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SOCIALISM IN THE SIXTIES

THE FUTURE OF PUBLIC OWNERSHIP

A FABIAN GROUP



THREE SHILLINGS

This pamphlet represents the work of a group of members of the Society. The group, which was set up as a result of a resolution passed at the Society's Annual General Meeting in 1959, reached its conclusions after a series of discussions and this pamphlet represents the generally agreed views of the participants, though individual members do not necessarily accept all the group's conclusions.

The members of the group included a lecturer in engineering; a managing director of a large industrial concern; a social worker; an engineer and works manager; an industrial consultant; a social research worker; two working in the public services; and a consultant physician.

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I. Introduction

BEFORE the war the idea of public ownership of industry was generally accepted as a practical expression of socialism. It was favoured by all sections of the Labour Party and regarded as the main feature which distinguished Labour from the Conservative and Liberal Parties. Although most Labour supporters were vague¹ as to the practical forms such ownership would take, it was generally equated with nationalisation.

Conservative propaganda had not then attached to this word the image of intense dislike which it later denoted for thousands of people well outside the ranks of the Conservative Party. To many moderate minded people some forms of public enterprise were quite respectable. For over a generation municipal socialism had been practised by many Conservative and Liberal local authorities. The idea had been pioneered both by the Webbs and Joseph Chamberlain. It was a Conservative Government under Stanley Baldwin which made the crucial initial experiments with *national* public corporations in 1926 by setting up the Central Electricity Board and the B.B.C. Large sections of the Labour Party assumed that one had only to extend this sort of thing over the field of industry generally and Utopia would be on the way. Many other vaguely progressive people thought that a certain measure of nationalisation might be allowed provided it did not go too far or too fast.

Contrast the situation today. 'Nationalisation' is a dirty word in most political circles outside the Labour Party and within the Party there has for some years been much doubt as to how far it should be extended. Ever since the war a propaganda campaign has been conducted against all the public services—notably the civil service, and local authorities—and against the whole concept of public ownership. The bulk of this has consisted of mere assertion and insinuation. Of course the special difficulties of the coal and railway industries have provided plenty of occasions for complaint, and Conservative Governments have been able to provide further 'arguments' against nationalised industries by such simple expedients as forbidding them to charge enough to cover their costs, making them do unprofitable jobs like running little-used airlines, and transferring their more profitable business to private 'enterprise'.

All this has had its effect. Conservatives, most Liberals, and many independent-minded people now believe that nationalisation is something to be avoided at all costs and much recent political controversy has consisted of Conservative and Liberal 'charges' that the Labour Party was planning further nationalisation.

Does this mean that public ownership is a hopeless policy for a Party trying to win power? Before jumping to this conclusion we should remem-

¹ Exceptions were: *Socialisation and Transport*, Herbert Morrison, Constable, 1933; *Public Enterprises*, Ed. W. A. Robson, Allen and Unwin, 1937.

ber that industry and commerce are steadily becoming less private and less enterprising and moving towards integration in bigger and less dynamic units, increasingly dependent on government support and on national and international planning. National planning has become respectable among some big industrialists and even the Tories are now contemplating more of it, albeit on a limited and tentative scale. No one in any political party proposes to de-nationalise any of the existing nationalised industries, with the possible exception of civil aviation and the remaining state steel firms.

There is much re-thinking within the Labour Movement about public ownership. As a contribution to this we should start by asking: What is the purpose of any political programme in human terms? Many young people are now questioning the basis of our Society not only in economic terms but also in cultural and moral terms, and the Labour Party must answer them in such terms.

We believe that man is degraded by certain aspects of our way of life: the gross inequality of living standards among different peoples; the continual emphasis on material values; the exploitation of men by others for their personal gain; and personal rather than social enrichment. It is nonsense to suggest, as apologists for capitalism do, that ultimately it is only concern with self that makes the world go round.

We are not proposing a political Utopia. Political measures cannot make people perfect but they can give them the means to improve themselves.

Early socialists used to talk more freely than we do today of the brotherhood of man, but whether Christian or Humanist we can still take this notion as a reasonable starting point. The young today, with their concern about racial questions and the Bomb, often show a better appreciation of it than their elders. Modern communications have underlined it. With it goes the notion of the dignity and sanctity of man as an individual. If this is to be given practical effect every man must have full freedom to develop and express his creative faculties.

Of course a practical industrial system cannot be built overnight purely on goodwill. Much of the world's work is now done by people who are forced or cajoled into it, but the most valuable work is done when people decide for themselves that they want to do it. Freedom is more efficient than coercion as was shown by the tremendous waste of manpower by the Nazis during the last war.

Moreover whether people's motives are good or bad they are seldom wholly economic. Man may be greedy, or lazy, and have many vices, but is seldom dominated solely by the nicely calculated economic objectives that are assumed in the academic common room.

The basic purposes of industry are to bring people together to work in harmony for themselves, for each other and for others; to do practical jobs to meet physical and other needs. It ought to provide the best practicable conditions for those who work in it, to enable men to develop their initiative as freely as possible with as little compulsion as practicable and to work in co-operation with others. Industry should ensure that the tremendous mass of potential resources—human, scientific and technological—are put to the most sensible use, which they manifestly are not at present.

In Britain, a country whose standard of living is higher than most others, there are many elementary and obvious social and human needs which are not met. Very many of the aged, the physically and mentally handicapped, the sick and the widowed, live in loneliness and poverty. In recent years we have been spending in real terms barely half what we spent before the war on hospital development.¹ ² Thousands of married couples have no bedroom to themselves, and thousands of others share a parent's house. Aged couples are separated in hospitals and institutions,³ because their children's houses are too small for them. A steadily mounting number of families, now running into thousands, are without homes altogether, and over 1,000 children in London alone are separated from their parents for this reason.⁴ Slum clearance proceeds at a snail's pace: 'Millions of people are being condemned to live in outrageous conditions, completely out of harmony with the achievements of this age and of present affluence.'⁵ Four million houses, many built between the wars, have no bathrooms; five million have only an external lavatory. School children are herded into classes of forty or fifty. Because of lack of teachers, and of schools, one third of children with grammar school ability do not go to grammar schools. There is not room in our overcrowded Universities for thousands of the liveliest minds of our generation. The millions in receipt of National Assistance (apart from the unknown number whose earnings are below the National Assistance level but who do not receive it) are one measure of the failure of our economic system.⁶

Natural energy, goodwill, youthful idealism and desire for adventure are too easily quenched by the conditions and frustrations of modern life. Who can estimate the part played by all this in the rise of crime?

All these things should be obvious to almost everyone. But are the

¹ J. R. Seale (1961), *Lancet*, 2, 476.

² The hospitals, and medical research, are being starved to finance the new hospital building programme costing a mere £500 million over 10 years—increased in 1963 to £600 million.

³ *The Last Refuge*. Peter Townsend. Routledge and Kegan Paul, 1962.

⁴ Lena Jeger, *Guardian*, 13th July, 1962; leading article of same date.

⁵ Dr. N. Lichfield, an urban economist who has recently left the Ministry of Housing and Local Government, reported in the *Guardian*, 5th July, 1962.

⁶ Of a sample 4,443,005 male manual full-time workers aged 21 or over 18 per cent. (800,807) were earning £11 or less p.w. (10 per cent. were earning £10 or less) in October, 1960 (*Min. of Labour Gazette*, April, 1961). The permissive weekly allowance in 1960 for a family with one child, aged say 3 years, receiving National Assistance, was about £8 4s. (Report of National Assistance Board, 1962, Cmd. 1730). Townsend has shown (*Brit. Jour. Sociol.*, 13, 210, 1962) that 'to define poverty in terms of National Assistance rates plus rent it is reasonable to use, as the critical level of income, a line drawn at 40 per cent. above these rates—say 30 per cent. so as not to prejudice the argument. On this basis (£8 4s. plus 30 per cent. equals £10 13s.) the pay of 800,000 actual or potential breadwinners in full-time work in 1960 was about the poverty line or below. This is a conservative estimate for many of these men will have had more than one child.

Townsend has reviewed social deficiencies in modern Britain (*Op. cit.*).

nation's efforts being directed to dealing with them? The content of advertisement hoardings, I.T.V., newspapers and magazines deny it. From these it would appear that our population was suffering from a desperate lack of appreciation of the virtues of beer, cigarettes, motor cars, cosmetics, etc. Much of industry produces things we need least, often with the cynical concept of 'planned obsolescence' to add to the waste. Yet when it is suggested that anything more should be done for hospital patients, retired people, widows, handicapped and injured people, school children or any of the arts, we are told that the economic system could not stand the strain. The glaring contrast between the rich nations and the poor nations where the bulk of the population hovers near starvation is not only a mockery of the idea of human kinship but an acute danger to the peace, and hence now the existence of the human race.

How can we replace this Irresponsible Society by something better? Some people say that no one can be sure of what is needed and that any attempt to change society may lead to tyranny. But the major needs of our society are not in dispute. Only extreme reactionaries would pretend that the social evils we have mentioned do not exist. The usual arguments are that we cannot afford to remove them, or that the machinery required to do so would be too difficult to work.

Our economic system is based on the theory of competition for money. Yet over wide areas of our economy there is no competition; the theory is at variance with the facts and indeed with the lower as well as the higher side of human nature. Many people would rather be lazy than compete to become millionaires and many millionaires would rather fix things quietly between themselves than go on competing. The point about the theory of competition is that it usually doesn't work.

Before considering practical measures for planning through public ownership we should examine the idea of private property. Libraries of political literature exist on its theoretical aspects, but we must look briefly at its practical implications. The first thing is to clear it of the philosophical mystique, mostly dating from the 17th and 18th centuries, with which Conservatives, who claim to be practical un-doctrinaire people, nevertheless so often befuddle it. There is no such thing as one general principle of private property. Most people, except soldiers and monks and the patrons of Moss Bros., like to own the clothes they wear, but this does not mean that a tiny group of millionaires ought to own nearly all our newspapers. Some people like their own gardens, others like living in flats. A well-organised community should see that all its members have access to private or public gardens as they choose—similarly with books.

Given a really free choice many people would still prefer to own the houses they live in; but others would prefer to rent them from any reasonable landlord (public or private). Today, however, vast numbers of people have no effective choice but to own their houses subject to heavy mortgage payments which continue for most of their lives. This Hobson's choice gives no right to impersonal companies to own other people's houses or the factories they work in. The vast bulk of industrial property today is far too large to be 'owned' in any personal sense by individuals unless they have acquired a quite inordinate share of the community's wealth.

What people want from property, whether it be land, buildings, machinery or objects of personal use, is not an abstract legal or philosophical concept of ownership, but the sense of security it gives them. They want the practical freedom to use things for activities of their own choice. What no one should claim as a right is to own his own coal mine or the nuclear power stations of the community.

Summarising the indictment of our present social and economic system:

- (a) It fails to provide adequate scope for the best instincts and desires of ordinary people, notably their creative impulses in work and leisure.
- (b) It fails to secure a reasonably equitable distribution of goods and services.
- (c) It concentrates productive effort on ephemeral objects and it fails to provide for the basic and long term needs of society.

What are we to put in its place? Basically we need:

- (i) An economy, first national and then international, which can be planned and adjusted to meet the wishes and needs of society as a whole and of its individual members.
- (ii) Individual industries and services which will fit into such a planned economy and also by themselves provide reasonable working conditions and scope for constructive, co-operative, and creative impulses.

2. Public Ownership and Planning

FOR a decade after the last war 'planning' was anathematised. Now it is becoming fashionable. The Government have set up a national planning organisation (N.E.D.C. or 'Neddy'), and by it evidently hope to regenerate our economy. Neddy has indeed made some useful studies, and set certain targets, and information it gathers could be of use to a future Labour Government; but we have yet to see whether it can produce results, and what it will do if people whose co-operation it needs are unhelpful. We are doubtful if Neddy's methods will be effective even for the purposes intended by the present Government, let alone those suggested in the first chapter of this pamphlet. Neddy's targets are concerned mainly with general growth, without much regard to social priorities. After years of insistent anti-planning propaganda, based both on economic and philosophical theories,¹ and on practical experience of Government planning in the war and immediate post-war years,² we wonder if the Government's more powerful supporters have really been converted to the idea of planning.

Anti-planning propaganda, developed at great length, is now less fashionable, but still needs consideration. It can be summarised under two heads: Firstly, that it is morally wrong because it infringes personal liberty; secondly that it won't work because it will be evaded and essential information will be withheld from the planners; that attempts to make it work will lead only to red tape, bureaucracy, frustration and muddle. The first—

¹ Hayek, F. A. *The Road to Serfdom*. Routledge, London, 1944.

² Prof. J. Jewkes. *Ordeal by Planning*. Macmillan, London, 1948.

the moral argument—is surely ill-judged. Any form of civilised society entails organisation and rules, whether formally made or not, and hence some restrictions on personal liberty. Those who are averse to Government planning seldom oppose the restrictions on individual liberty imposed by economic decisions made behind the closed doors of company boardrooms.

We do not, however, wish to brush aside those doubts about planning which are based on genuine concern for personal liberty and democracy. As democratic socialists we think it of the first importance that as many of the adult population as possible should be actively involved in the economic decisions which affect their lives. We want to extend practical democracy within firms, within industries and between industries and we shall return to this point in a later chapter.

To the second anti-planning argument—the practical one—the advocate of planning can take one of two attitudes. He can, like C. A. R. Crosland on the one hand, rebut it by giving practical examples of the extent to which planning controls in the war and post-war years did work—and he might also add that they could have worked even better if more vigorously applied. On the other hand, he can accept that Government attempts to control and direct private industry against its will are always liable to result in evasion and confusion, and go on to argue that a different sort of planning, depending on a wider measure of control and of public ownership of industry, is therefore necessary. He can quote examples of take-overs in private industry to suggest that outright ownership presents the best means of exercising firm control without friction. He can deduce from this that a selective extension of public ownership offers the chance of public control of the whole economy being exercised more firmly and yet, after the initial shock, with a light touch.

Crosland: Planning can be made to work

Crosland argues that under the Labour Government (1945-51)¹: 'Investment proceeded briskly, and indeed had to be restrained; the opposition to nationalisation, although vocal, was never violent; firms and Trade Associations co-operated amicably with Labour Ministers; there was no hint of sabotage; and generally the atmosphere was one of amiable amenability, not untinged with nervousness.'

He cites the acceptance of voluntary dividend restraint during the Crippsian era. 'Despite the outcry in the city press, the degree of co-operation was remarkable, and a striking sign of weakened capitalist self-confidence. Certainly company chairmen continued to fulminate . . . but their actions were the reverse of aggressive.'²

Indeed most of them had little cause to worry. Maybe as Crosland suggests, the power of management *vis à vis* the investor has increased, but the managers often prefer to retain profits for development; this often results in a tax-free capital gain to the investor. Why should dividend

¹ C. A. R. Crosland (1956). *The Future of Socialism*. Jonathan Cape, p. 29.

² *Op. cit.*

restraint be opposed by industry at a time when investment is needed? It provides a splendid opportunity to invest (without going to the market).

Attempts to control industry against the financial interests of its shareholders meet with a very different response, as was seen in the case of steel. For there was opposition and it was not confined to the city press. Opposition to nationalisation of the steel industry took many forms, representing a direct use of industrial power.¹ Continued opposition to planning and to the principle of nationalisation in the press had a great effect on public opinion, which was one of the main reasons why the Labour Party lost power. This was doubly ironical for much that was done was merely the completion of a process already begun by the Conservatives and, with the exception of steel, the Labour Party programme suited industry well.

Crosland² suggested that Labour's view of planning had been modified as a result of the inefficiency and inequality of the 1930s giving way to the expansionist full employment economy of the 1950s, and with resolution of the balance of payments difficulties and dollar shortages of the immediate post-war years.

All this is questionable. True the widespread poverty of the 'thirties has gone, but there are still grave economic and social injustices in our society and international payments crises are constantly recurring.

Even in private industry rationing occurs. When there are shortages of capital goods, and delivery dates are as long as eighteen months, some system of priority has to be evolved. This may either be imposed or, as normally happens at present, be arranged between manufacturers and users. Expense accounts are one of the means which can help to secure priority where no proper scheme exists for articles in short supply.

As Crosland says, controls are often economically inefficient³: '... raw material allocations being inevitably, for political reasons, non-discriminatory and therefore based on past performance, simply perpetuate the status quo discourage new entry and protect the less efficient firms. . . .' Price Controls tend to be more effective the simpler and more essential the goods, so they often result in wages and profits being higher in the less essential industries. As a result resources are attracted in the opposite direction to that intended. Many controls, moreover, won't work once supplies become plentiful; they can be too easily circumvented, and a 'grey' market develops; '... in the end a detailed attempt to plan the output of different industries is bound to fail unless backed by direction of labour; and this no one was willing to countenance as a permanent measure.'

'Free enterprise', however, has its own restrictions—price fixing and allocations to prevent new entry into a business, as the Monopolies Commission has shown. Indeed much of the paraphernalia of Government control was established privately through industry itself. Perhaps the problems arise not so much from control as from private ownership.

Crosland concludes⁴: '(planning's) prime function is to ensure that the

¹ John Hughes. *Steel Nationalisation and Political Power*. The New Reasoner, Autumn, 1957.

² *Op. cit.* p. 500.

³ *Op. cit.* p. 500.

⁴ *Op. cit.* p. 501.

right quantities of resources are allocated to each of the main sectors of the economy, and that these quantities add up to a full employment but non-inflationary level of demand. I do not mean to imply that the Government can precisely control what proportion of the material product will next year be devoted to exports, investment, consumption, and so on. But it can influence these proportions in broad terms; and in some cases, where it is itself the consumer or the source of funds, it can determine them fairly exactly.'

He defines the objects of planning¹: to maintain a high level of investment, and a sufficient volume of savings and risk-capital to match it; to control wages and home demand (to encourage exports); and to increase social expenditure. To achieve these he envisages the use of a skilful and determined fiscal policy, and subsidiary controls where necessary.

Crosland believes that when the post-war Labour Governments failed to achieve successful results by planning it was due mainly to lack of boldness. He believes that if socialists want bolder planning they must choose bolder Ministers and, of course, themselves accept sometimes unpleasant personal effects.

However, the means to achievement are not discussed²: he wants planning but only in very broad terms, and by largely financial and fiscal methods, the details being left until practical situations arise.

The Instruments of Planning—Monetary

The major sources of capital for British Industry are the great industrial and insurance groups, and the investment trusts. We therefore need to know the factors which govern their investment policies and how they react to changes in the bank rate and hire purchase regulations and to restrictions on credit.

The Radcliffe Committee's view of the efficiency of monetary techniques was largely unfavourable. 'The decision to spend thus depends upon liquidity . . . spending is not limited by the amount of money in existence, but is related to the amount of money people think they can get hold of. . . .'³

On the question of the control of rates of interest the Committee reported.⁴ 'When we confined our questions strictly to the direct effect of interest rate changes in making business men alter their decisions to buy or sell goods and services, we were met by general scepticism . . . the executive heads or financial directors of several great industrial firms' said 'in their plans for capital development they assume a more or less steady interest charge and would not alter their existing plans even if they thought somewhat higher rates had come to stay.' The Nationalised Industries and the Local Authorities thought likewise.

Radcliffe states⁵: 'we have not found sufficient evidence to justify a

¹ *Op. cit.*, p. 501.

² *Op. cit.*, p. 504.

³ *Report of the Radcliffe Committee on the working of the Monetary System*, 1959, Cmd. 827, H.M.S.O., para. 390.

⁴ *Op. cit.* para. 451.

⁵ *Op. cit.* para 453.

conclusion that in the conditions of the 1950s the rise in interest rates would by itself have directly provoked a worthwhile curtailment of demand. . . . Nor did we hear any evidence that the reductions in 1953-4 directly stimulated any appreciable increase in demand'.

The Committee found the 'credit squeeze' somewhat ineffectual¹. 'Firms denied credit often had recourse to other sources of credit.' . . . 'only 10 per cent of the firms had had their overdraft facilities seriously restricted.' . . . 'Nation-wide survey in March, 1958, indicated that the further squeeze from September, 1957, had only slight effects.' . . . 'The National Union of Manufacturers collected evidence mainly from small firms, and believed these had been affected more than big firms', but that the effect had been rather that they had been driven to other and generally more expensive sources of credit than that they restricted their activities. 'The large industrial firms whose executive heads and financial directors gave evidence to us were individually unaffected.'

Some firms contemplated the extra cost of alternative credit with equanimity, expecting to be able to pass it on to their customers.²

. . . 'We have not been able to find that the squeeze had any marked effect upon holdings of stocks of commodities' . . . 'There was no sign that consumer spending was forced down.'³

But the credit squeeze checked projects in their early stages, a non-specific effect not necessarily in the country's best interests.

During the credit squeeze of 1960 and 1961 the sales of cars,⁴ and of TV and radio sets,⁵ were rising and reached a higher level than in the same months of previous years.

So these financial measures had little effect upon private industry and it was public bodies whose funds were under the direct control of the Government who bore the brunt of the credit squeeze, but not, be it noted, because of these particular financial controls.

When bank credit is cut people resort to hire purchase and Governments try and control that too, either by increasing the deposit, raising the interest, or shortening the time for repayment. However, the Radcliffe Committee found their effects limited because⁶ 'private persons are as a rule quite unconscious of the rate of interest upon which their H.P. charges are based and are governed only by the amount of the down payment and of the monthly (or weekly) instalment.'

As regards capital goods the Committee said⁷: 'Though industrialists acquiring plant and machinery pay some regard to the cost of credit, in that they compare the charges quoted by different companies, there is no evidence that any appreciable number of industrialists were prevented from entering into a hire purchase transaction.'

The Committee concluded that monetary action alone could not be relied upon to keep our economy in nice balance.⁸

¹ *Op. cit.* para. 456-7.

² *Op. cit.* para. 456-7.

³ *Op. cit.* para. 460.

⁴ *The Observer*, 9th October, 1960.

⁵ *The Guardian*, 16th August, 1961.

⁶ *Op. cit.* para. 465.

⁷ *Op. cit.* para. 465.

⁸ *Op. cit.* para. 514.

Fiscal Measures

Radcliffe commented:¹ 'Fiscal measures have advantage over monetary measures in having a more certain impact effect' and then went on to say that the effects of investment and initial allowances, were no more predictable than those of monetary measures, and the evidence from industrial quarters suggested that there was little to choose between these and the more conventional monetary inducements to change the demand for capital goods. Broadly fiscal measures are long-term ones, as there are real administrative difficulties in making frequent changes in many tax rates. However, it has been pointed out that Purchase Tax and National Insurance contributions could be effectively and quickly changed.

There is great difficulty in knowing how and where to apply any fiscal controls. Economic analysis has not yet reached such refinement that all the factors and indicators are well understood. Many complex problems in this field have yet to be solved.

Ideally control should be applied to anticipate rather than to correct fluctuations. Forward planning is needed to make the economy run smoothly. The time-lags inherent in the monetary and fiscal techniques so far applied render planning nugatory. They consist of:

- (a) Inevitable delay in securing statistics.
- (b) Delay in making diagnoses—is a wobble a change of trend?
- (c) Delay in policy decisions (are the policy makers away grouse shooting?)
- (d) Further delays before levels of current spending alter (e.g. interval between investment decision and major investment spending).

If monetary or fiscal measures can only be taken when indicators suggest corrective action is needed, and are then themselves subject to further time-lags before they alter current spending, we can never extricate ourselves from our present four to five year economic cycle. The monetary measures taken in 1961 directly and indirectly led to the 1962 slackening of demand. Again, to base a consumer durable boom on credit (as in 1959) is inevitably to lead those industries at a later stage into a recession as consumers cannot for long increase indebtedness sharply in relation to their incomes. Such post-hoc monetary and fiscal measures have probably amplified the swings of the cycle. It should be possible to gear fiscal measures, as inducements or penalties, to systems of forward planning.

We agree with Lord Cromer, former Governor of the Bank of England: 'Constant recourse to disproportionate use of monetary measures is no substitute for a consistent and appropriate national economic policy.'² Monetary or fiscal measures by themselves will not provide sufficient means for planning, but will need support by other instruments.

Subsidies and Physical Controls

Large subsidies have been paid to the ship-building, steel and cotton industries for capital development and to reduce the aircraft and cotton industries to a practical size. Our comment on these measures is not one

¹ *Op. cit.* para. 516.

² *The Observer*, 8th October, 1961.

of political ideology but of ordinary commercial prudence. It is stupid to sink your money in someone else's business without getting some share in its ownership and control, or at least a fair share of profits.

Physical controls have been used to direct resources to those points in the economy where they are most needed. In a private enterprise economy this involves complex measures of licensing, inspection and restriction. Such schemes were used during the war, and by the 1945-50 Labour Government. They were clumsy, bureaucratic and unpopular and were gradually abandoned. Such controls, to be effective, require co-operation from the 'controlled' and this did not continue after the war. Criticisms of such controls may nevertheless be exaggerated, and they may sometimes have to be used.

The techniques used for planning in the past have not achieved their aims; detailed consideration should be given to this. Developments in the selecting and collection of suitable data and its processing by computer should assist in the development of fiscal devices.

However, we may also have to increase the size of the public sector of industry to achieve all our social aims. The more the Government controls directly, the less it will need cumbrous indirect controls—monetary, fiscal or physical.

3. Real and Imaginary Failings

BEFORE discussing the various forms of public ownership can take, we must look at the general objections to it which may be felt quite strongly by people whom we may otherwise have so far carried with us in our argument. People may share our belief that industry should be made more humane and more responsible to the community, but fear that public ownership means 'nationalisation', and see this as something which has failed them.

Industrial Relations is a sphere where a feeling of failure—the gap between pre-war ideal and post-war achievement—has been strong. Now criticism of industrial relations in public industries is especially damaging because in many it was their own workers who demanded nationalisation.

Despite its opening up of huge schemes of expansion and exciting technical change, there is widespread belief that nationalisation makes for dull uniformity and stifles initiative. Bureaucracy is always a danger in concerns as large as the major nationalised industries. The Labour Party has not yet solved the fundamental problem of making people feel that they are participating in the life of the country, and are not mere cogs in the machine.

Wilfred Brown has suggested that the workers' feeling of powerlessness in industry is a fantasy, that it is a cause, not a result of their failure to receive some of the benefits of modern industrial methods.¹ There may be

¹ W. Brown. Can there be Industrial Democracy? *Fabian Journal*, No. 18, March, 1956, p. 14.

truth in this. Joint consultative machinery is often ineffectual partly because so many people have little idea how democracy can work. Dissatisfactions also arise from failure of communication,¹ or because of procedures by which decisions are reached, or because of the decisions themselves.

Through Government influence the pay for most levels of worker in the public sector has lagged behind that in private enterprise. This has meant the loss of able people to public service and has affected relations with the public and management. There has, however, been an improvement in conditions of work although there may be disappointment that the pace of improvement has not been faster. Joint consultation is fuller and more genuine in most of the public sector. The exception, railway workshops, was the result of introducing private enterprise methods.

Administrative and Management Shortcomings.

A major problem in both public and private industry is poor management.² It is an important cause of industrial unrest and low productivity. Hughes³ has criticised the administrative and executive structures in coal (after the Fleck Report), and in transport. The narrow 'span of control' in management in his view means a rigid hierarchical structure which denies significant responsibility to lower levels, involves detailed interference in their work and creates a shortage of adequately trained managers. But Fleck was Chairman of I.C.I. and his methods those of large-scale private industry. The Herbert Report on the Electricity Supply Industry later made opposing recommendations, probably derived from small-scale private industry.

In the Health Service there has been no break with standard committee and administrative attitudes, and frustrating practices taken over from local government. Committee members and managers are tradition-bound and fear change. In the Hospital Service there is often delay by higher authority over matters originating at the bottom of the hierarchy. This contrasts with the speed at which upper administrative levels expect things they pass downwards to be dealt with. Medical advice has sometimes been sought *post facto*. Such methods of administration are undignified and exasperating. They lead to withdrawal of clinicians and scientists into a relatively closed world of clinical or laboratory medicine, where they are more their own masters and life situations are less capricious. Hospital administrators are often overworked but the calibre of administrators and committee members is too often inadequate. The result is a pusillanimous approach to pressing problems with decisions put off.

There is certainly much bad management in nationalised concerns, but there is much bad management everywhere. Training and research in administration is still a new idea in most public and private concerns.

¹ The Workers' Point of View. The Acton Society Trust, 1952.

² *Nature (Lond.)* (1961), 191, 1331.

³ J. Hughes. Nationalised Industries in the Mixed Economy. Fabian Tract No. 328.

Sweeping assertions that nationalised concerns are 'inefficient' (in the sense of wasteful) are seldom supported by firm evidence. Figures show that the proportion of the Gross National Product spent on our Health Service is less than in the U.S.A. and other 'advanced' countries which have less comprehensive services of medical care^{1 2}. We take no pride in the low level of our health expenditure, but at least it refutes the charge of financial waste.

There are other forms of inefficiency. In Local Government there may be unconscionable delay in passing items through the 'democratic' machinery of committees. Anyone who has had experience, for example, of the architect's department of a Local Authority which can be unbelievably inefficient, unhelpful and obstructive, will know what we mean. Although the Committee structure inevitably means there will be delay, it is aggravated by the employment of many second-rate officers occasioned by low salary scales and the dislike by many professional people of the slow pace of Local Government. The determination of the doctors that the National Health Service should not be administered by Local Authorities was an expression of their distrust, from experience.

Sufficient facts on which to base judgments about efficiency in the public sector are commonly available. Private enterprise is not properly accountable to the public and inefficiency is easily concealed. Occasionally, however, really damning evidence about inefficiency in private business is published.³

Financial Disabilities.

Financial stringency (a blunt instrument) causes rigidity, stagnation, and demoralisation, yet the Minister of Health's Scrooge-like slogan is 'Efficiency through Stringency'.⁴ Fifteen years after the inauguration of the Health Service, slum hospitals are still in use.⁵ Yearly budgeting in the Health Service has proved false economy and has made the work of Regional Hospital Boards and especially Hospital Management Committees, dull and frustrating. No wonder they do not contain more intelligent and energetic people.

Industries which are no longer expanding carry special liabilities. The railways, essential to the community, not only have obsolete machinery and equipment, they lack the morale, glamour and general *élan* of a new and expanding industry. To cap it all they are crippled with huge compensation charges which even the present Conservative Government now realises must be largely taken over by the Treasury. Such charges should be met by the

¹ J. R. Seale (1960), Assumptions of Health Service Finance. *Lancet*, 1, 1399.

² Cost of Medical Care. International Labour Office, p. 152. Geneva, 1959.

³ Tibor Barna. *Investment and Growth Policies of British Industrial Firms*. Cambridge University Press, Cambridge, 1962.

⁴ Enoch Powell, at Conference of Chairmen of Hospital Management Committees, October, 1961.

⁵ J. H. Sheldon (1961), Report to the Birmingham Regional Hospital Board on its Geriatric Services.

Treasury taking ordinary shares in the undertaking and paying dividends when there were profits.

The policy of stop and go over expansion in the nationalised industries, and Government vetos on price and wage increases, have been demoralising. The Government seems to be trying to illustrate the failure of public ownership by manufacturing difficulties for these industries.

Financial arrangements must be more flexible. It is essential for financial planning to cover four of five years, or 10-15 years for major projects. In the case of services such as roads and hospitals the money allotted might be a percentage of the national income arranged by Parliament over 5-year periods.¹ Removal of rigid Treasury control from the Health Service, as it has recently been removed from the Post Office, would allow better house-keeping at all levels and would result in more effective use of available funds.

The 'equity' technique, with the State as 'quasi' ordinary shareholder should be used as one of the procedures when a nationalised industry has to borrow from outside to finance investment projects that the State has agreed are appropriate.

Other Factors

The nationalised industries have not, as was hoped, redistributed wealth. Hughes² has indicated how the public sector has financed private capital formation and supplied the capital gains of shareholders, and in effect subsidised certain industrial users. Instead of re-distribution of income nationalised industry pricing has swelled payments to rentiers.

British Railways have been forbidden to build locomotives and rolling stock for export. Nationalised industries should be encouraged to compete with the private sector and to produce for any market they wish. Such competition would be good for all parties.

Many people wish to be their own masters; among these are nearly 1.5 million in small businesses, etc., who have net incomes of less than £250 p.a.³ (Tax evasion cannot be the only explanation of these figures.) 'Independence' matters more to them than financial reward, they pay for this privilege by hard work, long hours, poor health and a low standard of living. They often come to grief, but others take their place. Yet one wonders if such people realise that there are all kinds of responsible, independent and exciting jobs in the public industries and services. But the very large number of public servants who are justifiably content with the scope which their work gives them are usually too busy or too discreet, to say so publicly. They should be encouraged to speak up.

Relations with the Public

In relations with the consumer, public industries have sometimes been weak, foolish and unforthcoming. The Transport Commission, like the rail-

¹ J. H. Seale (1961), Management Efficiency in the Health Service. *Lancet*, 2, 476.

² *Op. cit.*

³ A. Shonfield. *The Nation's Business*. *The Observer*, 27th March, 1960.

ways before it, neglected the canals and when they became impassable tried to close them on the pretext of lack of demand. The Ministry of Aviation seems impervious to representations about the steadily increasing noise from aeroplanes using London Airport. Such things make people feel that it is more difficult to obtain redress from a public than a private body.

There is, of course, no reason why this need be so. If existing means of communication and redress have failed, new machinery can and must be devised. Public industry has an impressive story to tell. Its annual reports and accounts give far more detail than secretive company reports, which hardly ever disclose the profitability of separate services or products or the cost and detailed progress of particular capital projects.

The failings of public ownership, such as they are, must be faced. They are not fundamental, and they can be remedied.

4. Possible forms of Organisation

OWNERSHIP of any industry may be vested in:

- (a) the community at large (either of the whole nation or a particular locality).
- (b) any group of persons who are able to buy its shares.
- (c) groups of consumers or users, or people working within the concern itself.

Category (a) is public ownership as usually understood, but (c) is also alternative to private ownership (b). Ownership exemplified by (a) and (c) has taken various forms in this country (see Appendix).

Government Management

The simplest form of (a) is direct management by a Government Department. The Post Office, the Admiralty, H.M. Stationery Office, and the Ministry of Aviation all run large industrial undertakings. Apart from civil airports no one suggests that any of these should be taken from them and the gibes of the popular press that Government Departments cannot run business concerns can be discounted. Government Departments, however, need Ministers as their heads and very few men have the rare combination of political judgment and large scale business acumen which Ministers need. A few Government Departments, like the Stationery Office and the Board of Customs, share their Ministers with other Departments, but direct responsibility to Parliament remains. Now Parliament is already short of time for detailed discussion and scrutiny of existing Government Departments. To create more would surely clog the Parliamentary machine and unbalance government.

The first answer to this difficulty was the public corporation—an invention not, as is often alleged, of Herbert Morrison, but of Stanley Baldwin's Government in 1926, in the form of the Central Electricity Board and the B.B.C. Its alleged faults may be summed up as excessive size and rigidity,

but usually these characteristics were rooted in technological reasons which might not apply in manufacturing industries¹ although they probably would in services such as water supply and road transport. The relationship between Parliament and the public corporations was a problem at first, but it seems now to be on a fairly reasonable basis (with the Select Committee on Nationalised Industries as intermediary²). There is a good case for having Government-appointed boards in charge of very large industries and essential services which need technological integration.

There is much less to be said for nationally appointed boards for local or regional services, especially when, as in Area Electricity Boards, power seems to rest largely with technocrat chairmen.

Local Authorities

Do we want our public services and industries to be 'democratic' in the sense of being run by people directly elected to represent local workers or customers, or both; or only in the sense of working within a policy laid down by a Minister responsible to Parliament? Probably only the latter in a nationally integrated service like railways, telephones, or coal mining (where the total resources and the markets need to be dealt with nationally), but it is by no means certain that a national management is essential for other industries. A business concern obviously can be run by locally elected amateurs, because that is just how some of our most vital public services have been run for years. There are indeed complaints that local government is not democratic enough, but that is probably because it has insufficient responsibilities and consequently too few people are interested in it.

If it were decided to place some industry under public control the best method might be to put its local units under Local Authorities subject to the usual policy direction from Westminster that local authorities receive in fields like education and roads. Some Local Authorities are, of course, too small to control the largest units. This, however, is only an additional reason for the already urgent need to reform local government, and create larger units for at least some of the major functions, as proposed for Greater London. (A regional council ought to be more like a Parliament with paid members and some sort of Ministerial system such as exists in Northern Ireland.) Suppose we had councils or local Parliaments for Greater Clydeside or Tyneside, could they not take over various kinds of local engineering works or even shipyards?—and control the local distribution of gas and electricity?

Local Government is too readily ignored in current discussions of public ownership. Despite its obvious illogicalities it works—sometimes very well—and many of its failings could be remedied without interfering with its basic local and democratic features. For example, local authority powers

¹Nevertheless "I.C.I. is convinced that a British man-made fibre industry can only be competitive in the long-term if the maximum of integration both vertical and horizontal . . . is possible" ("Man-made Fibres Industry: the I.C.I. View," at the time of the Courtauld take-over bid, 1962).

²Sir Toby Low (1962), the Select Committee on Nationalised Industries. *Public Administration*, 40, 1.

should be less permissive and more mandatory, and they should have some sources of revenue other than from rates on property. Many professional and other people, capable of giving disinterested service, are not attracted to Local Authority work as it is at present organised. Yet it is the specialised knowledge and abilities of just such people who would provide a transfusion of ideas and ideals into Local Government which it so badly needs to make it more effective. This might be a preliminary to full-scale local political work as elected representatives.

Co-operative Societies—Producer or Consumer

Ownership and control need not, however, be either 'public' in the sense of the whole public, or 'private' in the sense of haphazard groups of shareholders and self-appointed directors. There are also the various forms of co-operatives—too easily dismissed as inefficient and old-fashioned simply on the experience of consumer co-operatives in retail trading in Britain (and in the light of a good deal of artificially fostered prejudice). We certainly have little experience here of producers' or manufacturing co-operatives. However new types are emerging, for example among farmers, and many kinds of co-operative organisations exist abroad under all kinds of political systems and in all kinds of societies in the British Commonwealth and elsewhere. We should examine the possibilities of applying them to manufacture, agriculture and distribution in this country. Mutualisation of insurance companies as a form of co-operation would bring partial public control to these vast financial empires.

Joint Boards with User Representatives

There are other alternatives to 'private' ownership, for example, various kinds of Joint Boards representing both public authorities and user interests, such as the Port of London Authority. Why not an Aircraft Construction Corporation with members nominated by the Defence Departments, by the public civil air lines, by the private airlines, by some of the local authorities where its factories would be situated, and by its own employees? Or a Medical Supplies Corporation (to manufacture and import drugs), with members representing the Hospital Boards, the doctors and the retail chemists? There is, of course, a danger that such indirectly elected boards might become remote from the public they served and difficult to control—like some joint sewage boards. But these are wholly or mainly appointed by Local Authorities and their work is not very newsworthy. Any such joint body will be kept on its toes if its job is considered sufficiently vital by the people who nominate its members. But the inclusion of some representatives—they need not be a majority—from central or local government or its own employees, would ensure that the wider public interest was considered, that all important facts were published and that the concern did not degenerate into a medium for hole-in-corner bargaining between sectional interests.

Adaptation of the Companies Acts

Some public control of industry might be obtained by amendment of the Companies' Acts. By these Acts management powers (with a very few exceptions) are vested in a Board of Directors formally elected by, and required to act in the interests of, the shareholders. If the object of a change in ownership is to require concerns to act in the public interest it is arguable that all that is needed is an amendment to the statutory duties of directors. There would have to be a general requirement to comply with the directions of Parliament or some central economic planning organ. There are difficulties about this suggestion. Either it would give the Government or its planning organs vast undefined and uncontrolled powers or there would be all kinds of limitations and exceptions which could only be interpreted by the Courts and hence the country's economic policy might sometimes be decided by the judges. In any case simply to require directors of companies to comply with economic planning controls would only produce a complicated network of evasion.

An industry might, however, be brought under public control by simply replacing the directors by others chosen to act in the public interest. This could be brought about by direct Government appointment of directors—as in the case of Cable and Wireless Ltd.—or through a public holding company as in the steel industry—or perhaps in some cases by an elected local or regional authority. Whether directors so appointed were the same as before, or new ones, would depend on their personal suitability. Former directors re-appointed would have to understand the change in authority.

Increased control of industry could also be achieved by amending the Companies' Acts in other ways. For example, a Registrar of Companies could have power to demand fuller information (if necessary in confidence) and to conduct enquiries. The mere existence of these powers of inspection without their use might suffice to improve industrial practices.

Public Enterprise Steps in Where Private Enterprise is Lacking

Some of the most significant technological developments in this country have had to be undertaken by public bodies because no private concern could have done so effectively—for instance telegraphy (nationalised by Disraeli), broadcasting (nationalised by Stanley Baldwin), nuclear energy and the nationwide (as distinct from early local) development of telephones and electricity supply. Television was built up—technically, artistically and organisationally—by a public body and private 'enterprise' only came in to collect the profits when it was established.

There are several kinds of human need that private enterprise alone does not seem able to meet. The aircraft industry has had to be repeatedly supported by Government action. Even in risk-bearing finance of trade—a function at which private capitalism is supposed to excel—important burdens are carried by the Exports Credit Guarantee Department. When the Cunard Company wanted to replace the 'Queen' ships it expected to be given most of the money by the Government and not to have to return any share of the profits; even when the Government agreed the company backed out at the last minute.

The National Research Development Corporation has had to exploit some pioneering inventions which were too risky for private enterprise.

We suggest that for some new projects and particularly for industries supplying a basic human need the government should set up publicly owned productive agencies, to pioneer new production techniques such as the pre-fabrication of houses and other buildings or their components. These agencies could be Government Departments, Public Corporations, Local Authorities or Joint Boards. They could construct schools, houses, hospitals and factories. Such public enterprise is badly needed to stimulate, conduct and exploit research into cheaper, quicker and better building methods.

Organisation for Co-ordination and Economic Planning

In our discussion so far we have assumed some machinery for formulating economic policies and defining the responsibilities of economic institutions on a basis which is fundamentally democratic. There is at present no such machinery which is in any way adequate. The policies of nationalised industries have from the outset been defined, if at all, by different Government Departments each with much else to do. National economic planning until recently has nearly always been a matter for the Treasury. But the Treasury was designed for a different purpose—a negative organisation for stopping people spending money. Even the Conservatives now seem to realise its inadequacy. They have put new Ministers in it and regrouped its departments. They have set up ‘Neddy’—the National Economic Development Council—with economists and representatives of employers and trades unions. It is too early to say how effective all this will be; but it seems very doubtful if Neddy will have what we regard as the three essentials of an economic planning body:—

1. Power to get information.
2. Power to get its decisions carried into effect.
3. Responsible democratic control.

If ‘Neddy’ is to direct our economic lives, who is to direct ‘Neddy’ (or, for that matter, N.I.C.)?

It may be argued that ‘Neddy’ should be run like the economic planning organisation in France. But planning there started with a high proportion of industry under public ownership and the French system, even before de Gaulle, was autocratic and bureaucratic: it lacked lively and effective democratic control (as M. Mendes-France, a former Premier, has stated).

Whatever success in economists’ terms planning in France has achieved, there is no evidence—indeed it is not claimed—that it has brought much economic equality or goodwill between different classes of society. The most we can learn from France is information about certain administrative and statistical techniques. Even these we shall need to apply with caution to our more democratic society.

We must remember our principal objects—to be humane and democratic. Any planning organisation must be not merely formally responsible to Parliament but so close to Parliament that it can, like any Government

Department, be constantly kicked and prodded by disrespectful M.P.s fresh from angry meetings in the constituencies. This means a Department or Commission under the direct orders of a Minister (which 'Neddy' is not). Who should staff it? Economists, business men, trade unionists, people from existing nationalised industries and local authorities, or civil servants? Probably a mixture of all these. They should be headed by a Cabinet Minister with a Minister of State and two or three very capable Parliamentary Secretaries.

We do not, of course, suggest that before such a Planning Department could be effective all or most industries need be taken into public ownership. The Department could do much if, through some form of public ownership, it had control of those industries most crucial to the whole economic system. New forms of public ownership (including worker—and consumer—participation) could be worked out so as to make possible more public control without excessive centralisation. Although the most important industries to control would be capital goods manufactures such as steel, we should not rule out some consumer industries of special value, or special danger, to the community—for instance, the motor car and pharmaceutical industries.

5. The Workers' Place

PUBLIC ownership was first advocated to raise the status of workers and give them a share in the control of policy. It was hoped to see an end of strikes, lock-outs and class warfare. Have these hopes been dashed?

Under capitalism, although the worker depends for his livelihood on his industrial labour, his mind is frequently engaged elsewhere and his heart is often not in his job. In fact masses of humans in our highly industrialised society lead sterile colourless working lives. The boring and repetitive nature of individual jobs and lack of individual responsibility in factory or office constitute an outstanding scandal of modern industry. Automation begins to remove the most soul-destroying tasks, but the lives of many people outside their work are drab, unexciting and without creative possibility. The machine can do many things so perfectly that man has given up trying to do them himself. Married women with families, in contrast, often have greater responsibilities than their husbands experience in a life-time. Such differing forms of synthetic adventure as Outward Bound Schools, motor car rallies, and gang fights, are attempts to experience adventure and excitement not provided by the environment.

Christopher Brasher commented at the end of the Rootes, Acton, strike: "What must be learnt is that it is no longer enough to pay men high wages (the Acton men have been earning nearly double the national average), It is also vital to engage the hearts and minds of the men, to give them pride in their work and to treat them like responsible human beings instead of as so many units producing X number of car bodies and components every week".¹

¹"Calculating the profit and loss of a strike." *The Observer*, 3rd Dec., 1961.

Attitude of Trades Unions

Nowadays most trades unions refuse to be involved in management decisions either in public or private industry. They feel this would divert them from their proper role of fighting simply for the interest of their members. There are exceptions to this attitude¹ but on the whole schemes for some sort of workers' participation in management have come from the management side, although no management, public or private, has proposed to hand over full sovereignty to the workers' representatives.

Schemes for worker participation range from full and genuine consultation about management decisions in their formative stages, to those of a largely bogus nature, but final power of decision is always reserved to management. The only exception is where the unions are so powerful that certain types of action cannot in practice be taken without their agreement.

Industrial Relations Under Existing Public Ownership

There have been a number of major disputes and many minor troubles in the public sector since 1945. All have been well publicised by the enemies of democratic socialism on the Right and on the extreme Left. We must ask firstly, is the general state of industrial relations worse in the public than the private sector, secondly could it be better, and thirdly could a more extensive and thorough-going application of socialist principles bring about far-reaching improvement?

To answer the first question adequately would require very extensive research—analyses not only of working days lost, but of the whole climate of industrial relations and morale. Industrial morale and productivity can fall to very near zero without anyone actually going on strike! However, despite serious difficulties in certain coalfields the coal industry, for example, has had nothing like the nation-wide disputes, strikes and lock-outs of the worst inter-war years. Where there has been good leadership on both sides industrial relations and mutual confidence between management and workers have improved enormously.

In the publicly owned service industries if industrial relations had anywhere fallen to the level common in the motor industry thousands of people would often have had no electricity, trains or telephone services. The industries and services so far nationalised have, however, mostly been among those suffering the greatest economic strains and those where failures in morale would have the quickest and most obvious effect on the public. In two soundly based and expanding industries with a tradition of public service, electricity supply and the Post Office, we find remarkably well-developed effective, and harmonious systems of joint consultation. These are two con-

¹ The Union of Post Office Workers has always been critical of the attitude whereby "the Trades Union Movement becomes no more than a defence mechanism which at best squeezes concessions from a reluctant management. By leaving management to the managers the Trade Union forfeits its right to mould and shape in their formative stages the policies which have such profound effects on the rights of its members. . . ." The U.P.W. prefers "to see Trade Unionism as a dynamic constructive force in the organisation of industry and the embodiment of creative energies, skills and experience of its members." *The Post* (Official organ of the U.P.W.), 22nd September, 1962, p. 465.

cerns requiring detailed and intricate organisation to provide a 24-hour seven-day week service. In both there has been bold and imaginative leadership on all sides and practical co-operation in post-war re-organisation and expansion. (The periods of trouble both have had have resulted largely from the general wage-restricting policies of a Conservative government.)

New Forms of Ownership and Management

Under the present system of private ownership professional, managerial, and office employees are dealt with on a basis of 'divide and rule'. There are seldom fair, efficient and systematic arrangements for selection and promotion. People doing similar work are paid differently and kept in ignorance of each others' salaries, and any form of protective associations or trade unionism above shop floor level is usually regarded as indecent, if not actually treasonable. Nationalisation in most industries, however, has brought fair and comprehensive arrangements for selecting, training and promoting nearly all grades of employees and also the fairly general introduction of white collar unionism. The significance of these developments has been little noticed; but it is fundamental. When people in responsible positions in an industry or public service have sat on both sides of the table in industrial negotiations the whole climate of relationships is changed. Both sides speak the same language and although they are at different levels of responsibility the caste division between them disappears. Distinctions between 'staff' and 'labour' in pensions and security of tenure and in such minor matters as separate canteens, disappeared many years ago in the Civil Service and local government and have largely disappeared in the nationalised industries.

East and West place a different emphasis on the value of the individual. Communists subordinate the individual to the good of society to a degree unacceptable in the West. Nevertheless socialists believe that in capitalist society the freedom given to some individuals is such as to restrict that of others. Their efforts to redress the balance are misrepresented as restrictions on everyone's freedom.

In any large and complex society individual freedom is partly an illusion for we all depend on others for all kinds of things. Can our society provide more effective individual freedom and hence more possibilities for people to broaden their lives?

A professional man usually looks for satisfaction which helps him to cope with the duller parts of his work. He frequently has a sense of service. He has the opportunity to shoulder responsibilities and to show initiative. There is a hierarchy which he may climb, albeit often with much labour, and a wide choice of job. With professional advancement ability to play a direct part in the chosen organisation increases. A professional man's opinion is sought, and often acted upon, both as an individual and as a member of a group. He can influence his work environment by his initiative, either as an individual or through various groups. A professional man arranges his work, within limits, as he wants. He is, to some extent, his own master. He works within generally accepted codes of ethics which

others too must abide by and which provide defences for professional people against commercial and other pressures.

Non-professional workers lead very different working lives. Very many reach their peak earning potential relatively early in life and can personally do very little to improve it. Their jobs are usually dull. Most manual workers and clerks have neither responsibility nor scope for initiative—which indeed may be discouraged by management, or mates.

It is now vital, both for the individual and the country, that the worker should feel that his contribution is of importance, that he is a necessary, valued and respected member of a work team, and that he possesses some power to influence events; in short that he 'belongs' in his place of work. If the worker is engaged heart and mind he will derive satisfactions from his work which are the basis for mature and responsible behaviour in society.

It may be said that most workers would not respond. Experience refutes this. Through the ages, when social stresses have arisen, leadership and initiative, often on a massive scale, have emerged from the unprivileged social classes. They are certainly not found only in professional and well-to-do people. The trade union movement is full of examples of men of humble origin who have borne tremendous responsibilities. There is the present upsurge of leadership from the factory floor through the shop stewards which, whatever may be thought about it, is certainly vigorous. Wars, especially the last, have always produced large numbers of military and civilian leaders who in peacetime have no natural outlets.

Suggestions for the Future.

The steadily improving level of general Education will cause social tensions if workers, particularly the young, are not offered more interest, creative possibilities and excitement in their work. Only by this can we ensure maturity and stability of our society, and cause production to soar.

The main benefit of public ownership is that it changes the basis of industrial relationships. In public concerns there are only the employees and the general public to consider; the shareholders have been eliminated.

Consider the situation if public ownership was in a majority or occupied all the 'commanding heights' of industry, under a sympathetic government, and was not unduly hampered by economic or political pressure from abroad. The basic conflict of interest between management and employees would have disappeared and differences on many secondary matters, which would certainly continue, could be much more easily resolved. Publicly owned industries would no longer have part-time Board members who were also directors of private companies. They would be under less pressure from their private sector customers or contractors. Their managerial staffs would not be so tempted to ape the attitudes of their counterparts in private industry. The scene would be set for a degree of industrial co-operation which had never been seen before.

Suppose we went the whole hog and put a complete industry or factory under the control of all who worked in it. Is this idea inherently absurd?

What are the objections to it? Can they be overcome and are they balanced by positive advantages?

For any organisation of more than a few score people, no one would suggest direct democracy with mass meetings of all members, in ancient Athenian style. All voluntary societies of any size work through elected committees and conferences. In fact an active minority governs with the financial, but inarticulate, support and acquiescence of the majority. In local government the majority of the voters may be ignorant of financial management, road surveying, architecture, etc., but they nevertheless elect those who in turn appoint experts to look after these matters. When the voters feel directly affected by high rates, road congestion, or bad housing, they can exert effectual pressure.

There is no reason why the same people who elect municipal councils to run their public services, should not elect industrial councils to run the factories in which they work. Elected councillors would have to establish reasonable working relationships with the expert managers, as in local government. The unions would probably wish to remain distinct from the industrial councils. There might be difficulties in finding the right people (whether full time or part time) to serve on the Councils—people who would appeal to, and keep in close touch with, the general mass of employees and yet have some understanding of the problems of management and a broad sense of responsibility.

Could any industrial unit be responsible solely to its own employees and not to the community as a whole? It would, of course, have its financial and economic relations with its customers and suppliers, and could be at least as responsible to the community as a company Board of Directors. But the very lack of responsibility to the community under private ownership was a prime reason for industries and services being nationalised and municipalised. When any essential services, such as water or railways, were authorised to work under private ownership even Conservative and Liberal Governments imposed stringent controls over them.

It is arguable that an essential public service could be owned and controlled by its own employees subject either to this sort of control or to the kind of government inspection, control, assistance and indirect pressure and guidance that is now applied to Local Authorities. However, these controls are cumbersome. To extend them now would be retrograde. Many people believe that the over-riding public interest in these services is more efficiently protected by full Government ownership coupled with independent day to day management, and that employees' interests are best served by highly developed systems of representation and joint consultation. Others believe that these arrangements tap only a fraction of the springs of employees' interest and energies.

However, we should not start by upsetting systems which work reasonably well. So experiments in direct ownership by employees had better be reserved for industries:

- (a) Not now in public ownership.
- (b) Not absolutely essential to the life of the community.
- (c) With a number of units which could remain mutually independent.

(d) Where little central direction is desirable.

This would provide an adequate field for imaginative and daring experiments of different kinds in the ownership and management of industrial units by their own employees.

There could be—either completely independent or in partnership with central or Local Government—councils at factory level replacing boards of directors and consisting of representatives of various kinds from the different factories in the industry, the managers, the trades unions, and the Consumers' Commission (see Chapter 6). Schemes are required which will give worker representatives initiative in new appointments, a share in overall industrial policy-making, and substantial responsibility for local policy by accountability of the manager and his departmental heads to a worker-elected Board.¹

Forms of organisation must be judged not only by the efficiency of production but equally by the improvement in the quality of people's working lives. We doubt if these aims need conflict.

Private enterprise, with one or two honourable small exceptions² is unlikely to proceed along these lines. Experiment will be needed to evolve the best methods of workers participation for each industry and locality. Forms of practice common among professional people should be adapted. We suggest that sizeable experiment will only be possible in organisations free of both private financial interests and detailed Government control.

It is no more absurd for an industry to be controlled by its own employees than by haphazard collections of local Government electors or distant shareholders. Of course whoever controls the internal affairs of an industry has a responsibility to the whole community. These two considerations need not be inconsistent and means could surely be found to reconcile them—such as representation of the Government or a Planning Commission on the Council controlling an industry, and of the industry on a central controlling body—accompanied by day-to-day informal consultation, as goes on now between Central Government and nationalised industries or Local Authorities. Until these ideas have been tried experimentally on the shop floor no final answers can be given to the questions posed.

¹ We have examined one proposal (no doubt many arrangements are possible) for workers' participation in control of policy and senior appointments in an industry. This envisages an Industrial Council of employee representatives, managers of individual factories, and nominees of the Consumer's Commission. Under a chairman nominated by the appropriate Minister this Council would plan for the whole industry. Managers would be appointed by an Appointments Board elected by the employees within the industry and subject to approval by the Factory Board. This Board, consisting of the Manager and his departmental heads and employee representatives, would settle policy for the factory within the plan for the industry, and explain its proposals to all the workers. Detailed executive functions would be in the hands of appointed professional staff.

² Elliott Jaques (1951), *The Changing Culture of a Factory*. Tavistock Publications Ltd., London.

6. Consumer Interest

PEOPLE not only make and sell, they consume. The conflict between these two aspects of the same man has usually been resolved in favour of producer rather than consumer, who is the odd man out. His wants are met according to the profit of the manufacturers and he can only protest, if at all, with his feet. In fact consumers are the *raison d'être* of industry.

The present Conservative Government is setting up a Consumer Council with relatively narrow powers as recommended by the Moloney Committee, but it is likely to be as ineffectual as the Press Council.

Most proposals for public ownership, have suggested either state control or workers' control. Consumers' control is not yet a popular political cry. That it is becoming of wider interest is shown by the rapid growth of two private organisations.^{1 2} In 1961 there was a substantial number of Private Members' Bills on consumer affairs before the House of Commons. The post-war Nationalisation Acts provide for consumer consultation through Councils which have members nominated by organised consumers and commonly including industrial consumers.

In competitive industry consumer needs are assessed through consumer research, and some attempt is made to meet them within the requirements of the profit motive. Existing methods of consumer representation are inadequate both in privately owned industry and in the public sector.

Co-operation

In Britain the existing Co-operative Movement is ineffectual democratically. It does not attract the interest of most of its members. Its structure contains a clumsy electoral machine with, at the top, interlocking directorates between the Co-operative Wholesale Society, the Co-operative Insurance Society and the Co-operative Permanent Building Society. It is a great trading and financial organisation, but in the field of production it has been successful only in clothing, footwear manufacture, and to some extent in food processing.

This is in contrast to Scandinavia where there are major co-operative housing projects and food processing plants, and a wide range of manufactures.

In this country co-operatives have given a lead in the expansion of self-service, but this initiative was in an area where the Movement is traditionally strong.

Recent proposals to change the structure of the Movement have not so far met with success.³ The retail co-operatives are losing ground to expanding private enterprise supermarkets.

¹ Consumers' Association Ltd., Publishes a monthly report—"Which."

² The Consumer Advisory Trust, through the Cornmarket Press, publishes "Shoppers' Guide" monthly.

³ *Co-operative Independent Commission Report*. The Co-operative Union Ltd., Holyoake House, Hanover Street, Manchester, 4.

Need for Expansion of Consumer Interest

Four things are needed:

1. To find out what the consumer wants and needs.
2. To supply the consumer with what he wants and needs.
3. To educate the consumer. Consumers do not always know what is available, and some do not even know what they need.
4. To ensure that consumer goods are of satisfactory quality.

Private enterprise meets these needs in part:

1. Mistrusting the working of the market, industry itself now enquires directly of housewives what they want ("Market Research").
2. Private enterprise does, in part, supply the consumer with what he wants. It also tries to sell him what suits private enterprise. Hence the modern development of advertising with its mendacity, its pressures,¹ its emphasis on the gratification of self and its addition to the cost of household foods and goods.²
3. Advertising educates the consumer in some degree. In trying to persuade him to buy something, it implies that it is available (it is not always). But the motivation is profit and advertising does not tell the consumer about *all* that is available nor does it give reliable information on which of a number of products is best. Private industry is silent about the things it does *not* produce but could.
4. Under private enterprise the consumer can often go elsewhere if dissatisfied. Indeed there may be too much variety.³ Excessive choice is virtually meaningless for the average consumer and leads to a maddening lack of standardisation of articles like kitchen equipment, or domestic electrical fittings.

The consumer will need help to counter the cynical concept of planned obsolescence.²

How may deficiencies in consumer satisfaction be rectified? Regular meetings of consumers have never been popular. Consumers are often too ignorant about the things they use or want to make valid criticisms or recommendations, and it is difficult to brief representatives under existing arrangements.

Under whatever system industry is organised a reasonable choice of high grade goods and services must be provided. There must be redress for the consumer under an all embracing monopoly, public or private. Otherwise freedom of choice is lost. Individual rights must not be lost to communal interest.

A Consumer Commission

Senator Kefauver in America has proposed a Government Department

¹ E. Gundry. "The Press and the Advertiser." Letter to the *Guardian*, 3rd June, 1961. And succeeding letters on 10th June, 1961.

² M. Cordon suggests measures to restrict its rampant spread—*A Tax on Advertising* Fabian Research Series Pamphlet No. 222.

³ See comments on the excessive variety of manufacture of heavy electrical equipment, made by Professor Sir Willis Jackson in his inaugural address at the Imperial College. *Nature (Lond.)*, 195, 7, 1962.

of Consumers headed by an officer of cabinet rank. Norway already has such a cabinet post.¹

The principles underlying the work of official bodies like the Public Analyst and the Factory Inspectorate could be usefully applied to the care of consumers' interests, in the form of a Consumers' Commission. A body of this kind ('Consumer Council') has already been suggested by the Labour Party.² We suggest an organisation with even wider functions and powers.

An effective consumers' commission would have to be both independent and representative of consumers. It should carry out studies of goods provided both by public and private enterprise and should regularly supply detailed information about them.

At present national public corporations are subject to enquiry by the Nationalised Industries Committee, and to financial audit. The Committee publishes reports and verbatim transcripts of voluminous evidence but only tackles one industry each year. The Commission we propose would have the duty to perform an annual financial and service audit. The quality of the service provided would be assessed. Articles produced by industry would be tested.

The Commission would investigate particular complaints (which might reveal general as well as local weaknesses) and make enquiries into the work of public bodies and private industry. It would cover a wide range of institutions, not only public corporations but the G.P.O. and the production divisions of Government Departments and local authorities. Thus library services or the quality of coal and gas, could be comparatively assessed. Among the Commission's functions would be enquiry into consumers' needs covering the whole range of common articles.

The Commission would watch patents, and co-operate with the National Research Development Corporation to develop socially useful inventions. The Commission should have the power to induce industry to produce new articles or to modify old ones. It would be desirable for the Commission to work with the British Standards Institution to develop standardisation of goods and components.

The Commission would have Local Regional Boards as subsidiaries of a National Council. The members of the Boards and of the Council would serve part-time without salary. The Council and Boards would include people from all strata of society of both sexes, and representatives elected by local authorities, consumer co-operatives and trade unions. The National Council would be elected by the Regional Boards. Power to co-opt might be useful.

The Commission would require national and local offices with staffs including physical, biological, and social scientists, statisticians and trained interviewers. The mere publication of its reports might be sufficient to achieve results.

¹ V. Packard, *The Waste Makers*, Longman's, 1960.

² *Fair Deal for the Shopper*. A Labour Party "Looking Ahead" Pamphlet. October, 1961.

The Consumer Commission would be a well-informed and independent body. It could brief public representatives, both local and national, on problems concerning consumer interest in the supply of goods and services. Thus the balance in discussion and debate might be redressed in favour of the back-bench member who would have adequate, reliable and *independent* information in argument with Government representatives.

The Consumer Council would represent the consumers' interest directly and independently—a commission of inspection on behalf of the consumer.

7. Man's Industrial Future

THE material state of millions of our people is better than ever before but many are still in poverty. Our prosperity, such as it is, is almost entirely material. Man's work, such an important part of his life, should now be so organised that he may obtain from it more satisfaction for mind as well as body. The control of crime and the stable development of our social democracy depends on it.

Our various proposals to engage the hearts and minds of people in their work should be put into effect now. However we do not know enough about the effects of industrial conditions on the worker to allow comprehensive suggestions to be made at present and much that is known is not made use of.

That people who suffer dissatisfactions in their work are unable to describe them or their causes is only partly a matter of education or intelligence. It is due more to our social climate. Industry and society provide little machinery for elucidating the causes of unhappiness at work, and for removing it. Hence the existence of anti-social practices like strikes and slipshod work. People need means of redress and we must provide less socially and individually damaging ones.

The profit motive may produce evil results, but it makes people work.

Other incentives are more complex and do not command such a wide area of agreement. Nevertheless for much of man's history pride of craft, ideas of service, or sense of social responsibility as well as desire for power, national and clan loyalty, fear, superstition and mere habit, have all been more effective than desire for financial gain.

If we condemn pursuit of profit as the mainspring of man's labour we must find adequate alternatives to reinforce and partially replace it. The ideal of service, inhibited by the profit motive should be extended as a spur to labour and be taught from an early age. In industry it could only develop fully under public ownership.

The value of any concern as a service to the community should be a criterion for consideration of change of ownership. Support for this concept comes from unexpected sources. The National Union of Manufacturers has asked the Minister of Transport to continue the railways 'as a social service.'¹ The Federation of British Industries suggested to the Roch-

¹ *The Guardian*, 18th May, 1961.

dale Committee that all ports should be owned and operated by 'Public Trusts.' The principle that the ports should be controlled by representatives of their users and of the public in general was accepted.¹

To make valid suggestions for improving worker and consumer satisfaction we shall need more research into industrial conditions and practices to understand the causes of the tensions they produce. In addition we shall need to know more about social experiments in related fields in other countries. Finally, we shall have to make social experiments ourselves, to find which methods of organising and administering industries and services will give maximum satisfaction to worker and consumer. Only Public Ownership, in differing forms (themselves sometimes experimental) will enable us to do this. There are of course also many subjects whose study is a necessary corollary of change in ownership.

For example we need not only adequate training facilities for management in industry, but also research into new methods of administration and management. Some of the nationalised industries have good management training schemes and take advantage of those of outside institutions. But much of the recent outburst of so-called 'management training' in independent colleges and elsewhere is bogus, being conducted by people who have never managed anything.

In the Health Service the most important workers in it, the doctors, are near the bottom of the administrative hierarchy, but are among the intellectual élite. Because of the importance of their services and the extent to which their views are acted upon, the Health Service may be said, in respect of the doctors (only), to present a picture of worker participation. Few doctors, however, have yet grasped what a fruitful field of social research their own service presents. Social scientists are already interested.²

Similarly in 'technological industries' highly paid scientists (e.g. in British Nylon Spinners) now influence control of industry. They do this, like the doctors, without leaving the work for which they were trained and becoming pure administrators.

The scientific method must now be adopted to deal with large scale social ills. The collection and analysis of data, and the formulation and testing of theory, offers greater hope of social advance than rigid adherence to doctrinaire capitalism or communism—to one or other of which so much of the world is now wedded. We believe that an experimental yet empirical approach will suit most Englishmen, and might well carry with it sufficient sense of adventure to appeal particularly to young men and women. This would be an especially valuable attribute for our relatively sophisticated society is deficient in natural sources of excitement and adventure for young people.

¹ *Report of the Committee of Inquiry into the Major Ports of Great Britain*. September, 1962. Cmd. 1824, H.M.S.O., paras. 92—107.

² R. W. Revans (1961), *The Measurement of Supervisory Attitudes*, Manchester Statistical Society.

do. (1962), *Hospital Attitudes and Communications*, *The Sociological Review Monograph No. 5*, 117.

do. (1962), *The Hospital as a Human System*, *Physics in Medicine and Biology*, 7, 147.

Various methods of research will be needed: studies of past and present administrative, financial and social practices in industry and services and their effect on people; studies of how other countries are developing industrial relations;¹ and sample surveys covering groups of workers, industries, and consumers.

Experiment must become an acceptable tool for social betterment. Use of the pilot experiment, common in science, and in industry for production purposes, must be extended to the human field. It should be used to develop new administrative techniques and to decide the best way of organising a factory. To get answers to many of the problems it would probably be necessary to build factories to compete with the private sector in the same field.

More special factories, if necessary on Village Settlement lines, must be made for the physically and mentally handicapped so as to reduce to a minimum the number of unemployables.

Much sociological research at present is ill-co-ordinated and often not directed to problems of immediacy. There is certainly not nearly enough being done in the field we have been discussing.

We support the suggestion² that a Social Research Council should be set up, rather on the lines of the Medical Research Council. Its main functions would be to co-ordinate social research and to initiate work in fields where social problems were pressing, as in industry. The Council should be adequately financed so that it could conduct experiments on a worth-while scale.

If man is not to be degraded by the materialist environment he has created he must now start consciously to direct his own evolution, and one of the first steps he must take is to order his relations better with his working environment. The purpose of industry is to produce the things man needs. Man himself is involved in the process of production and this must be so organised that he benefits from the process as well as the result. Suggestions for altering the organisation, and ownership of industry must be examined against this backcloth and no other. With our advanced social democracy and ideas of political freedom we have the opportunity in this country consciously to take an exciting step forward in our industrial and economic organisation.

¹ See *Workers' Control in Yugoslavia*. F. Singleton and A. Topham. Fabian Research Series 233, February, 1963.

² See debate initiated by Austen Albu in the House of Commons. *Hansard*, 4th August, 1961. Cols. 1853-1871.

APPENDIX

Examples of Industrial and Commercial Organisations
in Varying Forms of Public Ownership.

1. *Concerns for which Ministers are Responsible to Parliament Directly and in Full.*
 - a. Headed by Ministers, staffed by civil servants, and financed entirely from the Exchequer.
Admiralty, Ministry of Aviation, Ministry of Works.
 - b. Headed by a Minister, staffed by civil servants and financed partly by the Exchequer and partly by contributions.
Ministry of Pensions and National Insurance.
 - c. Headed by, and staffed by, civil servants, and financed by the Exchequer.
H.M. Stationery Office (printing works).
Central Office of Information.
Board of Customs and Excise.
Board of Inland Revenue.
 - d. Headed by a Minister, staffed by civil servants but finances separate from the Exchequer.
General Post Office—Postal, telephone, telegraph, and banking services.
 - e. Staffed by civil servants and financed by the Exchequer, but wholly or partly directed by Boards appointed by Ministers who are not civil servants.
Forestry Commission.
Department of Scientific and Industrial Research.
National Assistance Board.
 - f. Financed mainly by the Exchequer and run by Boards, or Councils, appointed by Ministers, with staffs who are not civil servants.
National Health Service.
— Hospitals.
— General Practitioner Services.
2. *Independent Public Corporations, not staffed by civil servants, appointed by Ministers who are responsible for them in general, but not in detail.*
 - a. Financed wholly by the Exchequer.
Arts Council.
British Broadcasting Corporation (on basis of licence revenue).
Commonwealth Development Corporation.
British Council.
United Kingdom Atomic Energy Authority.
National Film Finance Corporation.

- b. Financed wholly or mainly from own earnings, but new capital borrowed from the Exchequer.
National Coal Board, all Electricity Boards, Gas Boards, B.O.A.C., B.E.A., Bank of England, British Railways Board, British Waterways Board, London Transport Board, Independent Television Authority, National Research Development Corporation.
3. *Publicly owned Companies Operating under the Companies Acts.*
- a. With all shares owned by the State and all Directors appointed by the Government.
Cable and Wireless Ltd.
- b. With shares owned by, and directors appointed by, a Public Corporation (publicly owned holding company) (financed as in 2 b above).
Steel Companies (during the period of their ownership by the Iron and Steel Corporation).
Thomas Cook and Sons.
Dean and Dawson.
Tillings (buses).
4. *Corporations with Members all either Directly Elected by the General Public or Co-opted by themselves (Aldermen) with Mandatory and Permissive Powers under the Direction of Ministers.*
- | | |
|-----------------|---|
| County, | Housing, Schools, Buses, Libraries, Welfare |
| County Borough, | Services, Public Health, Roads. |
| Borough, | (In some places many other services including |
| District, | public entertainment, restaurants, telephone |
| Councils | service.) |
5. *Corporations with Members Appointed by Various Local Authorities, and sometimes by Government Departments and/or Bodies Representative of the Users of the Services Supplied.*
Port of London Authority, Harbour Boards, Joint Drainage Boards, Sewage Boards, Water Boards, River Boards, British Standards Institution.
6. *Corporations with Members almost all Appointed by those who Work in them.*
Universities of Oxford and Cambridge and their Colleges.
(Most other British Universities include more Government or Local Authority appointed members in their Governing Bodies.)
7. *Societies wholly Controlled by Consumers of their Products or Users of their Services.*
Co-operative Societies—retail trading, banking, some manufactures and farming.
Mutual Assurance Societies.
Housing Associations.
The Consumers' Association.

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