about community. Indeed, their stress on competitive individualism is so unbalanced that one person's obligation to another is scarcely acknowledged at all. Admittedly, traditional Conservatism—the Conservatism of Burke, Disraeli and Macmillan—has accepted the need for people to work together. But this type is far too attached to the *status quo.* Changes of all kinds are so much part of life that a political approach which fails to take account of them is bound to prove inadequate. The reluctance of " traditional " Conservatives to accept social change is at least in part shaped by their support for existing power structures, privileges and inequalities. And, as we have seen, it is often the existence of these disparities and people's awareness of them which does most to undermine the sense of community. " Traditional " Conservatism is also too limited in its view of human nature and of social and political potentialities. For human beings do have the capacity for growth and improvement. It is, therefore, appropriate for democratic socialists to argue and work for those changes in economic, social and political organisation which improve the conditions under which people live.

the democratic socialist contribution

Democratic Socialism provides a more satisfying intellectual backing for a community. Its belief that human beings have the capacity for cooperation is not only a more generous assessment of human nature than is made by traditional Conservatism; it is also more realistic. It explains why people rescue strangers from drowning or give their blood to save the lives of others. It helps one understand why the young are prepared to assist the old and infirm. It puts into perspective the comradeship of those who do difficult and dangerous work, miners, fishermen and shipyard and other workers. The recognition that human beings have obligations to each other is not just a utopian dream but has its roots deep in human behaviour and experience.

Our Socialist egalitarian ideas are also highly relevant. The introduction of welfare rights by the postwar Labour Government created the basis for a more cohesive democratic society. Since then, Labour's reform of secondary education

on comprehensive lines has also reinforced social cohesion by bringing together children of different backgrounds.

The Democratic Socialist commitment to democracy is also of vital importance. Here too, Labour has made a major contribution. The rise of the Labour Party and the growth of the trade union movement gave working people a real stake in its future. In the 1980s, support for greater involvement at all levels will be needed. We should, however, never forget the crucial point that the first loyalty of men and women is to their primary groups—the family, the neighbourhood and village, the work group, the factory, the town, the local football club, the political party at ward and constituency level. It is far less common to find a similar attachment to larger bodies—the giant corporations, the big trade union, the civil service, the modern city or connurbation, one's social class, let alone society as a whole. This suggests that we should disperse and redistribute power downwards. Democratic Socialists should back and encourage participation in small scale organisations where participation can be most meaningful and the sense of community most strongly felt.

However, before also deciding that large scale organisation—and even the state apparatus itself—ought to be progressively dismantled (following the advice of Evan Luard in his provocative *Socialism Without the State, ibid*) we ought also to remind ourselves that some way has to be found of preventing primary groups conflicting—neighbourhood against neighbourhood, work group against work group, and even, as in Northern Ireland, community against community. In many areas, vital to society, there has also to be some method more effective than that provided by the market of allocating resources. Again, if inequalities are to be reduced and services to be performed effectively, there will be a need for bureaucracy. And if there is a case for large firms, there is also one for effective countervailing power in the form of big unions. But if we cannot abolish the large scale organisation, we should aim to decentralise where possible and make it more accountable and responsive to the community.

Ways to strengthen the community are explored in the remaining sections of the pamphlet. Economic and industrial policy, social objectives and political institutions are considered in turn.

3. economic and industrial policy

A British Democratic Socialist need make no apology for putting economic and industrial policies first. For it is relative economic and industrial failure which is perhaps the major British shortcoming —and it is at least in part as a result of economic and industrial success that opportunities for individual citizens can be expanded, social objectives achieved, and above all the community strengthened. This pamphlet argues that, in the difficult conditions of the 1980s, the main emphasis must now be on the promotion of industrial co-operation.

In the past, the aims of Labour economic and industrial policy have been the maintenance of full employment, the control of inflation and an increase in living standards, including the "social wage". The big question is how these laudable objectives are to be achieved. Since the middle 1950s, Democratic Socialists have emphasised the role of economic growth. Only a steadily growing economy, they have argued, can provide the increases in living standards and public spending which are required. Yet, though the British economy has grown at a historically high rate since the war, this has still been slower than our main industrial competitors. As a result, British living standards, though continuing to rise, have fallen behind those of faster growing economies; and, despite the fact that the percentage of our GNP spent publicly is about the same as most of our competitors, the absolute level of our public spending is now below theirs.

the weakness of manufacturing industry

It is now common ground that the predominant cause of our failure to grow as fast as our rivals has been the relative weakness of our manufacturing industry. In most advanced industrial societies in the last two decades, the share of manufacturing in total employment has fallen but in most of these economies the share of manufacturing in total output has been maintained. British manufacturing industry, however, has registered a decline in real output as well as in employment. Our difficulty has not been one of adjustment of supply to a changing pattern of home demand but of not being able to sell enough exports, even when price competitiveness is maintained, to match what would be the full employment level of imports, including imports of manufactures.

The relative weakness of our industrial performance is nothing new. At the turn of the century, British politicians and industrialists were extremely concerned about the challenge from German and American industry. However, by the 1970s, comparison by the NEDO office of the performance of British and German manufacturing industry revealed that we had fallen so far behind that there was an across the board German superiority in both the design and marketing of products and labour productivity. In another paper, NEDO has shown that backwardness in product design, ineffective marketing and other non price competitive disadvantages—such as unreliability, poor delivery and after sales service—lie at the heart of Britain's industrial decline (*International Price Competitiveness: Non-Price Factors and Export Performance*, NEDO, 1977). These two factors—product quality and labour productivity—are interconnected. Relative failure over a number of years in the design and selling of products has led to the closure of plants and unemployment. This sequence of events has created a particularly defensive attitude among employees and their representatives who understandably give a high priority to job security and resent the introduction of new techniques. The result is a vicious and intractable downwards spiral of low labour productivity, low profitability and investment and shrinking market shares which could, if unchecked, lead to an actual decline in living standards.

world problems of demand and energy supplies

The difficulties of improving the performance of the British economy are compounded by the increasingly sombre world economic background. There is now a deficiency of demand on a world scale. We are all trapped in a vicious circle

of demand deficiency, reduced output and increased unemployment. The consequences are likely to be extremely serious. Failing an agreed international response, national governments will turn towards unilateral protectionism. There is a strong case for agreements which produce orderly and balanced trading conditions. But if each country shuts out the other countries' goods on a unilateral basis, competitive protectionism will make everybody worse off. Though the developing countries will suffer most, the living standards of even the strongest industrialised countries, particularly those which depend most on exports, like Germany and Japan, are likely to stagnate. In a number of countries democracy could even come under threat.

Behind the recession there is an even graver problem facing the world. Forecasting the demand for and the supply of energy is a notoriously hazardous occupation because it depends on assumptions, not only about reserves, but also about the future rate of economic growth.

Most forecasts however, agree that by the end of the 1980s, at the latest, the supply of fossil fuels on which the world now depends will be insufficient to satisfy energy demands. The 1979 energy crisis induced by cutbacks in Iran is a portent of things to come. We shall either have to modify our present pattern of industrial development or develop other energy sources, or both.

Although the United Kingdom has substantial resources of oil and gas and very large reserves of coal which will enable us to be self sufficient for some years from 1980, in the longer term it will be impossible to insulate ourselves from world energy shortages. Supplies of North Sea oil will be declining by the beginning of the 1990s at a time when imported oil will be even more costly. So the crucial question for us, as for the rest of the world, is " what . . . should be the respective contributions of energy conservation, of coal, nuclear-based electricity and renewable resources, such as wave and solar energy, and fuel imports, to meeting the country's energy needs " (*Consultative Document on Energy Policy*, HMSO, February 1978)

We cannot just leave this problem for the future. The lead times for making substantial changes in the pattern of energy supply and demand, and particularly for introducing new technologies, are very long. So, if options on future energy supply are to be kept open, some difficult decisions will have to be taken in the relatively near future to replace declining production in offshore gas and oil. We shall have to make up our minds about the nuclear issue. At present the only assured source of fuel supply in the long term, apart from coal, is nuclear power. Because of the limited availability of uranium, dependence on nuclear power almost certainly involves major reliance on fast reactors (*Consultative Document, op cit*) about which the Royal Commission on Environmental Pollution has expressed concern on social, environmental and security grounds. It will also be impossible to ignore the energy needs and decisions of other countries, including the developing countries.

improving the performance of British industry

So, against the depressing background of world recession and energy shortages, how do we improve and adapt British industry? The Thatcher Government believes that reductions in taxation and cuts in public spending will somehow do the trick. But although we pay a greater proportion of taxation in direct taxes and, until the 1979 Conservative Budget, had a higher marginal rate at the top end than most of our competitors, there is no evidence that we are taxed more heavily or that most of our managers pay a greater proportion of their salaries in tax. It should also be remembered that we were already beginning to lose our share of world trade at a time when the highest rate of income tax was under 7 per cent (Phelps Brown, " What is the British Predicament? " *The Three Banks Review*, December 1977). The Thatcher gamble is not only unlikely to succeed economically but because of the massive cuts in public spending which will be

required it could also lead to widespread social dislocation—hardly the best background to the development of the greater sense of community which is as much needed in industry as elsewhere.

A more sophisticated version of the "market" Conservatives' case is provided by Bacon and Eltis (in their book *Britain's Economic Problem: Too Few Producers*, Macmillan, 1976). They believe that the expansion of the public or non-market sector has taken up resources which should have gone to strengthen our industrial base. Clearly when, as in 1973-76, public expenditure expands much faster than national output, difficulties about financing arise. If inflationary pressures are to be avoided, then either taxation has to be increased or the growth in public spending has to be brought under control. But, though there is a need to take correcting action when public spending expands too fast, this is a quite different proposition from the Bacon and Eltis thesis. If their argument was correct, one would expect our level of public spending to be much higher than our competitors and to be able to detect signs that British industry was being starved of resources. Yet the percentage of our GNP spent publicly is no greater than most of our competitors. With respect to resources, there is no evidence that investment in manufacturing industry as a whole has been held back by the cost of or availability of finance, while the relatively poor productivity performance of British manufacturing industry compared to its rivals hardly suggests that it is suffering from an overall shortage of manpower. We should also note that a substantial proportion of the large public sector borrowing requirement is the result of the high level of unemployment. If public spending is cut back further, unemployment and therefore the public sector borrow-requirement is likely to rise.

the role of government

Some of the left now believe the solution to the problems of British industry is a massive extension of public ownership. It is indeed highly likely that, during the 1980s, the powerful public sector which already employs a third of the labour force, will be further enlarged.

The weakness of parts of British industry compelled the last Labour Government, like the preceding Conservative administration, to take a number of important companies (including British Leyland, Alfred Herbert and ICL) into partial or total public ownership. In addition, the shipbuilding and aircraft industries have been nationalised. It is probable that, in the next decade, other important industries or companies which have got into difficulties will be taken over in order to preserve capacity in strategic sectors of the economy. Even more important will be the need, where private enterprise is not prepared to take the risk, to set up state-owned companies in the advanced technology industries (such as micro-electronics) and other sectors vital to the future of British industry. Here the National Enterprise Board, one of the main achievements of the last Labour Government, has a crucial role to play. But though selective, flexible and strategically directed public ownership should be an essential part of a Labour Government's industrial strategy, the idea that wholesale public ownership can by itself change British industry is largely beside the point. Though it is true that, during the 1960s, the nationalised industries had a slightly better efficiency record than industries in the private sector (the evidence in the 1970s is probably less impressive), the weakness of British industry is related far more to ineffective use of resources and to poor design and marketing of products by both public and private industry than to the question of ownership.

However, because it already controls over 40 per cent of national spending and is responsible for 43 per cent of capital formation, the Government must take overall responsibility for improving industrial performance. This does not mean to say that, even in the public sector, it can impose solutions from above. These can only effectively be worked out at company and plant level by those

involved—management and trade unions. Where the Government can assist is by trying to ensure that there is a " co-operative " framework at all levels and by using its powers in a helpful way. It is here that Labour governments have contributed most—and have most to contribute.

British industrial policy has for a long time had a tripartite basis. In 1962 the National Economic Development Council was set up (by a Conservative Government under Macmillan) with management and trade union participation. George Brown's ill-fated National Plan of 1965 was supported by both management and unions, while the Industrial Strategy was launched jointly by Government, management and unions at Chequers in 1975 and worked out in detail by the sector working parties of NEDC which were composed of Government, management and trade union representatives. The special contribution of the last Labour Government was to develop an institutionalised relationship with the TUC through which industrial and economic policy was regularly discussed.

The case for such a tripartite structure is partly political. In a modern democratic society, government must win the support of the two main industrial interests. But there is also a powerful economic logic to take account of. The oligopolistic markets which are such a feature of the advanced mixed economy gave both enterprises and labour great bargaining power. This power enables them to fix wages and prices—and thus make nonsense of the " economic laws " which are derived from the theory of perfect competition, and nonsense of Mrs Thatcher's economic policies. A Government which is concerned to influence the rate of inflation, to stimulate investment, and to improve industrial performance has, therefore, to construct a framework in which it can influence the behaviour of these influential industrial organisations.

So far, this tripartite structure has had only limited success. In some areas (particularly investment incentives) it has enabled industry to influence Government; but Government and those who work in industry have had less influence on those who run industry. What we now need to do is not to abandon the idea of " tripartism " in favour of either a return to a non-existent free market or of a massive extension of old-style public ownership, but to strengthen it in three ways.

strengthening tripartism

First, the Government needs to improve its own capacity for strategic thinking and action. If Government intervention is to be effective, there is no substitute for planning. At the very least, the Government has to develop a forward strategy about the best use of the huge resources it controls. As I have argued, this applies especially to the publicly owned energy industries. A Labour Government, committed to a policy of industrial recovery, must also ensure that other policies (particularly inflation, exchange rate, trade, employment and education policies) are consistent with this objective. In addition, it needs to be able to take a view of world industrial and market trends and our strengths and weaknesses in relation to those trends and, in cooperation with both sides of industry, use its powers to see that as far as is possible the " winners " take full advantage of their position and gaps and deficiencies are made up. This kind of forward look will be essential in the change over from an energy and resource waste to a conservation economy.

To assist in carrying out their strategic tasks, Governments need a small but high-powered monitoring unit of their own, as well as more civil servants with knowledge and experience in industry. Where precisely the unit should be located (whether in the Department of Industry, under the joint sponsorship of the Department of Industry and the Treasury, or attached to the Prime Minister's office) is not so important as the necessity of having such a body. Without such a unit, Governments will find it difficult to decide on their own priorities or take

initiatives in company and industrial intervention. In addition, an interventionist Department of Industry (which is what all Departments of Industry in a mixed economy ought to be) should be staffed with civil servants.

Second, sectional planning at NECD level needs to be supplemented by planning agreements between Government and the major companies who play such a dominant role in British industry. Too much of the valuable investigative work of the sector working parties and the EDC's (Economic Development Committees) has lacked follow-up. There must be closer contact between large firms and the Government in the form of planning agreements. However, despite the last Labour Government's commitment to planning agreements, few were negotiated —though quite a number of more informal arrangements were established. Hardly surprisingly, the pressure amongst Labour activists for compulsory plans has intensified. If industry continues to resist the idea the next Labour Government will have to legislate. A "social contract" with industry would however be preferable. In return for a Government commitment to sustaining, as far as it possibly can, a favourable industrial environment (for example, some stable economic policies, a realistic exchange rate, a reasonable return on investment and even import controls), major companies should agree to let the Department of Industry see their corporate plans.

Third, and perhaps most important of all, employees and their representatives must be more closely associated with the planning process. A "tripartite" structure without grass roots participation will be doomed to impotence. For given their experience, attitudes and power, it will simply not be possible to improve British manufacturing industry without the involvement of those who work in it.

A decisive move towards industrial democracy is now long overdue. Any meaningful system of industrial democracy has to be based on the work group and trade union organisation, though there is also a strong case for a right to boardroom representation. A flexible, non-mandatory and multi-dimensional structure on the lines of the last Labour Government's White Paper would be a useful first step.

Critics of industrial democracy have claimed that it will damage rather than help industry. My own view stated in *The Industrial Democrats* is that "more industrial democracy . . . should help to reduce that feeling of alienation so characteristic of British industry and increase the sense of commitment to the enterprise so necessary to economic recovery. It should also provide a framework within which it should be possible to minimise the areas of conflict and maximise the areas of cooperation. It should become easier to remedy some of the main faults of British industry—a resistance to change and an ineffective use of investment, including manpower" (Allen and Unwin, 1978). Industrial democracy will help create that sense of community at plant level so vital to the recovery of the British economy and to our national unity.

policies for recovery

To assist the recovery of British industry Government, management, and unions need to reconsider four policy areas—counter-inflation policy, trade strategy, training and employment policy. With respect to counter inflation policy, monetary and fiscal control are not enough : a permanent prices and incomes policy is necessary. Just as Government can not rely on the planning of wages alone, so it is unrealistic for trade unions to call for planning in other parts of the economy and expect the Government to abdicate its responsibilities in the field of wages and incomes. A Government which one way or another is responsible for the employment of a third of the labour force has to decide about the level of their wages. It also has to take a view about the impact of wage increases on industrial costs and on the level of prices and employment generally. Nobody doubts that the develop-

ment of a long term incomes policy is extremely difficult. But, whatever the problems, the alternative of a free-for-all—(as we saw only too clearly both in 1974-75 and in the winter of 1978-79)—is much worse and would certainly undermine our industrial recovery.

It would not be helpful at this stage to produce detailed proposals. There is, however, one issue which needs thinking about now—and that is if it is possible to maintain consistent support from work groups for an incomes policy. One possible way of ensuring democratic consent would be to ballot trade union membership on any agreement reached between Government, TUC and CBI. This might act as a useful reinforcement to the authority of the TUC—and persuade Government that it cannot act alone.

We also need a trade strategy. Two policies have been suggested, the first of which is devaluation. Obviously devaluation assists an economy whose goods are overvalued to become more competitive, and to the extent that devaluation has compensated at least in part for the non-price disadvantage of British goods, it has prevented employment and output falling much faster than it has actually done. In the next few years, there is a danger that, because of North Sea oil, the value of sterling will be kept artificially high to the detriment of our prospects in overseas markets. However, though devaluation may be necessary, it does not always work to industry's long-term benefit. Indeed, there is evidence from mechanical engineering that, as a consequence of devaluation, British exporters have concentrated on those markets which are most susceptible to price changes at the expenses of the higher quality markets. (D. K. Stout's, paper in *Deindustrialisation* edited by Frank Blackaby, Heinemann, 1978).

The other proposal is for import controls. Major difficulties arise from such a policy. There is the danger of retaliation which could not only harm our export industries but also slow down overall world trade. This suggests that a more than temporary policy will require the acquiescence if not the agreement of other countries. There is a further problem ; even the most fervent supporters of import controls agree that they do not by themselves improve performance. How can we be sure that, without the spur of overseas competition, parts of our industry would not slip even further behind ? Despite those difficulties we may well be driven by our manufacturing weakness to limit imports. If this happens, we need to introduce them in a way which maximises their advantages and limits their disadvantages. As a first step, there should be comprehensive monitoring of imports penetration. This should provide us with the information we need to contain imports by controls to a certain percentage of the home market for a period of say five years. Such a strategy could provide British manufacturing industry with the opportunity it requires to make itself more competitive, though performance would need to be checked by bodies like the Price Commission. It could also give our rivals the benefit of an expanding instead of the stagnant market created by a policy of controlling imports by deflation.

Austen Albu noted ' a competitive technically advanced industry is only as strong as the pyramid of skills which supports it " (quoted by G F Ray in *Deindustrialisation, op cit*). Despite the efforts of successive Governments in both education and training, there is considerable evidence that our industrial labour force is, at all levels, worse educated and trained than that of our main industrial rivals. The proportion of qualified engineers and scientists in engineering is well below that of our competitors, our training programme for technicians, craftsmen and operators, though improving, remains inferior, while we have one of the lowest participation rates for 16-18 year olds in full time education of any country in Europe. Obviously we need a major increase in the resources going to training and education. More generally, there still exists a bias against manufacturing industry which acts as a deterrent to the recruitment of the best talent. Managers often stress the financial side but it probably has more to do with the

image of industry as the battleground for class conflict. If this is correct, then an increase in industrial democracy could help attract the more able and idealistic.

an employment strategy

The increase in the labour force, the recession of the 1970s, the energy crisis, and the impact of new technology, particularly the micro-electronic revolution underline the need for the development of employment policy, complementary to economic and industrial policy. Under the last Labour Government, manpower policy received much more attention than before ; but it was primarily concerned with job placement, mobility and training and only temporarily and experimentally (though very successfully) with job creation. Conventional labour market policies are, of course, essential. School leavers who are equipped with the skills required by employers and who are aware of where the demand for their skills is located are more likely to get jobs. And, if it were possible to upgrade the skills of more unemployed manual workers, this would not only be good for the economy but also reduce the level of unemployment. However, if unemployment is to be reduced substantially and if the defensive attitudes of British employees are to be changed, something more is required.

What is needed is a manpower strategy which monitors the job potential of different sectors of the economy and suggests policies to improve that potential. Overall, there are unlikely to be many extra jobs in large-scale manufacturing industry. The first priority in this sector is not job preservation but greater competitiveness. However, if companies were able to improve their products, this could improve productivity without loss of jobs, while ways to increase the amount of shift work should be seriously explored as it combines gains in productivity with increased employment. In addition, work-sharing in the form of a reduction in the numbers of hours worked during the week, the lowering of the retirement age for men, less overtime and more educational and training "sabbaticals" will have to be considered—though always with an eye to what our competitors are doing.

As has already been noted, people prefer to work in small firms. But these can also create many extra jobs. The field should not just be left to private enterprise. There could be an important role for co-operative enterprises, particularly in the development areas. These should be linked to local and regional co-operative banks, as in the Mondragon model in the Basque country, and draw on the skills, savings, and redundancy pay of local people as well as on special industrial grants. If unemployment with all that it could mean socially and politically, is not to become a permanent feature of our society, then a whole range of unorthodox measures will need to be taken by Government, management and trade unions alike.

We will only succeed if we can create an "industrial consensus" to explore radical alternatives. In Britain, an industrial policy which is either imposed from above or left to the play of market forces will be unsuccessful. It is, therefore essential for the Labour Party and Labour Governments to continue to work for "co-operative" policies which link Government, management and union together in a combined approach to our problems.

4. the drive for social justice

The traditional response of democratic socialists to inequality has been to combine progressive taxation with redistribution in the form of public expenditure. Undoubtedly this approach has had an impact. Over the last forty years the share of personal wealth held by the very wealthy has declined, though some of the benefits of this have gone to those in the upper middle ranges. With respect to the distribution of income, the measures of successive Labour governments have had a more significant egalitarian effect. The Royal Commission on the Distribution of Income and Wealth concluded that "the combined effect of the tax system, the receipt of transfer payments and direct and indirect benefits in kind is a major redistributive one" (*Report No.* , HMSO 1978.)

The development of a whole range of social programmes has conferred equal rights in vital areas of life and substantially improved the quality of people's lives. As Howard Glennester has pointed out, they "enable individuals to survive the burdens of sickness and the heavy cost of schooling, child bearing and setting up home, as well as the interruptions of earnings through illness, unemployment, widowhood and old age" (*New Statesman,* 27 February 1976).

However, in recent years, the democratic socialist approach has been under attack. Though progress has been made, the distribution of wealth and income is still far more unequal than can be justified by any rational criteria, while the eradication of "poverty" has also proved far more difficult than was supposed. Part of the problem is that poverty is a relative term. Even the standard of living of our poorest families is considerably higher than that of families at the turn of the century and of families in other less prosperous parts of the world. However, today's poverty levels must take account of today's definition of what is considered a civilised life. More relevant for our purposes as an explanation of the continued existence of poverty is the sheer intractability of the problem and the inadequacy of our present system of income maintenance. The Report of the Royal Commission on Distribution of Income and Wealth showed that, while certain groups remain especially vulnerable (including the elderly, large families and single parent families), there is also a "cycle of deprivation" where poverty is associated with poor health, low educational and skill levels, disadvantages in employment and inadequate social and political resources. The purpose of the Beveridge system was to guarantee a national minimum income as of right, while means tested benefits were to provide only a safety net.

Beveridge's intentions have not been fulfilled. The extent of the heavy reliance on means tested benefits is shown by the fact that in December 1976 four million families were entitled to supplementary benefit (*Social Trends,* 1979), while nearly a million families failed for one reason or another to take up this entitlement (Royal Commission *Report No* 6, Royal Commission on Distribution of Income and Wealth, HMSO 1978) and so remained below the poverty line. In addition, there is the so-called "poverty trap" where families receiving means tested benefits can find that an increase in earnings is wholly or substantially offset by a combination of reductions in those means tested benefits and increases in income and national insurance contributions (the DHSS have estimated that 50,000 families are potentially affected.)

At the same time, there is growing evidence of resistance by those on average earnings to improving the position of the least well off. As regards taxation, it is certainly the case that, although the British are not overtaxed in comparison with other countries, the direct tax level of the married man on average earnings has risen from a tenth of his income in 1960-61 to nearly a quarter now. This suggests that substantial increases in direct taxation on those with average earnings are unlikely to be politically acceptable in the short run. And though there is a strong case (which is argued below) for a further narrowing of differentials, it has been estimated that, even if no taxpayer was left with more than £8,000 a year after tax, this would

increase the tax yield by only about 6 per cent (*Public Expenditure White Paper*, HMSO, 1976). There may be some possibility of increasing indirect taxation and employers' contributions. But, even so, without a significant increase in the rate of output growth or in direct taxation it will not be possible to expand public spending very fast.

a redistributive coalition

The policies that are suggested in the remainder of this section are designed to take account both of the limited effectiveness and of the obstacles in the way of the traditional democratic socialist response. What is needed is the development of a new " coalition " in favour of redistribution. This would be assisted if the taxes on inherited wealth were seen to be successful, if there was a consensus on pay differentials and if the " social justice " programme was sufficiently broad to include those disparities in status and power which affect the majority.

As mentioned, inherited wealth, which has little or no economic justification, is one of the most important determinants of economic inequality. Here the capital transfer tax introduced by Labour in 1975 and levied progressively on transfers of wealth by gift or bequest could have a major impact. Although there may be room for modifications and refinements—such as the Meade Committee's arguments for a progressive accessions tax—the priority should be to see that the capital transfer tax really bites. There is also a strong argument for an annual wealth tax, though it is important that it should be co-ordinated with the existing Capital Gains Tax and Investment Income Surcharge.

With respect to incomes, the first requirement is what the Royal Commission on the Distribution of Income and Wealth in its third *Report* called " a broad consensus over pay relationships ". Although it is right to make a distinction between income derived from investment (often inherited) and income derived from employment, it is undeniable that the gap in rewards between a highly paid managing director and a manual worker on average earnings in the same firm is a divisive factor. The fact that top employment incomes bear a high marginal rate of taxation which can almost halve the initial differential is not enough to persuade workers of the validity of the reward system. An agreement on the relationship between top salaries and average earnings is likely to have a number of advantages. Firstly, it would remove one source of hostility between management and workers. Secondly, such an agreement might make it easier to achieve an overall consensus on relativities between wage earners (between the lower and higher paid, between semi-skilled and skilled and between different industrial groups) which cause such conflict and bitterness. Thirdly, if it were possible to establish a ratio of around 7 or 8 to 1 between top and average earnings before tax, then some reduction of the marginal rates of tax on top incomes becomes more acceptable. The main argument against such a limit on higher salaries is that it would lead to a damaging drain of managerial talent abroad. The Royal Commission was unable to turn up any hard evidence on this point. It is certainly true that, though the tax and differential positions are not out of line and there are considerable numbers of non-taxable " perks ", top jobs are less well paid in this country than in many of our rivals. But this, like our lower average wages, reflects the relatively slow growth of our economy. In any case a reduction in top marginal tax rates will compensate in part for a narrowing of pre-tax differentials.

Inequality is not only a question of incomes and wealth but also of sex, status, race and power. If we are to be effective in reducing these inequalities—inequalities which effect the majority—we need additional weapons. In the area of race relations and sex discrimination, the main priority is to ensure that the legislation passed by the Labour Government becomes more effective in the spirit as well as the letter. For example, we need to ensure that the Urban Aid pro-

gramme makes special provision for ethnic minorities and that both Government departments and industry take positive steps to encourage wider training opportunities and greater promotion prospects for women. With respect to status, the difference between blue and white collar workers of increments to income, in length of holidays, in sick pay, and other mostly trivial though equally divisive distinctions (such as separate dining rooms, toilets, car park and "clocking-on" arrangements) cannot be justified. The time has come for a campaign by Government, CBI and TUC and the Labour Party to get rid of these outdated disparities.

The major industrial relations issue for most employees, including many white collar workers, is their lack of control over their working environment. They have few opportunities to enjoy responsibility, to exercise judgment or to enjoy the experience of achievement and recognition. More industrial democracy would give employees and their representatives a real say in the running of industry, from shopfloor up to boardroom level. Such a change would not only be good for industry but, because it would help to disperse power, would also represent an extremely important egalitarian advance. There are also other areas—in our schools, on our council estates and in our local communities—where increased democratic participation helps to reduce inequality of influence and power. Increasing democracy should be a vital part of our egalitarian strategy.

a programme against poverty

Though a wide-ranging "social justice" programme could help to win support for measures to help improve the truly poor in our society, Socialists must continue to make the moral case against poverty. The Royal Commission *Report No.* 6 concluded that the groups most likely to find themselves in the lower quarter of incomes include the elderly (much the largest group) and families with children. A high proportion of the unemployed and disabled also have low incomes. And although pay is a significant cause of low incomes (particularly where families have a single and female earner), 60 per cent of lower income families have no earner at all. This evidence suggests that we should concentrate resources on increasing those non-means tested benefits which go to the most vulnerable groups—particularly pensions and child benefits.

The harmful effect of an excessive reliance on means tested benefits was mentioned earlier in relation both to "take-up" and to "poverty trap" problems. Most of the improvements argued for above relate to non-means tested benefits and so should to some extent help to relieve both difficulties. However, as with the "poverty trap" benefits should not be considered in isolation from taxation. The threshold at which income tax starts has not kept up with the accepted definition of a minimum standard of living, with the result that many people below or on the poverty line are paying tax. Increases in benefits will bring even more into the taxation system and therefore make it all the more essential to raise the tax threshold in line with the minimum acceptable standard of living.

In the longer term, more radical reform is likely to be needed if we are to maintain adequate support levels, overcome the problem of take-up, and co-ordinate fully tax and benefit systems. The main alternative systems which have been suggested in recent years are either some form of social dividend or negative income tax or an updated and expanded Beveridge scheme (see Meade Committee's *Report,* 1972, and Atkinson *The Economics of Equality,* OUP, 1974).

Both would be costly and considerable investigation is needed before we make the choice. To help us make up our mind, a reconstituted Royal Commission on the Distribution of Income and Wealth ought to be asked to report quickly on the respective merits of the alternatives.

We need also to break into the "cycle of deprivation". The Royal Commission

Report No. 6 on low incomes concluded that " some may suffer from cumulative disadvantages throughout their lives. Low earnings and unemployment are frequently associated with ill health, low skill, lower than average education and having a father who was a manual rather than a non-manual worker ". This suggests that, in addition to social benefits, a broad supporting strategy is required that links together policies in a number of areas. Of these the most important are education and training.

Since the publication of Jenks' sceptical reassessment of schooling in America (Christopher Jenks *Inequality,* Penguin Books, 1975). there has been a tendency to question how far our educational system provides an effective means of reducing inequality. It is too early to measure the effect of the move towards comprehensive education. Socialists are, however, justified in their belief that it represents a major advance towards equal rights in secondary education—a development which will come nearer completion when the quality of that education is improved and when the powerful position of the so-called "public schools " is weakened. Whatever the situation in the United States, Layard, Piachaud and Stewart (Royal Commission on Income and Wealth, *Report No.* 5, 1977) show that the lower paid tend to be those with the least education and qualifications, while the higher paid are those with the most. Their evidence is persuasive that, though, other factors are also important, unequal access to education and training is significant in the formation of inequality and that a more even provision of education and training opportunities is, therefore, an essential part of a " social justice " strategy.

Commonsense in any case suggests that there are at least three ways in which education and training can help. By upgrading the skills of the lower paid, it can improve their relative position ; by increasing the supply of the more highly qualified, it can reduce their relative reward advantage (there are signs that this is already happening) ; and by improving the life chances of children of manual workers, it may increase social mobility. So, for social as well as economic reasons we should go on giving educational spending high priority, concentrating particularly on nursery education, on the post-sixteen age group and on more training and education for those already in employment.

5. strengthening the community

The importance of a fresh approach to community has been my major theme. The advantages of a more co-operative approach in both industrial and social policy and the means by which it could be developed have been discussed in two previous chapters. There is little doubt that more successful policies in these two vital areas would substantially strengthen our sense of community. Persistent inflation and unemployment are deeply divisive, while inequalities breed social resentment. However we also need to encourage community more directly.

Take attitudes to material gain. Democratic Socialists have traditionally emphasised the need for sustained growth. If we could achieve it, it would certainly provide the motor for badly needed social spending, as well as some increase in living standards. But, given all the difficulties it is more likely that we shall have to be content with little more than economic stability. If so, we shall have to adapt our attitudes and beliefs. Here Democratic Socialists have a real opportunity. They must point out that the pursuit of material gain as the primary objective of life is a highly unsatisfactory basis for living in the age of world recession, energy shortages and social scarcity. This does not mean that everything should be collectivised or that there is no role for the market. It does, however, imply that we need a social morality which gives less emphasis to individual reward and which puts a higher value on sharing and cooperation. As Fred Hirsch noted " the only way of avoiding the competition in frustration is for the people concerned to coordinate their objectives in some explicit way, departing from the principle of isolated striving " (*Social Limits to Growth, op cit*).

Key elements in the developments of such coordinated approach would be a major reduction in inherited wealth, a " consensus " over income relationships and a less rigid class structure. The need for effective taxes on inherited wealth and for a consensus over income relationships were discussed in the last chapter. What needs to be said here is that if individual and group striving is to be reduced and cooperation increased, there must be limits on the rewards going to those in the top jobs and more shared provision of those satisfactions which, if they are provided on an individual basis, go only to a few. With respect to the class structure, the first priority should be to build more educational bridges later on in life. I have already argued on economic and egalitarian grounds for a major expansion of training and educational provision for those already at work. In terms of social mobility because it provides additional opportunities for those who, for whatever reason, were not able to take advantage of earlier schooling. Measures on the lines described above may be radical but they are essential if we are to strengthen the community.

We also need to consider ways of giving people a greater say in the decisions that shape their lives. One of the key issues is size. Much greater commitment is felt to small scale " grass roots " organisation than to bigger bodies. Yet there are also powerful arguments—on grounds of fairness, efficiency and coordination—for centralisation, bureaucracy and large-scale organisation. It would be idle to pretend that there are easy answers. What is needed, above all, is a shift of attitude. Wherever possible, Socialists should be chary of proposing big structures and in favour of " small is beautiful ". Where large bodies are inescapable we should support decentralised decision-making; the nearer the decision makers can be brought to those who are affected by their decisions, the better for all concerned. Democratic Socialists must also give priority to greater accountability.

small scale industry

Industrially, the need for more small firms has already been noted. Democratic Socialists must consider the role of the National Enterprise Board and the nationalised industries as promotors of small, publicly owned firms. The part played by small cooperative

enterprises, linked to a local cooperative bank, could also be important. As one aspect of planning agreements, large firms could be encouraged to spawn smaller ones (some are already doing so). But it is not only a question of the size of the firm. We also need a strong system of industrial democracy, firmly based on the primary focus of loyalty, the work group, but also linked through trade union organisation to representation at higher levels, including the boardroom. If, as the evidence suggests, one of our major industrial problems is the lack of commitment of employees to their firms, then a system of participation and power-sharing from shopfloor to boardroom could help to create a more cohesive and healthy industrial community. In the longer run, greater involvement at the level which is of the most immediate importance to the majority of citizens could also help to create a better climate for a genuinely participative democracy and a stronger community.

The trade unions. which employees are now joining in greater numbers than ever before, are bound to play the dominant part in the running of a system of industrial democracy. Trade unions provide the obvious link with the shopfloor and it is difficult to see how democratic representatives are going to be trained and serviced unless it is by trade unions. But trade union involvement in the new democratic structure strengthens the argument for improving trade union democracy, structure and services. Obviously trade unions need to consider the election of union officials, representation on governing bodies, the role of shop stewards, balloting of the membership and so on. Sometimes more democracy may lead to a challenge to the leadership, as well as to the "tripartite" system. But, as we saw last winter, work groups already promote successful revolts. A more institutionalised system of internal democracy may not only act as a safety valve but it can also buttress authority. In any case, it is no part of trade unionism to support structures which are little more than one group of experts talking with another group.

In other aspects of life, people should have a greater say. For example, as far as possible the day-to-day administration of council estates ought to be handed over to the tenants. There should be strong parents' representives on the governing bodies of schools and more power should be given to Parish and Community Councils while vital services like health and water should be brought under democratic socialist control. There should also be immediate access to the decision makers. Local Councillors and Members of Parliament perform a useful function, but there role and that of the Ombudsman needs to be supplemented by a greatly strengthened system of advice bureaux in every main street to which people can bring their problems as was argued over ten years ago by Lucy Syson and Rosalind Brooke ("The Voice of the Consumer", *More Power to the People,* Fabian Society, 1968).

Many of the proposals in this pamphlet have assumed an important role for large organisations, including government. It is certainly difficult to see how competing claims on resources are likely to be resolved, unless by central authorities. However, our main institutions certainly require greater democratic legitimacy. To achieve this will firstly require devolvement powers from an overloaded central machine to elected regional and local assemblies. One of the weaknesses of the Labour Government's devolution legislation was that it appeared to be a response to the growth of Scottish and Welsh nationalism rather than a comprehensive system of decentralisation. In opposition, Labour must work at a revised policy of devolution which will apply to all the regions of the United Kingdom.

Second, there must be greater democratic surveillance of the executive. This is partly a matter of opening up more Government activity to public inspection through a Freedom of Information Act. It is also essential to ensure that the new House of Commons investigative committees, with their power to ask civil servants detailed questions about policy

matters, are really effective (Lisanne Radice, *Reforming the House of Commons,* Fabian Society, 1977).

A third requirement will be to "democratise" the relationship between Government and interest groups. It is right that such a relationship should exist. In a modern industrial society, democratic Governments have to pay particular attention to the employees and trade unions. But, in any arrangement, the community interest should not only be served but be seen to be served. It is a legitimate criticism—and a weakness—of this process of bargaining between Government and the industrial groups that it has so far escaped effective public scrutiny and consent. The deals have been very much between leaders behind closed doors. The new House of Commons investigative committees clearly have a major role in probing the interest group leaders. As has been suggested earlier, another way of ensuring democratic assent might be to put any agreement reached to the membership—of both trade unions and management.

It would be wrong to end this pamphlet without mentioning the Labour Party. In the past the Labour Party has played a special role in integrating, not only workers and their families, but other groups, including radical *intelligentsia* into the political system. The disastrous decline in membership has meant that the Labour Party is ceasing to play this integrative role. What is required now is to make Labour once again an open, creative Party, capable of attracting new members to it. During the period of opposition we must act as a home not only for Labour supporters but also for discontented Tory and Liberal voters who are looking for intelligent solutions to our problems. Any proposals for constitutional reform should be examined as to whether they are likely to make the Labour Party more or less attractive to potential members and to the voters.

Another reason for increasing Labour Party membership is so that local parties can play a greater role in the community. One reason why inner city problems are so intractable is that the constituency party, once the focus of community activity, has been allowed to die. Lack of local participation means that public money is often badly spent—which means that more money is then needed. Revived local parties, with renewed "grass roots" trade union support, could act as a magnet for local protest and a spur to more effective community services. Labour must become once again a party acting on behalf of the local community.

conclusions

In opposition we must help create a new climate of opinion favourable to Labour. We need to redefine and reassert our Democratic Socialist approach and show how it is far more appropriate to modern conditions than Conservatism. Democratic Socialism is not only about equality and freedom ; it is also about community. In the age of world recession, energy shortages and British industrial weakness, we shall have to pay special attention to strengthening the idea of community.

If we are to improve the productivity and investment record of British industry, "cooperative" policies between Government, management and trade unions must be strengthened by : setting up a small monitoring unit in Whitehall ; by establishing planning agreements with major companies (if necessary by legislation) and by involving employers and their representatives in industrial decision making.

Government policy should assist the process of recovery by : establishing a permanent incomes policy ; introducing, if necessary, import controls ; increasing resources going to industrial training and education and by developing an employment strategy.

The drive for social justice has to take account of the limited effectiveness so far of the traditional democratic socialist policy of combining progressive taxation with redistribution in the form of public

expenditure. What is needed is the creation of a new " coalition " in favour of redistribution. This can only be done if taxes on inherited wealth are seen to be successful, if there is a consensus on pay differentials and if the " social justice " programme is sufficiently broad to include the disparities in status and power which affect the majority.

Policies need to be developed to strengthen the community which is threatened by our relative economic and industrial failure, sharper class tensions and the " alienation " of a growing number of citizens. A social morality is needed which gives less emphasis to individual reward and puts a higher value on sharing and cooperation. Key elements in a more cooperative approach would be to limit rewards to those in top jobs, more shared provision and more opportunities for training and education later on in life. Democratic Socialists should be strongly in favour of small-scale organisations, decentralised decision-making and giving people a greater say—at work, in their trade unions, on their council estates and at their children's schools. We also need to give greater democratic legitimacy to central government by devolving powers to elected regional and local assemblies by greater democratic surveillance of the executive and " democratising " Government's relationship with the interest groups. The Labour Party must assume again its participative role by attracting members both from and outside its traditional constituency and by encouraging involvement in community affairs.

Labour's mission

Many write off the Labour Party ; they say our historic mission has finished. How can it have while so many unjustified inequalities still exist, while people lack opportunity and while our sense of community is so weak? In the difficult times ahead, our message is more than ever relevant. The only way we can prove our detractors right is if we waste the years of opposition—either in sterile bickering or in producing a programme irrelevant to Britain's problems. We should instead take the opportunity to show how our values and policies are in tune with the needs of the 1980s.

recent fabian pamphlets

research series

327	Howard Glennerster (ed)	Labour's social priorities	55p
331	Chris Ralph	The picket and the law	60p
332	Roy Manley, Helen Hastings	Influencing Europe	55p
333	Nicholas Bosanquet	Economic strategy: a new social contract	75p
334	Carl Wilms Wright	Transnational corporations	75p
335	Vincent Cable	Import controls: the case against	70p
336	Christopher Parsons	Finance for development or survival ?	75p
337	Robin Cook, Dan Smith	What future in NATO ?	75p
338	Alan Fox	Socialism and shop floor power	60p
339	Peter Archer	The role of the law officers	75p
340	Deepak Lal	Poverty, power and prejudice	75p
341	Tom Sheriff	A deindustrialised Britain?	60p
342	David Scott Bell	Eurocommunism	80p

tracts

438	Anthony Crosland	Social democracy in Europe	55p
445	John Tilley	Changing prospects for direct labour	40p
446	John Gyford, Richard Baker	Labour and local politics	50p
448	Lisanne Radice	Reforming the House of Commons	50p
449	Rod Northawl, Richard Corbett	Electing Europe's first parliament	60p
451	Dianne Hayter	The labour party: crisis and prospects	60p
453	Nicholas Falk	Think small: enterprise and the economy	75p
454	Society of Labour Lawyers	Legal services for all	70p
455	David Watkins	Industrial common ownership	65p
457	Tom Crowe, John H. Jones	The computer and society	50p
458	Robert Taylor	Labour and the social contract	65p
459	A Fabian group	Deserting the middle ground	50p
460	Walter Jaehnig	Family service for mentally handicapped	60p
461	A Fabian Group	Creating a caring community	65p
462	Bryan Gould and others	The politics of monetarism	60p
463	Austin Mitchell	Can Labour win again?	75p

young fabian pamphlets

37	David R. Allan	Socialising the company	50p
42	Martin Smith	Gypsies: where now ?	40p
44	Melvyn Westlake	World poverty: the growing conflict	70p
45	Geoff Harris	A wider Europe	50p
46	David Elliott	The Lucas Aerospace workers' campaign	60p
47	Tom Schuller	Education through life	65p
48	Mark Swift	A regional policy for Europe	70p
49	Mark Goyder	Socialism tomorrow:	65p

books

R. H. S. Crossman and others	New Fabian Essays	cased	£1.75
Brian Abel-Smith and others	Socialism and affluence	paper	£0.60
Peter Townsend and others	The fifth social service	paper	£2.50
George Cunningham (ed)	Britain and the world in the 1970s	cased	£3.00

community socialism

Giles Radice believes that now the Labour Party is in opposition it must help to create a new climate of opinion favourable to democratic socialism. He argues that in the difficult conditions of the 1980s we need to emphasise the importance of community—that feeling of being one with neighbours and society which comes from sharing in common purposes, activities and values.

In industry the author believes the tripartite system should be strengthened by extending planning agreements and introducing a powerful system of industrial democracy. In social policy we need to recreate a redistributive coalition based upon taxing inherited wealth, a consensus on pay differentials and a social justice system which incorporates disparities in status, power and opportunity.

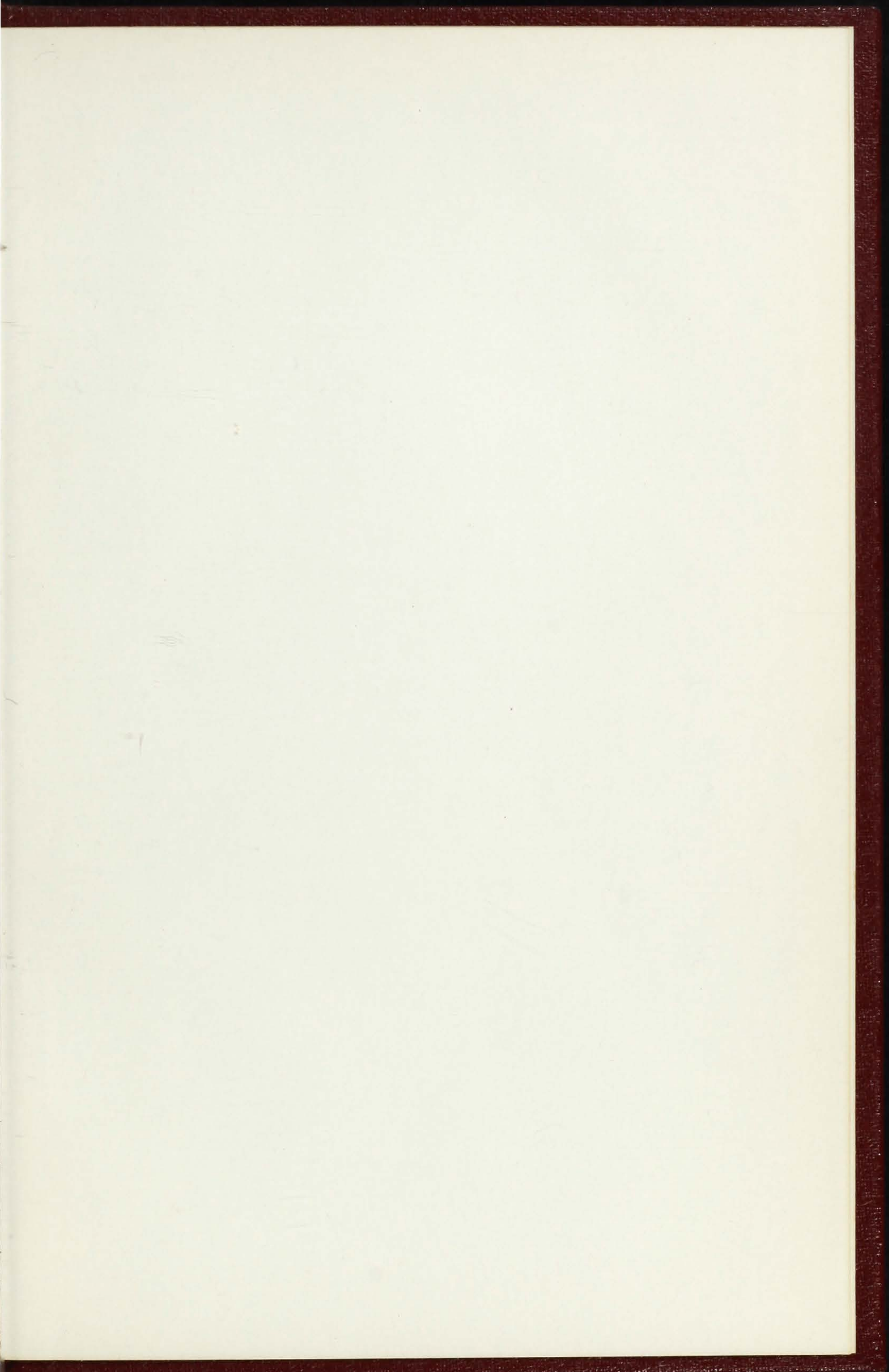
Giles Radice believes community should be encouraged more directly by backing the small scale organisation to which people give their primary loyalty. Wherever possible socialists should be chary of promoting big structures. Where large organisations are necessary we should support decentralised decision taking and greater accountability. In all the important areas of their lives—at work, on the housing estate, in the locality—people should have a greater say. The Labour Party must again assume its participative role by attracting members both from and outside its traditional constituency and by encouraging involvement in local affairs.

fabian society

The Fabian Society exists to further socialist education and research. It is affiliated to the Labour Party, both nationally and locally, and embraces all shades of socialist opinion within its ranks — left, right and centre. Since 1884 the Fabian Society has enrolled thoughtful socialists who are prepared to discuss the essential questions of democratic socialism and relate them to practical plans for building socialism in a changing world. Beyond this the Society has no collective policy. It puts forward no resolutions of a political character. The Society's members are active in their Labour parties, trade unions and co-operatives. They are representative of the labour movement, practical people concerned to study and discuss problems that matter.

The Society is organised nationally and locally. The national Society, directed by an elected Executive Committee, publishes pamphlets, and holds schools and conferences of many kinds. Local Societies—there are one hundred of them—are self governing and are lively centres of discussion and also undertake research.

Cover design by Dick Leadbetter Printed by Civic Press Limited (TU), Civic Street, Glasgow G5 9RH ISBN 7163 0464 3 ISSN 0307 7535



community socialism

Giles Radice believes that now the Labour Party is in opposition it must seek to create a new climate of opinion favourable to democratic socialism. He argues that in the difficult conditions of the 1980s we need to emphasise the importance of community: that feeling of being one with neighbours and society which comes from sharing in common purposes, activities and values.

In industry the [illegible] should be strengthened by extending planning agreements and establishing a [illegible] system of industrial democracy. In social policy we need to promote a redistributive coalition based upon [illegible] of pay differentials and a social [illegible] which [illegible] disparities in wealth, power and opportunity.

Giles Radice believes community should be encouraged more directly by [illegible] the small scale organisations to which people give their primary loyalty. Wherever possible [illegible] should be [illegible] structures. Where large organisations are necessary we should support decentralised decision making and greater accountability. [illegible] should have a greater say. The Labour Party must [illegible] and [illegible] participation in local politics.

fabian society

The Fabian Society exists to bring together socialists who are interested in research and education. It is affiliated to the Labour Party, both nationally and locally, and embraces all shades of socialist opinion within its ranks — left, right and centre. Since 1884 the Fabian Society has enrolled thoughtful socialists who are prepared to discuss the essential questions of democratic socialism and relate them to practical plans for building socialism in a changing world. Beyond this the Society has no collective policy. It puts forward no resolutions of a political character. The Society's members are active in their Labour parties, trade unions and co-operatives. They are representative of the labour movement, practical people concerned to study and discuss problems that matter.

The Society is organised nationally and locally. The national Society, directed by an elected Executive Committee, publishes pamphlets, and holds schools and conferences of many kinds. Local Societies—there are one hundred of them—are self governing and are lively centres of discussion and also undertake research.

Cover design by Dick Leadbetter [illegible] Printed by Civic Press Limited (TU) [illegible]