

THE POLITICAL PROBLEMS OF THE CORPORATE SOCIETY

AND THEIR SOLUTIONS

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I - INTRODUCTION

My object in this paper is to discuss some of the political problems posed by the existence and workings of large corporations and some of the solutions offered to those problems. This project, though simple enough to state, bristles with methodological difficulties which I do not propose to say much about. It is clear, though, that phenomena do not go around labelled as "problems" : to identify something as a problem is to say that it fails to meet certain criteria for what counts as a satisfactory state of the world or that it produces results which themselves fail to meet these criteria. This involves an interweaving of evaluation and description which carries over into the discussion of "solutions" as well. Normally there is no such thing as "the solution to a problem"; there are only various things that might be done, each of which sets in train a different range of consequences. For analytic purposes one may segregate all the effects except those comprising the solution as "side-effects" but this does not make them any less important in striking a balance of advantages and disadvantages.¹

1. To suppose that one can make an evaluative distinction between the intended consequences of a policy (say, combating Communism in South-East Asia) and the foreseeable but not intrinsically desired consequences (say, killing and maiming civilian populations) is to make decisions easier at the cost of making them morally obtuse. A parallel though not identical distinction is made in the doctrine of "double effect". This is the notion that it is morally acceptable to do something which is known to produce bad consequences - in the

stock example, performing an operation on an expectant mother which will save her life but result in the death of the foetus - but not to kill the foetus as a means to saving the mother's life. The argument is that in the former case God could always intervene to save the life of the foetus - even if He has never done so in any recorded case of the operation! A somewhat equivalent argument which has actually been used about Vietnam is that if the Vietcong gave up, nobody would get killed. In my view these sophistries are unworthy of an intelligent human being.

To say that an investigation of the kind proposed weaves together factual and normative strands is not to say that they cannot be distinguished analytically. But the analogy with weaving holds to the extent that unravelling the threads is not necessarily the best way of appreciating the pattern. No apology is made, then, for the way in which factual and normative considerations are mixed together with fewer inhibitions than is now usually thought academically becoming.

One further prefatory point : the category of "facts" is a very broad one. At one end are statements of the kind beloved of sense-datum philosophers like "I am now seeing a red patch". At the other end are statements of the kind with which the victims of social psychologists and their allies are expected to express agreement or dissent, such as "When it comes down to it, most people can't really be trusted."² I am always mildly surprised that these questions do

2. Perhaps these are not quite the far end. What about "God exists" or "The universe did not have a beginning"?

is one of the objects of, state activity; possible changes in its form and control are items on the agenda of political discussion; and it has enough attributes of a state to suggest that at least some of the analysis developed for the state may be applied to it. On the whole the contributions of recent political science and political theory to the study of these matters are not very impressive. The most abundant and sophisticated literature is that concerned with the "pressure group" activities of business vis-à-vis government, though, as we shall note later, even this is fairly spotty. The corporation itself as a subject for political analysis is a remarkably neglected topic when one considers the size of resources whose disposition is determined by decisions made within corporations.³

3. At the recent (1970) conference of the International Political Science Association, the largest number of papers was contributed to the section on "Churches as Political Institutions". There has never been a section on "Business Corporations as Political Institutions".

This being so, it seems appropriate that the following discussion should raise more questions than it attempts to answer.

II - PROBLEMS

The exercise of power in society is always a potentially political question: because the state demands a monopoly of the means of large scale coercion, other wielders of power hold it in

some sense on sufferance from the state.⁴ This is, of course,

4. A fairly obvious criticism that might be made at this point would be that, having refused to equate the study of politics with the study of power relations, I am now doing it by the back door. Such a criticism would be largely misplaced, however, since there is a big difference between saying that the possession of power raises the question of possible state intervention and saying that all possession of power is the primary focus of the study of politics.

consistent with the claim being made that the state should not interfere in the exercise of certain kinds of power.⁵ But the case

5. For example, Jean Bodin, usually regarded as the first exponent in modern Europe of the theory of sovereignty, maintained that the father of a family should have absolute power over the members of his family.

has to be argued. There are two counts on which the possession of power can be defended: title and consequences. That is to say, it can either be argued that the possessor has a right to exercise power or it can be argued that his exercise of power has (on the whole, and relatively to alternative possibilities) beneficial consequences. Obviously, the two may be used in conjunction, and at various times (notably by the English Utilitarians) attempts have been made to collapse the first justification into the second. It would be reasonable to diagnose a gradual drift over the centuries

towards justification by results but pragmatism has never completely triumphed and has recently come under renewed attack, albeit a pretty inchoate form of attack.⁶

6. I have in mind here, of course, primarily the so-called "new left". However, for anyone who regards himself as immune to this current of thought, I would recommend a reading (or re-reading) of a classic of the thirties like Thurman Arnold's The Symbols of Government (Reprinted by Harbinger Books; Harcourt, Brace and World, New York, 1962). Even those who think of themselves as relatively hard-boiled will, I suspect, get a slightly creepy sensation from Arnold's dismissal of everything except a direct eye to outcomes as mere superstition.

All the "political problems" I shall mention involve the possession of power in some way, though some of them are politically relevant in other ways as well. The exact categorization is in some cases fairly arbitrary - there could be more or fewer categories - but I think the main points most people will wish to include come in somewhere.

I start with three effects or by-products of the corporation's economic operations: micro-economic effects, macro-economic effects, and external benefits and costs. I shall then come on to the external political activities of corporations and their internal power relationships.

1. It is not, I take it, in serious doubt that the contemporary large corporation has a certain amount of freedom of action in deciding what to charge for its product, what to pay its employees (including directors), how much profit to plough back and how much to

distribute to
pay/shareholders, and so on. It can be argued, with (as far as I can see) a good deal of plausibility that there is nothing new in all this, that concentration of industry has not increased, that improved information and transport make competition more effective, that economic growth makes domestic markets bigger and in any case imports and exports grow faster than world production itself, that corporations tend increasingly to compete in many different markets, and that innovation introduces new sources of competition (plastics v. metals, for example). The labour market and the capital market, even more than the market for consumer goods, it may be said, have never operated ^{in a way approximating} anything like the atomistic model of perfect competition. All that is new, it might be concluded, is that the existence of big corporations makes the departures from perfect competition more obvious to the naked eye.

For the present purpose it does not matter if this is so or not. The important point is that, although certain politicians (Enoch Powell and Barry Goldwater, for example) still propound the ancient verities, the paid promoters of the "free enterprise" viewpoint, such as the Institute of Economic Affairs in Britain, do not rely very heavily on the schematic version of Adam Smith that used to pass for economic orthodoxy.⁷ The importance of ^{this} lies in the place ^{that the} ~~this~~ orthodoxy ^{analysis}

7. Perhaps this needs some qualification to cover their less sophisticated academic outriders. After the original text was written, The Morals of Markets by H.B. Acton was published (London: Longmans, 1971) under the "sponsorship" of I.E.A. Bernard Williams, reviewing it

(Guardian, p. 9, 1 April 1971) commented: "The defence of 'the market economy' largely lacks force and interest because the book is hopelessly undecided about a central question: to what extent its moral defence of the principles of profit and competition is supposed to function as a defence of contemporary capitalism... Some very brief and evasive remarks are all we get on the subject of monopoly; and many current criticisms of the effects of market forces are never mentioned at all. So it is hard to know whether it is business in the world as we find it that Acton is talking about, or not."

held in the defence of the privately-owned economic system.

As I said earlier, all possession of power is open to a potential demand that it be controlled by the state, since the state removes the right of private justice among its citizens. But the best way of avoiding challenge is to deny the possession of power. Social life is, of course, rife with examples of this strategem at all levels: "I'd like to lend you the money but I don't have it", "I'm sorry, once the decision's made I'm not empowered to alter it", and so on. Thus, an elegant reply to criticism of the conduct of business firms would be to deny that they had any discretion - the harsh and impersonal "laws of the market" dictate that they pay their workers no more or charge their customers no less, on pain of being driven into bankruptcy by less soft-hearted competitors. ^{7a}

One aspect of the freedom of manoeuvre which firms enjoy is not often commented on and that is the scope which it provides for lavish working conditions. These advantages are normally, of course,

Footnote 7a

Theo Nichols, in his book Ownership, Control and Ideology (London: George Allen and Unwin, 1969), asks whether businessmen welcomed the publicization of the Berle and Means conclusion that power within the corporation was moving from the owners to the managers and suggests that 'there can be no doubt about its undesirability. It simply transferred the attributes of corporate power from owner to manager, and with this, of course, it also transferred to the alleged new holders of power the need to lay claim to be recognized as disinterested and responsible men' (page 27). Although the specific point in question is one we come to later, this passage illustrates well the point that the reputation of power can be a burden since it makes one answerable for outcomes.

particularly concentrated on the directors and, to a smaller extent, other management employees, but even other employees have working conditions that often contrast starkly with those prevailing in the sector of the economy reliant upon taxes for support.⁸

8. To give a small but fairly typical example, most of the schools in Colchester could not legally be used for commercial purposes because the standard of illumination in the rooms falls below - in some cases grotesquely below - the minimum laid down in the Shops and Offices legislation. In some schools the only well-lit room is that of the head-teacher's secretary!

There does not seem to be any conceivable rationale for this discrepancy if one simply thinks of the outcome. It is presumably the result of a legal fact - that there seems to be no limit to the extravagances that can be offset against profits as a first charge, provided they are not too overtly "private" in nature - backed up by a general feeling that expenses covered by sales are in some sense self-justifying whereas virtue calls for expenses covered by taxes to be pared to the bone.

Another use of corporate discretion, which is occasionally challenged by shareholders at annual general meetings but more often goes unremarked, is the use of the corporation's money for "good causes". Since the writer of this paper, like the other contributors, is a beneficiary of this phenomenon, it seems rather churlish to point out that, for good or ill, it is an exercise of power, and that some have argued for its being an illegitimate exercise of power. The money

should be used, they suggest, to pay more to employees or shareholders or to reduce prices to customers. It is then for the state to raise such funds as are thought necessary for "good works" and spend them subject to public accountability.^{8a} This is an issue (one of an increasing number, I think) which has the capacity to unite left and right. The counter-arguments take two forms. One, appealing to the greater ease of raising money as a first charge on profits as against having it collected by the state, is simply that desirable expenditures paid for by corporations just would not be undertaken otherwise, and this would be a socially irrational result. The other confronts the issue of corporate power and insists, on the lines of pluralist liberalism, that it is actually a good thing to have alternative sources of finance for publicly beneficial activities and that the diffusion of power associated with this is to be welcomed.

In addition to the power of the firm to set the prices it charges and the amounts it pays, there is the power (how great a power is obviously in dispute) to mould consumer demand (and, incidentally, other beliefs and attitudes) by advertising. In its most extreme form the thesis of the power of advertising is argued by Marcuse in *(London: Sphere Books, 1968)* One-Dimensional Man, in a somewhat less extreme form by Galbraith *(London: Hamish Hamilton, 1967)* in The Affluent Society and The New Industrial State. In either form, the thesis presents formidable methodological difficulties, since it is evidently tricky to detect the gross effects of such a phenomenon, for in the Marcuse version the idea seems to be not so much that specific advertising sells specific goods but rather that the total impact of

Footnote 8a

See Alex Rubner, The Ensnared Shareholder (Harmondsworth: Penguin, 1966), pages 45-51. Thus, on page 50, criticizing the decision of the Ford directors to give £200,000 of the company's money to the University of Essex he writes 'The directors of Ford are appointed by their shareholders, and their intervention in higher education is to be deplored, because they are not competent to decide on national education priorities... In Britain there are government-appointed committees which advise Parliament on the expenditure of public fund for higher education... If parliamentary control is to have any meaning, then these priorities must not be left to the whims of individuals. No one has given the directors of Ford a certificate testifying to their superior competence over the educational experts advising the elected representatives of the people.'

advertising is to refashion people's self-images into the passive acquisitiveness of a "consumer".⁹ Perhaps the literature on the

9. Another, rather more precise, statement of this theme may be found in Raymond Williams, The Long Revolution (London: Chatto and Windus, 1961), especially pages 296-7.

so-called "revolution of rising expectations" is more relevant to this debate than the swapping of anecdotes about the Edsel and plastic daffodils. As far as I can see, the implication of this literature¹⁰

10. A pioneering example is Daniel Lerner, The Passing of Traditional Society (New York: Free Press of Glencoe, 1958).

is that very little in the way of advertising is needed to make quite a lot of people in the "third world" want cars, refrigerators and all the other impedimenta of affluence : apparently all that is needed are a few old Hollywood movies. The same goes for the Soviet Union, where people seem to have discovered a desire for consumer goods without any official prompting. The more limited Galbraith thesis, that firms can in broad terms stabilize their market shares by brand advertising, seems a good deal more plausible, but does not, I suggest, constitute a degree of power very much greater than that already acknowledged in the limitations of price competition.

With the waning of the beliefs underlying the "no power" defence, the possibility of a reasoned blanket resistance to scrutiny and control disappears. We can thus expect an increase in demands for information

on behalf of consumers, shareholders and workers as well as government, while businessmen who maintain that they will be bankrupted by controls over the safety or quality of their products, or the truthfulness of their advertising, will no doubt go the same way as those who maintained they would be bankrupted if they were not allowed to work women and children for sixteen hours a day or *were* forced to put safety devices on machinery.

At the same time, the defence of the corporation's market power has to be made in terms of its beneficial effects, since a defence in terms of title does not seem to be open. This in effect pushes the "political problem" back to the question whether the system as a whole can be justified by results. Of course, even if it were accepted that firms had no power, the whole "automatic" apparatus might still have been challenged : and by some people it was. Marx, to take the obvious example, accepted that market forces were beyond the control of human agency and based his moral critique and predictions of doom on precisely that. But he also pointed to the tendency, especially among popular writers on economics, to identify the "laws" of a particular form of economic system with "natural" laws, for example to treat income distribution and technological constraints as on all fours. Psychologically, if not logically, this form of defence by not conceiving of alternatives seems to lose its force once the idea gets around that individual decision-makers have discretion.

The general lines of the justification by results are familiar enough : the inefficiencies due to monopoly pricing are relatively small, the distribution of income can be made tolerable by appropriate fiscal measures and, above all, the system has shown itself capable

of generating sustained economic growth. Apart from the first, which I have nothing to say about here, I shall take up the limitations of these points under the headings of macro-economic effects and external costs and benefits.

2. The second politically significant point that calls for mention is that the decisions of firms have macroeconomic effects and that a decision advantageous to a firm may impose macroeconomic "external costs". The second part of the statement is crucial. In any sort of economy, each economic decision must, obviously, have some effect on the level of employment, the distribution of income, the general price-level and so on, however minute; but this may or may not constitute a "political problem" as the term has been defined.

I cannot help wondering if economists have entirely come to terms with the political implications of the cliché that inflation is the problem of the present period as unemployment was of the nineteen thirties. Both have in common the fact that the consequences of individual decisions can be in aggregate undesirable, but the difference lies in the way in which the available remedial action operates. If we go back to the inter-war period we find, of course, that the standard socialist argument suggested that the concern of firms with profitable production could not be made compatible with the full utilization of resources; hence the "profit motive" must be replaced by "production for use" according to a national plan in which each plant would be given a physical production quota. However, skirting around the controversy about the relative importance of fiscal and monetary policy, I suppose nearly all economists would now think that it is possible to avoid mass unemployment of the kind experienced in the nineteen thirties.

It is not surprising that when economists address themselves to the "problem of inflation", what they usually seem to be looking for is some equivalent method of leaving individual decision-makers to pursue their own interests as they see them while manipulating central controls so that the final result is satisfactory. But at the risk of being made to look foolish, I am bound to say this appears to me something of a vain hope. The government may, of course, by monetary or fiscal policy arrange things so that aggregate inflation will be "punished" by aggregate unemployment, but this kind of collective sanction is far from ensuring that it is not in the interests of the employees of a firm to demand more pay and the employers to prefer paying up to facing a long and expensive strike. It is pointed out [in Whitehall] that large settlements are contrary to industry's long-run interests, particularly if they lead to a future balance of payments crisis and yet another cycle of stop-go.¹¹

11. John Palmer, "Wages of Strife", Guardian, 14 April 1971, page 17. This article quotes an "executive of a large engineering firm" as saying: "On the one hand the Government acknowledges that our overriding national industrial target is for greater profitability and more investment, but on the other hand Ministers want us to do bloody battle with the unions at great risk to our profits and our market competitiveness".

If this really represents British government opinion (and there is no evidence that the government has any other ideas) it is rather sad because it shows the government does not grasp the distinction on which, it is not too much to say, the whole raison d'être of politics is founded. This is the distinction between what would be of benefit to all the members of a collectivity if they all did it (relatively to

their all not doing it) and what is of benefit to them individually, in the absence of enforcement. If "industry" were a single entity it would make sense to treat "its" interests as adequate motives. But since "industry" is simply an abstraction it is quite irrelevant to the actions of particular firms to speak of the interests of "industry". The idea of "long-run interests" is often used (as in the quotation) to fudge over the distinction between individual and collective interest; but unfortunately a collective interest is not a long run interest.¹²

12. For another example of the confusion between collective interests and long run interests, this time in relation to the decision to vote, see my discussion of Anthony Downs in Sociologists, Economists and Democracy ^{London:} (Collier-MacMillan, 1970), pages 19-20.

To a political theorist an inflationary economy is powerfully reminiscent of Hobbes' state of nature. As Hobbes pointed out, it is useless in a state of nature merely to point out how much nicer it would be not to be in a state of nature and positively irresponsible to ask people to set an example by renouncing the use of force and fraud since a man who does makes himself "a prey to others". The only answer, as Hobbes said, is to change the rules of the game and introduce a coercive authority capable of enforcing peace. The analogy seems to me pretty precise. Much official discussion of inflation consists of saying how much better it would be not to have it and inviting various groups in the community to set a good example. Yet the logic of the situation seems to be exactly that of a Hobbesian state of nature and the solution - recourse to enforceable law - must be the same.¹³

13. Since Professor Galbraith rather specializes in condemning others for insufficient iconoclasm, one can derive a certain pleasure from noticing that in The New Industrial State he apparently regards "guideposts" as an adequate anti-inflationary intervention by the state. Since it is a priori inconceivable that mere stated norms of this kind should affect behaviour materially, it is gratifying to find that the position in the U.S.A. has come into line with a priori expectations. The belief in consensus as a substitute for political machinery is in fact characteristic of Galbraith; it has something in common with the now discredited Wilsonian "technological" socialism in the U.K. I discuss all this in my final section.

Whether the income distribution arising from the kind of economy found in Western Europe, North America and other extensions of Europe is ethically acceptable when softened with a certain amount of "welfare" redistribution is obviously a disputed question. Hugh Clegg, in a recent book¹⁴, points out that the Incomes Policy of the

14. Hugh Clegg, How to Run an Incomes Policy and Why We Made Such a Mess of the Last One (London: Heinemann, 1971).

Labour Government from 1965 on (with the exception of "freeze" periods) provided for exceptional increases "where there is general recognition that existing wage and salary levels are too low to maintain a reasonable standard of living"¹⁵ but that no survey was ever carried out

15. Clegg, op. cit., page 19.

to find out what the "general recognition" was. He does cite an enquiry in Ireland, carried out in 1969, among adult males. "All groups agreed...that pay was too low at the bottom end of the hierarchy. Managers, professionals, craftsmen, clerks, semi-skilled workers and labourers all agreed that farmworkers and labourers deserved higher pay than they actually received."¹⁶ It would be

16. Clegg, op. cit., page 22, summarizing Hilde Behrend et al Views on Income Differentials and the Economic Situation (Findings from a National Sample Survey), Economic and Social Research Institute, Dublin, Paper No. 57, 1970).

interesting to have comparable data for other countries, but the existence in most countries of at any rate some people who regard the distribution of income as unjust clearly constitutes a "political problem" as I have defined one, in that a natural result is a demand for remedial state action either within the existing framework or to change it more radically. So far I have referred only to earned income differentials but it is of course a feature of economic systems of the kind found in the countries I mentioned that the ownership of wealth is extremely unequally distributed and there are theoretical reasons for supposing that the system undisturbed tends to increase these.¹⁷

17. J.E. Meade, Efficiency, Equality and the Ownership of Property (London: Allen and Unwin, 1964).

Nor do governmental policies, even in Scandinavia, seem to have a very big impact on the degree of inequality in holdings of property.¹⁸

18. British death duties are voluntary to such an extent that around 1954 "the annual death-duty yield of £175m. at that time represented the taxing away of no more than a fifth of the annual increase [in capital appreciation]". (Michael Meacher, New Statesman, 16 April 1971, p. 520.) Since the advent of the present Conservative government, incidentally, the openness with which avoidance of death duties is advertised seems to have reached a new level. Thus a firm of insurance brokers advertising in the Times (21 April 1971, page 17) describe estate duty as "a crippling bill that is literally totally unnecessary" in their advertisement.

By an interesting psychological quirk, it appears that the social distance of the rich, and the very fact that they receive incomes on an unearned basis, makes them less the targets of criticism than, say, well paid members of the working class like car workers.

On the other hand I should be inclined to guess that, at any rate in Western Europe, the inequality of spending power which the possession of wealth makes effortlessly possible in a healthily functioning economy would be widely regarded in abstract terms as inequitable. Frank Parkin, in a recent book, has suggested that active discontent about the basic features of one's society is not, so to speak, "natural" to man. Unless a political party is constantly at work interpreting events in such a way as to articulate the connection with general principles of social justice, it is possible for the spirit of protest

among what he calls the "underclass" simply to atrophy.¹⁹

19. Frank Parkin, Class Inequality and Political Order (London: MacGibbon and Kee, 1971). "It seems plausible to suggest that if socialist parties ceased to present a radical, class-oriented meaning-system to their supporters, then such an outlook would not persist of its own accord among the subordinate class. Once the mass party of the underclass comes to endorse fully the values and institutions of the dominant class, there remain no major sources of political knowledge and information which would enable the subordinate class to make sense of their situation in radical terms" (page 98).

While the leader of the Labour Party dismisses as "wild Hampstead stuff" any notion of even a modest move towards equality, and the Labour Chancellor of the Exchequer is reputed to have vetoed even a gesture in the direction of a wealth tax in the Party election manifesto for 1970²⁰ one can say that in Britain at least the atrophy

20. See D.E. Butler and M. Pinto-Duschinsky, The British General Election of 1970 (London: MacMillan, 1971), page 2, fn. 1.

is quite well advanced, and the same seems broadly true of other European non-Communist parties of the left. But the inequality of wealth can still be described as a latent political issue. If Parkin is right, much depends on the behaviour of the left-wing political parties. But it certainly cannot be assumed that electoral defeat

idea that it was all the fault of the trade unions, whose association with the Labour Party is seen as a serious electoral handicap.

If the inequality of wealth is destined to be somewhat muted as a "political problem", at least in those countries where the mass working class party is not a Communist party, there seems to be even less to be said about the remaining macro-economic topic of economic growth. Although there is apparently a world-wide tendency towards a slowdown in the rate of growth of market economies, the corporate system (provided we are willing to include the very different corporations of Japan under the heading) cannot be said to have failed to deliver the goods, compared with any alternative. Whether economic growth is worth having is, of course, another question and takes us to the third "problem", that of external costs in the conventional sense.

3. The boom in concern about the environment is too well known a phenomenon to require much discussion here. There is no need for the present purpose to ask whether external costs per unit of derived utility have increased in the last century or more, or whether it is simply that, as the goods themselves yield diminishing marginal utility, we inevitably give a relatively greater weight to the disamenities associated with them, or whether (as some have suggested in Britain) whereas external costs used to be concentrated mainly in working class areas, they are now increasingly difficult to avoid even in favoured areas. Heavy lorries and the noise of aircraft infest the villages and small towns in which many members of

the articulate middle class choose to live - and anyone can be poisoned by tuna fish! There is an analogy with the development of public health measures in the nineteenth century : once it was recognized that anybody could be hit by a cholera epidemic, public health was taken seriously in the industrial towns with dramatic effect.

The point about the external costs of the operations of corporations is that they constitute a "political problem", since they represent the power to harm others and it is precisely such diffuse harms that only states are equipped to deal with.²³

23. See W.J. Baumol, Welfare Economics and the Theory of the State, (Cambridge, Mass: Harvard University Press, 1952)

External benefits are less a "political problem" in that the power to provide benefits is presumably less disturbing, but they are still politically relevant in that the demand may be made for the state either to require external benefits to be provided or to use its financial resources to encourage the provision of external benefits. Again, because the benefit will normally be diffuse, this is something which, unless done by the state, is unlikely to be done at all.²⁴

24. See my Political Argument, (London: Routledge and Kegan Paul, 1965), Chapters XII and XIII.

Since the subject is fully discussed elsewhere, there is no call to say anything about it here beyond establishing its political significance.

4. The fourth "political problem" is constituted by the power of business corporations to influence the operations of states or to annex the powers of the state for their own purposes. No doubt the extent of this differs in different countries and within a given country at different times according to, among other things, the political complexion of the government. In addition to this are formidable conceptual difficulties about the measurement of power as well as obvious practical difficulties in getting hold of relevant data. Altogether then it is extremely hard to make useful generalizations in a brief space, while a serious discussion would need a long book and several years of research. (Such a book, say a comparative study of business-government relations in Western Europe, would be very valuable. So far only a fragmentary literature seems to exist.)²⁵ However, certain facts are clear

25. A recent self-styled "sophisticated" Reader on Western European politics (M. Dogan and R. Rose, eds., European Politics : A Reader, (London: Macmillan, 1971), illustrates the position. In its 577 pages of text, no article deals exclusively with business-government relations and only a couple have much bearing on the subject.

enough whatever their implications. Thus, in all the countries we are thinking of (Western Europe, North America, Australasia, Japan) there is at least one political party heavily dependent for its finances on corporate funds, and in most countries one of these parties is in office a good deal of the time, either alone or in coalition with others.²⁶ Then, whether or not a "business" party

26. U.S. parties are of course peculiarly decentralized financially but most individual candidates for national posts are apparently dependent on corporate funds. There are well-developed ways of avoiding the American restrictive legislation - see A. Heard, The Costs of Democracy, (Chapel Hill, N.C.: University of North Carolina Press, 1960), pages 130-5. Summarizing his discussion, Heard writes that "the analysis of sources of campaign funds... reveal(s)...that aggregates of social power are related to political power through the processes of political finance. Especially is this apparent among the officers and directors of the nation's largest corporations, a collection of persons who control a greater concentration of economic power than any other" (page 141).

is in power, representatives of corporations are invariably closely associated with government. Although the categories run into one another we can distinguish: (i) membership of advisory committees, (ii) discussions with civil servants, ministers and legislators about impending legislation and the working of existing legislation, (iii) actual co-operation in the production of goods or the provision of services wholly or partly financed by the state and (iv) exercising state power devolved upon some group of interested parties. Commentators on these relationships have focused on different aspects. Of recent writers, for example, Beer has pointed out the ease with which consultation passes into a form of pressure on government,²⁷

27. S.H. Beer, Modern British Politics, (London: Faber and Faber, 1965), pages 324-5.

various writers have noted the disproportionate place of corporate interests in the interest-group firmament,²⁸ Lowi has criticised

28. For example, Schattschneider, The Semi-Sovereign People, (New York: Holt, Rinehart and Winston, 1960), Chapter 2.

Mancur Olson, Jr., in The Logic of Collective Action (Cambridge, Mass: Harvard U.P., 1965)

explains why this is to be expected in theoretical terms; see also my Political Argument, pages 327-8, on the same point.

(and Galbraith ambivalently celebrated) the way in which it is sometimes difficult to tell whether some enterprise is being carried out under 'state' or 'private' auspices,²⁹ while Kariel and McConnell

29. T.J. Lowi, The End of Liberalism: Ideology, Policy and the Crisis of Public Authority, (New York: W.W. Norton & Co., 1969),

J.K. Galbraith, The New Industrial State *op. cit.*

have concentrated more on the dangers arising to both individual freedom and the pursuit of the public interest from the delegation of coercive legal powers to interested parties.³⁰ Obviously this

30. H. Kariel, The Decline of American Pluralism, (Stanford: Stanford University Press, 1961); G. McConnell, Private Power and American Democracy (New York: Alfred A. Knopf, 1966)

list does no more than indicate a "political problem" as I have defined it exists. It does not pretend to be even the beginning

of a discussion of it. It will have been noted that most of the literature cited is American. I have the impression that this reflects the fact that most political scientists are American rather than any peculiarity in business-government links in the U.S.A.

A closely-related form of corporate power is that simply deriving from the fact that, in all the countries with which we are concerned, governmental goals are overwhelmingly economic in nature, which means that their achievement is dependent on the co-operation of those who control corporations. If "business confidence" is believed to require such-and-such a government policy ^{in Britain,} (cutting unemployment benefits in the 'thirties, imposing health service charges in the 'sixties) then, even if there is no rational connection between these policies and the ills of the economy, they are very likely to be carried out. Moreover, since "business confidence" is often apparently regarded as being closely related to the personal privileges of businessmen, this sets severe limits to what governments can do, even if they have the will, to tackle some of the "political problems" of the second group.³¹

31. See Beer, op. cit., page 331, "Producer groups do have sanctions - the denial (in various degrees) of advice, acquiescence and approval - which can cause, to put it mildly, 'administrative difficulties' and which, by anticipation, endow the group with bargaining power in its relations with government. The source of this power is not the fact that the group or its members has a role - for instance, as voters or contributors to party funds - in the system of parliamentary representation, but derives from the performance of a productive function... From their position in the "mixed economy" resulting from this inter-penetration of polity and economy, producer groups derive their new powers".

Finally, we may note the element of corporate power inherent in the ability to make an impact on the mass electorate and thus, indirectly, influence the political process. Advertising aimed at getting people to buy a firm's products we have already included under market power, but there is also advertising by individual firms designed to bring about favourable attitudes to the corporate system as a whole (sometimes amusingly called "public service" advertising)³²

32. See Heard, op. cit., page 132 for the U.S.A.; R. Rose, Influencing Voters, (London: Faber and Faber, 1967), especially Chapters VI and VIII, for Britain.

and advertising (as well as other forms of publicity) carried out by organisations which exist on corporate subscriptions, such as, in Britain, Aims of Industry.³³ The actual disposition of advertising

33. See Richard Rose, op. cit., page 97: "Subscriptions come from individual companies and trade associations in a wide range of industries."

can also be used for political ends - in Britain, for example, the Morning Star (run by the Communist Party) does not receive corporate advertising - and if threats to remove advertising from newspapers or sponsorship from television shows are not often found, this simply means that a possible political resource is not being used, perhaps because those running them are too prudent to invite such sanctions.

It should also be borne in mind that a corporation (or a very large individual fortune) is required to own a mass-circulation newspaper or a television network, and it is hardly to be expected that those in a position to control such resources will be keen on seeing serious attacks launched on the status quo. (As we have seen, social democratic parties do not now represent any serious threat. It is therefore perfectly consistent for a newspaper with a predominantly social democratic readership to "support" that party, while, of course, chiding it for any flickerings of "doctrinaire socialism" that may occasionally appear.)

All I have done here is simply draw attention to various aspects of the power of corporations vis-à-vis governments either directly or indirectly via their partisan base or popular support. To what extent this power constitutes a "political problem" as against a potential political problem is very hard to generalize about. Probably the most apt summary statement would be that most people seem to accept it as legitimate in general but can be aroused by particular crude instances of it in practice.

How far the rights of private ownership are from overall challenge, though, is nicely illustrated by the furore which was created during the electricity workers' strike in Britain in late 1970 when the printers refused to print a particularly unpleasant and unjust cartoon (calculated to incite further the hatred of the strikers already being aroused by the sensational editorial matter of all the main newspapers) unless a protest by them was printed alongside it. This "censorship" was hotly denounced by all the other papers, including the "liberal" or "left" ones; yet actual instructions by newspaper

owners to take a certain editorial line or defame certain people who have incurred the proprietor's dislike (e.g. the famous Beaverbrook vendettas) are regarded as perfectly normal. Surely there is something a little odd in this : if anyone except the editorial staff are going to interfere in the content of a newspaper why have the men who physically produce the paper any less right to do so than those who own the plant on which it is produced? However, as far as I am aware, this comparison was never drawn in press comments on the incident.

5. Finally, I should like to deal with the question of authority relationships within the corporation. ~~I raise it at some length, not because I have any expert knowledge of the subject, but because, in spite of my efforts to understand it, I am still puzzled and hope to be enlightened.~~ At the same time ~~it does~~ seem plain that the issues are in many ways closely parallel to those which have always been among the central concerns of political theorists, ^{in spite of a lack of expertise in the field} and I find it interesting to bring these notions to bear on the question.

The point is a very simple one. In any organization, by definition, there is "imperative co-ordination", in other words some people give orders to other people or lay down rules for other people to follow. What can make this legitimate? The echo of Rousseau is intentional, for Rousseau set the problem of authority up in its most severe form by demanding that the solution must lie in finding a form of association in which each should be as free as he was before.

Robert Paul Wolff, in his recent book In Defense of Anarchism,³⁴

34. New York : Harper and Row, 1970.

has restated the condition as follows. A high value is to be attached to autonomy, that is to say carrying out our own will rather than the will of others (heteronomy). We may, consistently with autonomy, do something that we are asked to do, but only if we independently think it a good idea. (In practice, therefore, this concession does not amount to anything.) Not altogether surprisingly, Wolff finds it difficult to find a basis for authority which is compatible with the preservation of autonomy. The standard technique has, of course, been to invoke some sort of supposed contract. It is then argued that by agreeing to a procedure for taking collectively binding decisions, one is also agreeing to whatever decisions come out of it. Wolff rejects this formula by saying that it provides for an agreement to give up one's autonomy (just as an agreement to become somebody's slave would be). In the end, the only source of authority for a rule binding on a group that he finds consistent with autonomy is unanimous agreement to that rule among the members of the group. Even this, however, seems to me fairly dubious on Wolff's own premises : is it much less^a denial of autonomy that a man should be required to do something he now thinks wrong because he once consented to it (perhaps decades ago) than that he should be held to something because he consented to the procedure under which it was arrived at?

The point that, I hope, emerges from this is that reconciling autonomy and authority would be a feat of the same order as squaring the circle. This can be appreciated by reflecting Simon's remark (in Administrative Behavior) that in an authority relationship the subordinate "holds in abeyance his own critical faculties for choosing

between alternatives and uses the formal criterion of the receipt of a command or a signal as his basis for choice". The question is, then, on what basis people are willing to acknowledge this relationship?

If we simply ask what motives someone (B) could possibly have for obeying the orders of another (A), a three-fold division presents itself pretty naturally : (i) A can make B suffer if he doesn't obey, (ii) A can make B better off if he does obey or (iii) B believes that A has a right to give him orders.³⁵ Unfortunately for social theorists,

35. Compare Etzioni's distinction between coercive, calculative and normative bases of power (in Complex Organizations) and Parsons' distinction between power, influence and the activation of commitments as ways of getting people to do things.

we find that even quite extreme cases are rarely entirely pure ones. Such is the force on the mind of what exists that even a system of slavery appears to gain some legitimacy to buttress the physical sanctions on which it largely rests; conversely, even in a relationship which is based on legitimacy, the subordinate's acceptance of the position is rarely unconditional but depends in the long run upon the maintenance of a satisfactory flow of rewards.³⁶

36. Thus academics often say that they are not doing so-and-so for the money but they wouldn't do it unless they were being paid. The distinction is, I think, a psychologically real one but some people might think it a fairly fine one.

Needless to say, the relationship between might and right has always been a disputed topic in political theory. It would, I suppose, be broadly accepted that legitimate rule is cheaper and in some ways more aesthetically pleasing. What is at issue is (i) the empirical question how far might creates a feeling of right after a time, (ii) the moral or jurisprudential question how far de facto might actually constitutes right in certain situations and (iii) the verbal question (connected of course with the others) whether or not "legitimate authority" is to be a pleonasm. I do not think the first two of these have ever really been satisfactorily treated and I suspect that this is because their formulation still wraps up a lot of different questions. The third demands a decision and it will be seen that I have chosen to treat an authority relationship as any in which one person can regularly get somebody else to obey his orders, legitimacy being one of the three bases (the others being punishment and reward) on which the relationship might rest.

It is less important ^{or} ~~which~~ side one comes down on ^{this question} ~~than~~ that one should not slip into a position where it becomes a sort of definitional truth that enduring authority relationships in the broad sense must be authority relationships in the narrow sense (i.e. legitimate). This is particularly significant because the truth of the proposition has been a postulate of much post-Durkheimian sociology, whereas in fact the proposition seems to me by no means universally correct. Thus, if we ask what legitimizes the authority relationships within the contemporary corporation, we should not presuppose that we will find a satisfactory answer.

Oddly enough, if we take into account the central importance of this question, the amount of social-scientific work directly aimed at giving an answer does not seem to be very great.³⁷ The title of

37. I should not like to be pressed too hard on the meaning of the qualification "social-scientific", but I intend by this to exclude general ethical condemnations of private property.

Bendix's Work and Authority in Industry (New York: Harper Torchbooks, 1963), is encouraging, but its subtitle "Ideologies of management in the course of industrialization" describes accurately its limitations. Although Bendix asserts at various points in the book that an understanding of the ideologies of management provides a key to the understanding of the development of industrialism, he nowhere explains in detail how this is so, and I am inclined to think we learn more about a subject by looking at it directly than by looking at it via the distorting mirror of ideology.³⁸ The self-serving ideology of

38. The same attack can be levelled against Bendix's acknowledged master, Max Weber. I have never been persuaded, for example, that the best way to differentiate regimes is by the kind of "legitimate rule" they embody rather than by structural features.

a dominant group is causally significant, as Pareto above all emphasised, in that a dominant group which loses its sense of mission is unlikely to defend itself vigorously against attack. But a

successful ideology in this sense need not be one that is causally significant in relation to other groups.³⁹ Bendix confesses a

39. Many dominant-group ideologies in fact intensify the solidarity of the dominant group in terms which cannot possibly be accepted by members of the subordinate group without severe psychological damage. Racist ideologies are an obvious example.

certain agnosticism about the reception of management ideologies among workers but argues that managers would not spend so much money and effort in propagating their message unless it seemed to make some impact. This, however, ignores the possibility (mentioned above) that the main function of the managerial ideology is to cheer up managers. Certainly the behavioural evidence suggests a limited impact. According to Bendix, for example, the prevailing managerial ideology in the U.S.A. during the first couple of decades of this century included a strong anti-union element : unions, it was constantly reiterated, were not only sinful but ineffectual. Yet in the same period, as Bendix himself notes, there was a rapid growth of unionization.

In the nature of the case it is more difficult to tell what workers think than what managers think, since workers do not usually pay people to bombard their employers with improving tracts. Since, however, we can hardly suppose that workers will think up additional justifications for a system which puts them at the bottom, we can take the management ideologies as a starting point.

Nowadays there seem to be two used in Western capitalist societies: first, that the managers, acting on behalf of the owners, are buying, in the contract of employment, the obedience of employees; and, second, that the managers, by their superior expertise, are able to organize things so that everyone is better off than he otherwise would be. The first is a minimal reinterpretation, to fit contemporary conditions, of the "classical" picture. (Its plausibility is, of course, severely dented by the inactivity of shareholders.) The second plays down the labour-capital relation and attempts to present the relation as one of applied expertise - applied "soulfully" for the benefit of all parties.

How far are these legitimating ideas accepted by workers? Alan Fox, whose recent book A Sociology of Work in Industry⁴⁰ is a

40. Collier-Macmillan, 1971.

valuable source, suggests that "Insofar as authority"⁴¹ relations do

41. Note that Fox uses "authority" in what I have called the narrow sense, i.e. such that all authority is legitimate by definition.

prevail in the industrial organizations of the West, they are probably most widely characterized, so far as subordinates are concerned, by a low-key acquiescence" (p.45). In addition, Fox later writes: "Even the most casual observation offers evidence that shared values do in fact provide management with a considerable measure of active legitimation. This is demonstrated in such utterances by employees as: (i) 'It's his firm so I suppose he has some right to tell us what to do';

(ii) 'Someone's got to organize things and give orders'; (iii) 'He's so obviously an expert at the job that you feel you have to listen and take notice'; or (iv) 'They treat us reasonably well on the whole so we generally try to co-operate'." Here, (i) is clearly the "classical" legitimation, while (ii) and (iii) are both (or depend on) the "managerial" one. (iv) could be regarded as a version of either, so worn down as to be barely distinctive. Alternatively, it might be thought of as a separate one, resting on a simple quid pro quo idea. But it is worth noticing that it is then essentially an economic motive for compliance with a light varnish of legitimacy on top. As Fox himself observes, it is a very unstable foundation of legitimacy since there is no built-in ceiling to the expectations which the workers may form about the "fair" relationship between work and reward.⁴²

42. Compare here the work of Goldthorpe and his colleagues, especially The Affluent Worker, (London: Cambridge University Press, 1968), Vol. I. As Goldthorpe himself has pointed out, to the extent that vehicle assembly-line workers in Luton and their employers tacitly agree that the work is inherently soul-destroying and that their relationship is simply an exchange of unpleasant labour for high pay, they might be said to be in normative congruence, but this sort of congruence means only that both sides are playing the same game in the sense that they both count the scores on the same basis. It is quite consistent with bitter conflict over the outcomes. See J. Goldthorpe, "Attitudes and Behaviour of Car Assembly Workers", British Journal of Sociology, Vol. XVII, No. 3 (1966). It is interesting to note an analogy with universities : the authority of academics, collectively and individually,

may be legitimated by students (i) in terms of the university's charter and statutes, (ii) in terms of the academics' greater knowledge and experience making them the senior partners in an "academic community" and (iii) in simple "quid pro quo" terms which allow that one should have to put in some minimum of work on subjects chosen by the academics to get a degree. As in industry, the third, truncated, form of legitimacy is highly fragile because the ^{going} exchange rate can always be challenged.

Outside this area of tenuous normative agreement and its penumbra of "low-key acquiescence" is, as Fox says, an area of normative conflict, where the legitimacy of management demands is not accepted. In fact, though, all three areas are, in relation to the spectrum of possibilities, just slightly different shades of grey falling short, for most Western workers, of either fervid acceptance or revolutionary rejection of management goals.

It is, of course, difficult to read off the level of legitimacy of any system of authority from the behaviour of those subject to it because the strength of the alternative motives for obedience can vary independently. Workers may have accepted the conditions depicted by the Hammonds during the early stages of British industrialization because the alternatives were worse. It is hard to imagine any sane human being accepting them for any other reason. "In one spinning factory the doors were locked during working hours; it was prohibited to drink water despite the prevailing heat; and fines were imposed on such misdemeanors as leaving a window open, being dirty, washing oneself, whistling, putting the light out too soon or not soon enough, being found in the

wrong place, and so on."⁴³

43. R. Bendix, op. cit., p. 39, f.n. 49.

Conversely, when there is a buoyant employment market and a system of unemployment relief, national assistance and sickness benefits, a lower level of active rejection of the work situation may be associated with an increased propensity to strike, work to rule or take time off (whether under cover of sickness or not). It is tempting to argue that much of Britain's increased post-war standard of living has in fact taken the form of increased bloody-mindedness among workers.⁴⁴ This,

44. It is, of course, easy to move from Britain's chronic economic problems to the assumption that its industrial relations are particularly bad. In fact, days lost in industrial disputes are, by international standards, not very remarkable. Nevertheless, the strength of the "us/them" spirit does seem to strike visitors forcibly. Parkin, op. cit., suggests that this is simply a function of the greater time it has had to develop in Britain than elsewhere, since Britain led the world in industrializing.

of course, infuriates both the traditional middle class and the growth-oriented politicians, economists and managers. Absenteeism, unofficial stoppages and the rest are thus denounced by leaders of both main parties, the editorials and correspondence columns of newspapers and by everybody else who makes it his business to issue solemn warnings on the "state of the nation".⁴⁵

45. Just after writing this, I came across an article by Lord Robens (ex-Chairman of the National Coal Board) in the Sunday Times which epitomises this literature. According to Robens, "we are reduced to an educational solution, one which will build up a desire to work... whether it be through improving working conditions, on-the-job consultation, or merely through showing to the workman that the results of his work are of value..." (Sunday Times, 17 January 1971, page 12, "A Plan for Recovery" by Lord Robens.)

Curiously, the industrial workers, though deserted by their self-appointed political leaders and preached at continuously by the mass media of communication, do not seem to be mending their ways. The interesting question is, I take it, what changes might produce more co-operation and whether they are changes that those with power to make them would be prepared on balance to introduce.

III - SOLUTIONS

"After such knowledge, what forgiveness?" Less flippantly, our object in this final section is to examine the various "solutions" that have been offered to the "problems" we have just listed and to offer a few comments on them from the perspective of political science. It goes without saying that the resources of our ramshackle discipline, not to mention my own personal ones, are inadequate to do justice to the task; and in any case, the space left to me is insufficient for anything more than opening up a few lines of thought. All the same, there are a fairly limited number of arguments justifying the exercise of power, and a fairly limited number of types of institution for channelling that exercise. As David Hume remarked, "new discoveries are not to be expected in these matters". This being so, there should be some interest to be derived from asking how these well-worn ideas and devices can be adapted to the problems raised. Not only are the elements finite but the number of combinations can be reduced below the number of logically possible ones. Although we are not very strong on empirical generalizations in our discipline, we do have an idea that, on the basis of experience plus what can only be called applied common sense, some describable states of affairs are not very likely. Generalizations of this very modest negative kind are, I think, capable of suggesting that the available lines of change are pretty limited in scope.⁴⁶

46. I should perhaps make it clear that I am not peddling any cyclical or dialectical theory of history. There are in fact notoriously many things which have shown a long-standing exponential development, and to

that extent history must be uni-directional. All I would argue for is the proposition that basic social and political changes are much more slow and boring than most prophets have anticipated for at any rate the last century. A good example, because he was a quite level-headed man, is George Orwell. On reading his collected essays and journalism (recently published by Penguins), one notices that he made, especially between about 1940 and the publication of 1984, a large number of predictions about developments in Britain. These often contradicted one another and were usually examples of the vice which Orwell attributed (correctly) to James Burnham, namely the assumption that the future would be an extrapolation of current trends. The point I want to make, however, is that as far as I can see, Orwell's predictions were without exception wrong in expecting the future to be more different from the then present than it has turned out to be. The one prediction he never made was that the Britain of the seventies would be in all important respects socially and politically the same as the Britain of the thirties, with the two-party system unchanged, the same Oxbridge-trained civil service, the public schools still going strong and the distribution of wealth untouched after a further four Labour governments.

I shall divide the solutions into four kinds, which I shall call "classical capitalism", "democracy", "statism" and "managerialism". (I do not include "socialism" because, depending on the nature of the view held, it can be seen as a variety or concomitant of any except the first.) Although it sounds pretentious to say so in our era of the supposed "end of ideology", each rests on a distinctive, if rudimentary, conception of human nature and social evolution and of the good life for man; and each, as with any ideology capable of moving men, singles

out some social group as the standard bearers of (earthly) salvation.

A. Classical Capitalism. "Christianity hasn't failed; it just hasn't been tried." Similarly, it can be argued that the only thing wrong with the classical model of a competitive economy is that reality does not approximate it closely enough. Although this idea is treated by the academic establishment rather in the way that "underconsumption" theories of unemployment were before Keynes, it does provide answers, of varying plausibility, to the "problems" raised in the previous section. Thus, market power would be eliminated by perfect competition, the same force plus revived shareholders' meetings would prevent the corporation from engaging in "soulful" activities and keep it to what Dr. Johnson regarded as the relatively innocent activity of making money, to be distributed in full to the shareholders. ^{46a} Advertising on its present massive scale is largely, it is often argued, a substitute for the price-competition which, among oligopolists, can easily become ruinous: abolish oligopoly and you restore price-competition.

To deal with macro-economic effects one again resorts to market forces : with a Friedmanite view of economics, all that is needed is a firm control over the money supply and inflation (once business men have burned their fingers a few times by conceding excessive wage claims) can be kept in check. In some versions - e.g. Hayek's in The Constitution of Liberty - it is also necessary to smash the power of trade unions to "distort" market forces; in other versions (such as that espoused by Enoch Powell) trade unions are a gigantic confidence trick and can not raise the total wages bill though they can redistribute it a little towards well-organized workers at the expense of ill-organized (often ill-paid) workers. Unemployment is not something the state can do much about in detail, but mass unemployment like the

With a flexible exchange rate the state need not intervene in the economy on balance of payments grounds.

Footnote 46a

Rubner, op. cit., proposes a law to provide pthat directors are responsible for the total distribution of all "not corporate profits" to the shareholders' (page 158) and also suggest that 'a corporation should not be permitted to make donations to non-profit organizations or to charitable causes unless these can be shown to benefit directly its profit-making pursuits' (page 159).

interwar slump was due to faulty monetary policy, i.e. a failure to keep the ^{money} supply expanding steadily. The distribution of income cannot be left completely to market forces but whatever redistribution is required should be done with the minimum of interference in the market. Hence the enthusiasm for "negative income tax" notions shown by the Chicago school and their British fellow-travellers, the Institute of Economic Affairs.⁴⁷ At the other end of the range, there is nothing

47. It is interesting to notice that both the Nixon and Heath administrations, with rather similar social philosophies, are moving cautiously in the direction of supplementing earned income on a graduated scale.

inherent in the "capitalist" creed which runs against income tax (especially if it is mainly proportionate), death duties (provided they are not "confiscatory") or even a modest wealth tax.⁴⁸

48. According to a close student of Conservative Party affairs, the Conservative leadership was toying with the idea of a wealth tax at a time when (as already noted) the Labour leaders dismissed it out of hand. "In the early stages of the Labour Government, the Economic Policy Group (one of the advisory groups of M.P.'s and outside experts appointed by Mr. Heath) and the Shadow Cabinet were seriously considering (but not yet committed to) a wealth tax. It was an important part of the taxation package to be introduced by a future Conservative Government. The strong political opposition to the idea when it was first discussed in party circles, and the feeling that 'it just isn't on with the party' led to its hasty abandonment." M. Pinto-Duschinsky, "Central Office and 'Power' in the Conservative Party", paper read at the 1971 session of the

Political Studies Association of the U.K., page 19. ~~I shall comment~~
~~on the latter part of the quotation below.~~

So much for the first two of our problems. Of the rest the fourth can, I think, be dealt with most plausibly. The involvement of corporations with state policy making or the devolution upon them of state powers to licence, control and so on both arise, it can be argued, from the same contaminated source. This is the idea that it is the business of the state to get involved in running or sponsoring detailed regulation of the economy. Once this idea is abandoned, business men have nothing to hope or fear from the state or from one another's exercise of state power. They will therefore become politically quiescent. (I do not recall any explicit statement of quite this form but elements may be found in, for example, the writings of Hayek and de Jouvenel.)

External costs cannot be dealt with very satisfactorily. The orthodox thing to say about them is, I suppose, the line taken by R.H. Coase and developed fully in its political implications by Buchanan and Tullock.⁴⁹ According to this, it makes no difference in

49. R.H. Coase, "The Problem of Social Cost" (Journal of Law and Economics, Vol. III (1960));

J. Buchanan and G. Tullock, The Calculus of Consent (Ann Arbor: University of Michigan Press, 1962)

terms of optimum production whether the producers have to compensate the sufferers for external costs or the sufferers have to bribe the producers not to create them. In both cases whatever it is socially desirable on balance to produce will be produced.

There is, of course, still a distributional difference which might be thought to raise disturbing questions of equity - why should those who live near some noisome factory subsidize the consumers of its products by either suffering or paying? - but this can with luck be dismissed on the grounds that the state has no business to bother with any distributive issue except preserving Pareto optimality.⁵⁰

50. I cannot forbear to mention here that at the meeting when these papers were first discussed I was again struck by the hardness of the American belief that there is something so natural about Pareto-optimality (as a condition to be conserved in any contemplated change) as to make it a sort of evaluatively neutral principle of evaluation. I put this down to the residue of Lockean political theory (which is based on the idea that nobody should be made worse off by state action than he would have been in some actual or imaginary status quo ante) and partly to the political realities of the U.S.A. which make it almost impossible for anything to pass which disadvantages any of the organized interests which are the building bricks of "normal" American politics. (This is, of course, the conception of "veto groups" discovered by the celebrants of the American political system in the nineteen fifties, such as David Riesman and R.A. Dahl. They omitted to note that it does not cover unorganized interests such as migrant farm workers, blacks generally and, beyond the extent to which they are shielded by parental sympathy, the young.)

Unfortunately, however, the theory is defective both as economics and politics. As Mishan shows in this volume, the original Pigovian analysis is quite right and too much is produced of goods associated with external

costs. And the idea of the people affected by an industrial nuisance banding together to buy it off is impractical both because it would be difficult to organize the affected parties and get them to contribute voluntarily⁵¹ and because it would place a premium on the production.

51. See Mancur Olson, op. cit., for a treatment of the "free rider" problem. I think the last two chapters of my Political Argument may have been the first full-scale critique of the Coase/Buchanan and Tullock line; I still think it stands up quite well.

of nuisances.⁵²

52. I remember reading a few years ago (I think in the New Yorker) a short story about a couple of men who went around buying up fields near "desirable" villages, exhibiting plans to build noisy and smelly factories on them, and then reselling the land to the alarmed locals at a handsome profit. This is in fact precisely what the Coase "solution" to external costs would encourage.

I am inclined to think that the best line for a supporter of classical capitalism to take on external costs is to say that, if the long-run costs of stopping external costs (including concentration of power and erosion of independence) are taken into account, most external costs are not worth stopping. Alternatively one can abandon classical capitalism at this point and allow for a dash of statism à la Pigou.

Finally we get to the internal legitimacy of the corporation.

I do not see that the classical capitalist solution has much to contribute here. It might be suggested that legitimacy would be enhanced by bringing the de facto authority relations within the corporation ^{in line with} ~~corresponding~~ to the de jure ones, that is, by making the managers really responsible to the shareholders. But this would increase the legitimacy of the corporation to the employees only to the extent that they accepted, or could be brought to accept as valid, the rights of ownership. Perhaps a more hopeful line would be to point out that small firms tend to have more harmonious labour relations than large ones, and that with the breaking up of large firms necessary to make classical capitalism work would come a return of more personal (or even paternalistic) management-labour relationships.

It would require a great deal of expertise which I do not possess to provide an intelligent critique of all these aspects of the case for classical capitalism. I shall allow myself two remarks. First, it should not be regarded as a decisive argument against classical capitalism if moving to it would involve a transitional and maybe a permanent loss of production, unless one takes the view that any amount of production is worth any amount of any other value. And although politicians sometimes speak (and even behave) as if they thought this I do not see how any sensible man can really do so. Second, the weakness of classical capitalism in political terms seems to me summed up in the fact that, apart from a few academics and publicists, hardly anybody genuinely wants it.

I touched on the idea, above, that business involvement is a response to government pressures but this is no more than a half truth. It is true (by definition) that if a state was known to be absolutely immune to threats or inducements to intervene in the economy, it would

not be worth the while of businessmen - or anyone else - to try to get it to do so. What is not true is that, as a matter of historical fact or analysable interest, businessmen do not seek government intervention. On the contrary, for every piece of state intervention designed to aid workers or consumers there are many designed to make life run more smoothly for business corporations. In Western Europe and elsewhere, what has sometimes been called "businessmen's socialism" - tariffs, quotas, supports, cartels and the rest - developed before "workers' socialism" and flourishes more strongly. It was the hopelessness of trying to persuade the Italian public to accept the economic truths of laissez-faire that led Pareto to his monumental study of the place of irrationality in human society. We may question whether they were really irrational to reject it, but the political nub is the one Pareto saw - it is not possible to count on businessmen to stick up for laissez-faire, so that there has to be a general opinion in favour of non-intervention. The political paradox of classical capitalism has been succinctly expressed as follows: the commandment to capitalists is to maximize profits and compete, but the best way to maximize profits is to collude.

B. Statism. Classical capitalism looks for salvation to the shareholders, who have nothing to lose but their chains,⁵³ and should reassume

53. See the title of ~~the~~ Rubner's book The Ensnared Shareholder.

their proper position. I use the word "statism", with apologies for its awkwardness, to cover all solutions which depend for their success on the suitable actions of politicians, bureaucrats, judges or some other

form of state functionary. I need hardly say that this categorization makes some unusual bedfellows; nevertheless I insist that their similarity in this one respect is not trivial from the standpoint of political theory. As ever, the force of the question "quis custodiet ipsos custod~~es~~?" cannot be denied.

If the raison d'être of the state is, as I suggested, to provide collective goods and ward off collective harms that could not otherwise be compassed, the central problem of politics is surely how to order the power which this necessitates so that it is used for these public purposes and not deranged by private interest, malice or sloth. I hope to pursue this question at some length on another occasion. All I can say here is, rather unhelpfully, that I think political liberty and political efficiency are the results of a great many interacting causes and that, although these can be stated in general terms, there is still much that is puzzling about the way that a certain institution or cultural tra^st works in some places and times in one way and in others in a different way.

The simplest form that statism can take we may call, to balance our "classical capitalism", "classical socialism". To put it in deliberately crude terms, the "solution" to the problems we have raised is that public corporations will take decisions that are in the public interest. They will charge the right prices, pay the right salaries, make the right amount on capital, invest the right amount in new plant, take account of external costs appropriately, act as a limb of the state and, for purposes of internal legitimacy, borrow that of the state.⁵⁴

54. This is, of course, a lampoon, but the underlying ideas can be found in orthodox socialist writings such as G.D.H. Cole's interwar writings. Another approach is to see what is the implied model

contrasted with the "irrationality" of Monopoly Capitalism by Baran
(*Harmansworth's Penguin, 1968*).
and Sweezy. The nationalizing statutes of the postwar British
government are also relevant: the corporations are instructed to
pursue a number of desirable aims, and in some cases exempted from
ordinary planning controls.

The weaknesses of all this are so obvious that it seems almost unsporting
to point them out: if those who run the corporations are to behave in
this model fashion without enforceable orders, how can we be confident
they will do so; if they are to act on orders how can we be sure of
the goodwill or even the competence of those giving the orders? Why
should we believe that the industrial barons running the corporations
will stand aside from attempts to affect government policy? And why
should we suppose that the legitimacy of the state can be stretched
indefinitely by fiat, like the Pope's blessing, which, the tourist is
informed, has been bestowed on the roomful of souvenirs on sale in
the Vatican? Consumers faced with an unresponsive monopoly or workers
with an unaccommodating management are not (and rightly so) to be
appeased by metaphysical extensions of the notion of democratic
responsibility, *already tenuous enough in relation to the central
activities of the state.*

More limited versions call on the state to legislate against
the imposition of externalities (Mishan is, I suppose, the most
sweeping proponent of this), to determine incomes or at least underwrite
some negotiated agreement on incomes, to control monopolies, ban or
restrict advertising, and so on. This approach still seems to have
relatively little to say to problem 5 except that the state should do
what it can to encourage orderly collective bargaining. The objection
remains that "the state" is an abstraction and the real problem is to
motivate thousands of individuals to take the right decisions, not to

abuse their power, and so on. Thus, although not as empty as the first variant, this second variant of statism is still more a way of pointing in the direction of a possible "solution" than a "solution" itself.

C. Democracy. This category is intended primarily to cover the whole contemporary vogue for "participation", though it need hardly be said that this has long intellectual roots, with sophisticated expositions by Rousseau in politics and the English Guild Socialists in industry.⁵⁵

55. See Carole Pateman, Participation and Democratic Theory (London: Cambridge University Press, 1971).

It seems to me that it bears most directly on the fifth problem since it suggests that managerial authority might be legitimated by the already widely-accepted principle of democracy. Burns, in his paper, seems quite favourably impressed by the way things go in Yugoslavia but I cannot see how direct democracy could be given much reality in General Motors or I.C.I. To put it another way, it may be possible for workers to have more control over their actual place of work than they usually do now, but what about the policies of the whole firm? I suppose two possible answers are (i) that you break up firms into sizes that are compatible with active worker participation in their management, or (ii) that General Motors could be made no more, but also no less, democratic than, say, New York state.^{55a}

The first of these possibilities once again leads to the reflection that the contemporary "left" and "right" have in some respects more in common with one another than either has with the system which in its economic aspects is usually called the "mixed economy" and in its

Footnote 55a

Cf. R. A. Dahl's recent book After the Revolution? (New Haven: Yale University Press, 1970). Dahl is extremely confusing (possibly as part of his new trendy persona) about what 'participation' in the management of a corporation might mean. At some points (pages 134-6) he seems to regard it as something potentially quite time-consuming, but he also says 'I do not see why a board of directors elected by the employees could not select as competent managers a board of directors selected by banks, insurance companies, or the managers themselves. The board of a self-governing firm might hire a management team on a term contract in the same way that a board of directors of a mutual fund often does now' (page 133).

political aspects something like "pluralistic liberal democracy". Thus both are willing to envisage a loss of production as the price of breaking up the massive corporations - a heresy against the dominant political creed of economic growth at all costs. Indeed, if we replace the shareholders with the workers, our depiction of classical capitalism could be one model of an economy with democratically-run firms.⁵⁶

56. Apart from the incalculable effect of the Communist Party, it would be an interesting question whether the Yugoslav economy is not more like a nineteenth century one than those of contemporary Western Europe. If so, part of the explanation will, of course, lie in the level of development of the economy ; Galbraith has pointed out that, in spite of ideology, the U.S. state has more control over the economy than the Indian one, simply because the Indian economy is less amenable to control.

Moreover, the "democratic" solution is vulnerable at exactly the same points as the classical capitalist one. There is no built-in incentive to dissuade a firm run by its workers from imposing external costs on the neighbourhood of the factory unless a large number of them live there - and even then the loss each suffers as a resident may be less than the gain he realizes as a worker, even though the total cost to all residents is greater than the total gain to all workers. And the sum of political pressures of worker-run corporations, though less narrow in terms of class interest than those of owner-run or management-run corporations, would still not add up to a set of policies for government in the public interest. This was one of the intellectual weaknesses of Guild Socialism, which was forced, having expelled the

state through the front door, to reintroduce it under another name through the back.

It could, I suppose, be suggested that the new, regenerate kind of man produced by a system of industrial democracy would, in Marx's now famous phrase "hunt in the morning, fish in the afternoon, rear cattle in the evening, criticize after dinner...without ever becoming hunter, fisherman, shepherd or critic"^{56a}. In other words, antagonistic social positions could be made to disappear. Marx (at any rate in 1846) believed nothing less: "The division of labour implies the contradiction between the interest of the separate individual or the individual family and the communal interest of all individuals who have intercourse with one another."⁵⁷ It does not,

57. Marx and Engels, The German Ideology. The two quotations may be found on pages 294-5 of Feuer's collection Marx and Engels (New York: Doubleday (Fontana), 1969).

however, seem to me that all conflicts between individual (or family) and collective interest are structurally based in the way Marx suggested; and in any case I do not believe that people are allowed to mix their occupations voluntarily in Yugoslavia, Cuba, China or any other new left heavens.⁵⁸ Nor does this kind of romantic occupational nomadism

58. These countries have, of course, had spells of putting intellectuals to work in the fields or on the roads - but hardly on a voluntary basis!

56a. A colleague made the perfect comment on this: 'But I want to criticize all day!'

(notice the pastoral occupations chosen by Marx as illustrations!) seem to be seriously proposed, in spite of the enthusiasm with which the early Marx has been disinterred. Apart from anything else, it is hard to see how industrial democracy could be operated with people wandering in and out all the time - it's bad enough deciding who can vote in student mass meetings (or would be if the motions were carried by less than the unanimous acclamation of those still left at the end).

Alternatively, it may be admitted that the state will have a role to play but argued that these functions are relatively unimportant. Thus, a self-conscious self-appointed spokesman for the New Left international orthodoxy asserts flatly that "The extent to which the worker is in control of his working situation is the most essential criterion for determining whether or not a society is democratic. The new democratic theory, by focusing on the working situation rather than the formal governmental structure, has correctly identified where the problem of establishing democracy lies. Democracy means that the worker has the power to control the decisions which affect him."⁵⁹

59. Kenneth A. McGill, The New Democratic Theory (New York: Free Press, 1970), page 101. See also Peter Bachrach, A Critique of Democratic Elitism (Boston: Little Brown and Co., 1967) which, after abusing a mixed bag of theorists of representative democracy through a number of chapters, in the final chapters caves in and admits that the state cannot be run by direct "participation" and then talks about the possibility of greater workers' participation in corporate decision-making. Bachrach does not, however, like McGill, explicitly say that this is a satisfactory alternative - merely that it is an alternative.

Some reaction was, I think, due against the view common in the nineteen fifties that work should simply be made as painless and brief as possible, and that any attempt to give it significance in people's lives was reactionary romanticism.⁶⁰ But to suppose that

60. See for example David Riesman, The Lonely Crowd (New Haven: Yale U. P., 1950).

"control over work" equals "control over one's life" seems to me simply insane. It ignores education, health and other public services, physical and economic planning, and, even more amazingly, the capacity of all modern states to arrange for the annihilation of the population in a nuclear exchange.

The answer that I think Megill is proposing is that, since a bureaucracy responsible to elected representatives does not necessarily produce the desired results, the answer is for those actually engaged in each sphere of production to control not merely the conditions of work but "the workers must have control over the important production decisions" (p. 112). As Megill specifically mentions as workers groups such as "elementary and secondary school teachers, nurses, doctors, engineers, and so on" (p. 112), it is easy to see where he is heading. At present we usually think it a regrettable deviation from what should happen when hospitals are run for the benefit of the staff, civil services for the convenience of the civil servants, and the armed forces decide which wars they will and won't fight. The "worker's control" formula of Megill would enshrine this state of affairs as the ideal, in the name of getting rid of "bureaucracy".⁶¹ Although I criticized the

61. A nice illustration of the dilemma is provided by the recent furore in New York over the attempt to provide "community control" over ghetto schools, which led to a prolonged and bitter strike by the teachers' union. I suspect that Megill and his friends would sympathize with the blacks against the teachers, but this would be entirely contrary to the precepts of workers' control.

invocation of "the state" as a cure-all, this suggested cure seems to me infinitely worse than the disease. The answer is surely to produce more sensitive and effective controls, not to throw away those we have already.

D. Managerialism. Managers are the last source of salvation we shall consider, having reviewed in turn the claims of shareholders, bureaucrats and workers. Managerialism is not a new creed. We need mention only Saint-Simon's invitation to the new managerial class to take its place in the sun, H.G. Wells' evocation of the New Samurai or Veblen's call for the Engineers to take over the Price System. Coming nearer to hand is Burnham's The Managerial Revolution and Galbraith's New Industrial State.^{61a} Since the enterprise of which this essay is a part took its rise from Galbraith's book, I shall concentrate on it here.

As I understand it, The New Industrial State is a call for the managers of the world (or at any rate the U.S.A.) to unite. They have nothing to lose but their preconceptions, which prevent them from realizing that, whether nominally employed by government, private industry, a university, a foundation or some other organization, they have a fundamentally similar outlook and compatible interests. The members of this indispensable class should therefore work together to de-emphasize

61a For a review of the varieties of recent 'managerial' thinking, see Theo Nichols, op. cit.

economic growth and give more weight to the things they believe in, like public amenity.

The thinkers of the Enlightenment had high hopes of selling their ideas to benevolent despots, and it is obviously pleasanter to hope that those with power will change their behaviour than to believe that a change in the behaviour of the powerful will require a new way of controlling them. The Enlightenment thinkers came unstuck, I suggest, for two reasons: (i) the enlightened despots were not as enlightened as had been hoped, and (ii) they in any case put despotism before enlightenment. The same pitfalls, I fear, lie before Galbraith. Are his "technostructure" as impeccable in their general values as he suggests, and are they in any case prepared to back these values when they come up against the particular norms of a job?

Galbraith seems to me to underestimate the importance of role-playing, that is the ability that people have to identify with the goals and constraints that go with a role, and then to drop them as required. "Sir," said Dr. Johnson, "a man will no more carry the artifice of the bar into the common intercourse of society, than a man who is paid for tumbling upon his hands will continue to tumble upon his hands when he should walk on his feet." In the pursuit of his profession, a man will ruin the countryside with electricity pylons, design lethal but saleable cars and generally do things that as a private citizen he would regard as appalling. In Cavour's remark ^{Scoundrels} "What rogues we should be if we did for ourselves what we do for our country", the word "organization" could often be substituted for "country". It may be, as Galbraith suggests, that people could be encouraged to do their jobs with a greater sense of social responsibility, but my guess would be that the only real answer is to get a different

definition of the goals and constraints built into the job. Fortunately, this does at least mean that, with suitable changes in the goals of management, one could be fairly hopeful about results following. As far as small builders, scrap merchants, garages and other genuine capitalists are concerned, I cannot conceive any solution except the revival of the stocks. Judicial and bureaucratic methods seem powerless to prevent them cheating their customers, stealing from the public domain, polluting the environment with eyesores if not worse, and contravening the Shops and Offices Act, fire precautions and every constraint on maximizing profit.

We have now examined the four main contemporary ideologies and found them not so much wanting in general as lacking in detailed prescriptions. But the closer we got to detailed prescription, the more it seemed to be the case that none could deal with all the problems by itself. In particular, statism seems an unavoidable element yet such a protean category does little more than point vaguely in a certain direction.

Where then do we go from here? The answer must, I think, be to consolidate the trail blazed by Dahl and Lindblom in 1953 with their Politics, Economics and Welfare.⁶² There are, after all, only

⁶². New York: Harper and Brothers, 1953

a finite number of ways of organizing social decision-making, and some combination of most of them is used in any institution of any complexity,

e.g. a university or a firm. I mean things like choosing decision-makers by lot, deciding by a direct vote on an issue (a referendum), employing judicial methods against a background of more or less clear-cut rules, having decisions taken by experts on supposedly neutral "expert" criteria, electing a representative assembly to decide, decision by bargaining among interested parties or their agents, and bureaucratic administration. Institutional innovation consists, not in adding new ones to the list (none of those mentioned is very new and most are very old) but in applying a different one to a certain subject, mixing them up in new ways and - above all - changes in such crucial contextual matters as the constituency, the procedure and the flow of information both in (amount and kind of information on which decisions are made) and out (confidentiality of proceedings, amount of publicity given to decisions). These are the points at which ingenuity is required. There could hardly be a task more difficult or more important. Other civilizations have collapsed because they did not find ways in which, in changed circumstances, the pursuit of individual goals could be prevented from adding up to social catastrophe. Are we to go the same way?