

*From the London End***Socialism through the Stock Exchange**

THE eagerly-awaited Labour Party policy statement on the nationalisation of industry affirms the growing influence of the "new-thinkers" in the Labour movement the group who believe that contemporary capitalism possesses within its structure features which Socialists should accept if not support. The statement itself must rank among the more important of Labour documents published since the war. It concedes in print a viewpoint which has been held by many of the Party's "leading lights", but about which few have dared to be explicit. More than that, the statement accepts an interpretation of contemporary capitalism which completes the break which has been going on for some time with the thinking of the more conventional Socialists. The Labour Party now accepts the characterisation of A A Berle that "the capital is there and so is capitalism—the waning factor is the capitalist." From this premise flows the analysis justifying the most cautious and moderate policy on Socialist ownership of the means of production.

The Labour statement, *Industry and Society*, claims, as the first significant point of departure, that the one major development which now demands a new policy is the emergence of the large firm. Quoting from the work of the National Institute of Social and Economic Research, the statement shows that just over five hundred large firms to-day account for about a half of the profits made and over a half of the investments in the whole of private industry. These large firms and their dominating position in the economy are described as "a new and distinctive form of business organisation." This new form of business organisation possesses certain important characteristics. There is the almost complete separation of ownership from control—this is explained partly by the enormous size of modern business enterprises, and also by the fact that investors, even wealthy ones, tend to spread their investments and hold relatively few shares in any one company. The separation of ownership from control has enabled the rise to power of a new class of technocrats. The

technical and managerial experts who control industry, particularly large-scale industry, are not necessarily wealthy themselves. They, however, provide a body of skill and knowledge which has enabled capitalism to develop to its present concentrated form. Underlying this development are three important factors. In the first place the very size of the large enterprise has made it increasingly difficult for the individual shareholder to hold any more than a tiny percentage of the total capital. The statement cites the example of the Shell Oil Company the current market value of 1 per cent of the issued share capital is over £5m. It is claimed that wealth on this scale is extremely rare in Britain. Secondly, there has been the far-reaching effect, of death duties—large individual investments which may be accumulated during a lifetime cannot be expected to continue into subsequent generations. Thirdly, the rich, according to the Labour Party, do not normally invest all, or even a substantial proportion, of their wealth in a single enterprise. These factors, therefore, tend to enhance the claim that there exist today no substantial capitalists who could become, as in the days of old, the target of the Socialist movement.

Does this estimation then demand of the Labour Party (if the estimation is a correct one) a policy on social ownership? It is certain that no Labour Party can in fact accept the existing situation, no matter how much it wanted to maintain the existing forms of economic organisation. The demand for change has become part of the political situation and it is inevitable that the Labour Party should put up some demand for change. The changes recommended however, are of such trivial significance that for Britain the long-term perspective is now one whereby the large firm will continue in the main, and that the Labour Party will do little to change either the nature of the control or of the ownership of such enterprises.

Wherever change is becoming part of the Labour Party's policy, these changes are broadly being based on how far they will be able to assist towards a reduction in income

inequalities and of a possible redistribution of income and wealth. The Labour Party believes that the large firm has in a rather peculiar manner tended to increase income inequality this apparently has been made possible by the ability of company directors and the new class of technocrats to obtain from the firms that they manage special facilities and financial resources for personal advancement which are not available to the broad masses of the people. The statement cites the rather exceptional case of one company enabling its senior executive staff to send their children to special schools against the firm's pension and staff provident funds. In this way, the Labour Party claims, the perpetuation of class distinction is pursued. These undesirable features will come in for change when the Labour Party comes into power.

The central weakness of the policy now recommended by the Labour Party is that the changes to be brought, about concern some of the more trivial consequential features of the large firm rather than the firm itself. The Labour Party hopes to assist the shareholders in controlling the technocrats and managerial experts. In this way it hopes that the more undesirable features with regard to this new class of persons gaining special privileges not available to others will be done away with. The more fundamental feature of the large firm, that is, the firm's ability to control vast sums of money, to undertake large investments and to concentrate increasing power within its hands remain under the Labour Party's proposals, virtually untouched. The old Socialists had always claimed that the foundations of social ownership was the belief that profits provided the motive for capitalist enterprise and that by and large this motive was inconsistent with what could be construed as the public interest. To many in the Labour Party such an estimate is still correct and still prevails.

The large firm is able to spend considerable funds on advertising. And this advertising to-day veers

consumer tastes into directions which not only provide for a planned basis for industrial investment but assures industry of its profits. The large firm creates its own market by the amount of money it spends on advertising. Such profit considerations and industrial investment are however not necessarily in line with what the Labour Party claims to be its policy of "economic planning for social advance." This patent fact, however, does not come within the purview of the Labour Party's policy statement. What is recommended is that the State itself, through such State agencies as the State Pension and Superannuation Fund which possess large sums of money, should invest such funds in the equities of large firms and in this way enable State representatives to sit on the Board of Directors of the 500 firms. There will be no discriminatory treatment, against such firms indeed the Labour Party sees in these firms a quality of economic organisation which provides little reason for change. In this way the Labour Party, when it does get back into power, will be able to obtain for the State the capital gains that arise from speculation that normally goes with Stock Exchange transactions. By maintaining State representatives on Company Boards, the new class privileges which the technocrats and managerial experts are gaining will be avoided.

If the Labour Party needed any evidence how the large firm has come into existence and has been able to distort the process of reward for enterprise, then it could have delved into the many reports of the Monopolies Commission which the Party itself had set up in 1948. In those industries which are dominated by one or two firms, the consumers have become subject to the whims and fancies of such firms. Price fixing and price maintenance arrangements as well as controls over sources of raw material supply have reduced the competition that would otherwise have operated towards bringing down prices or enabling the normal processes of reward to prevail. In fact the Labour Party's statement on social ownership provides little comfort to the consumer of mass produced goods.

There can be little doubt that the policy enunciated in this im-

portant document will find little support from the mass of the Labour Party. This is certain if account is taken of the resolutions that are before the forthcoming Conference of the Party. According to the list of resolutions that have been presented by Labour Party branches for discussion at

the Conference in October next, almost every branch of the Party has called upon the Conference to affirm its belief in the common ownership of all basic industries and a number of resolutions express anxiety "at the present tendency to deviate from these accepted Socialist principles".

THE HINDUSTAN CONSTRUCTION CO., LTD.

**CIVIL ENGINEERS, BUILDERS AND CONTRACTORS
FOREMOST IN THE FIELD IN**

Designing and construction of Dams for Multi-purpose Projects ;

**Railway and Road Bridges with all types of foundations
(including Caisson and monolith sinking);**

Docks and Jetties ;

Water Supply and Drainage Schemes ;

Aerodromes and Hangars ;

Tunnels ;

Heavy Earthworks ;

Buildings—Industrial and Administrative ;

Marine and Land Pipe Lines ;

Road Constructions ;

Guniting, Core Drilling and Grouting ;

Sewage Purification and Public Health Engineering ;

Etc. Etc.

**WE ALSO UNDERTAKE PILING WORK
UNDER HINDUSTAN-ZEISSL SYSTEM**

Head Office

"CONSTRUCTION HOUSE",

BALLARD ESTATE, BOMBAY I.

Telephone : 26036

Telegrams : HINCON-BOMBAY