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I. Introduction

The title I have chosen derives, of course, from Professor Kenneth Galbraith’s famous book. The Affluent Society has been largely disregarded by professional economists, although (or should I say because?) it is the most iconoclastic study of political economy since Keynes’s General Theory of Employment, Interest and Money. Some of us may feel that the conclusions Professor Galbraith draws are timid stuff, in comparison with the ruthless exposure of orthodox economics which precedes them. But conclusions — especially conclusions about the domestic politics of the United States — are not what concern me here. For my topic is the future of the Labour Party in the British version of the Affluent Society which has emerged under successive Tory Governments since 1951.

The fact that the Conservatives won their third successive victory last October has shocked the Labour Party into a bout of introspective self-analysis — inspired by an almost masochistic determination to find the fault in ourselves and not in our stars. Yet there is one thing on which all observers agree. The Government won because a great majority of the voters (including many who voted Labour) accepted Mr. Macmillan’s contention that they had never had it so good. Apathy and fear — still the two most important factors in modern democratic politics — were this time on the side of the Tories, and both were exploited with considerable skill in the final stages of their campaign. Among the under-thirties, where in previous elections Labour had a large majority of the votes, there were widespread abstentions. True, the old age pensioners felt sure they would do better under a Labour Government. But the number of very poor old people who voted Labour for the first time was exceeded by the prosperous young wage-earners who gave their promise to the Labour canvasser and their vote to the Tory candidate. Apparently they felt at the last moment that it was safer to keep the Tories in power than to take the risk of a Labour Government.

The Revisionist Case

What conclusion should we draw from the fact that Labour’s defeat last October was caused by yet another defection of working-class voters, even larger than that we suffered in 1955? Already one group of Labour Party economists has come forward with a ‘Revisionist’ diagnosis of what is wrong and a formula for remedying it. Mr. Roy Jenkins, Mr. Douglas Jay and Mr. C. A. R. Crosland predict that Labour will decline into a minority party, representing an ever shrinking working class, unless it scraps its old-fashioned critique of capitalism and modernises its policies, its images and its constitution. Mr. Roy Jenkins, for example, recently listed what he regarded as the five major obstacles in the way of a Labour victory at the next election: (1) fear of a financial crisis if Labour came to power; (2) blame for unofficial strikes; (3) resentment against the anti-libertarian behaviour of Labour groups on certain local councils; (4) a

widespread feeling that Labour is a narrow, class party; and (5) the unpopularity of nationalisation. His conclusion was that, if we could only excise these five tumours from the body of the Labour Party, its health would be restored and it would have a good chance of benefiting next time from the swing of the pendulum. Mr. Crosland and Mr. Jay, I fancy, would not dissent from this view. They agree with Mr. Jenkins that, since the Affluent Society has come to stay, the over-riding task of the Labour Party in the next four years is to persuade the electorate that a Labour Government can take over the modified form of capitalism which has emerged since 1945, without precipitating a crisis, and manage it at least as well as the Conservatives. Only if we convince the voter of this, it is argued, will he give us the chance to introduce our Socialist improvements, designed to make the Affluent Society more equitable and just. In fact, the leitmotif of our next general election campaign must be, ‘Vote Labour because you will be as safe with Gaitskell as you were with Macmillan’.

Implicit in this kind of Revisionism is the theory of the ‘swing of the pendulum’. British two-party politics, we are told, function healthily only if the two big parties change places regularly and if neither of them is excluded from power for a long period. Thanks to an intuitive appreciation of this requirement, the British electorate tends—all else being equal—to favour a change of Government at each general election. Normally, therefore, the odds are slightly against the party in power and in favour of the Opposition. Applying this theory to the recent general election, the Revisionists conclude that, despite Mr. Macmillan’s skill in choosing a particularly favourable moment, Mr. Gaitskell could and should have won, if the confidence of the electorate had not been unnecessarily alienated by the image of the Labour Party as dogmatically wedded to wholesale nationalisation.

**Shadow Opposition**

An important corollary of this ‘swing of the pendulum’ theory is the view that it is the main function of the Opposition not to oppose—to attack the Government or to crusade for radical causes—but to provide the alternative Government, which can expect under normal circumstances to take office after the next general election, without any violent break in policy. The idea of the Opposition as ‘the Alternative Government’ is a relatively new growth in the Labour Party. Its development was fortuitously assisted by the practice, adopted by Mr. Attlee and expanded by Mr. Gaitskell, of adding to the twelve elected members of the Parliamentary Committee on the front bench some 45 nominated Shadow Ministers and Shadow Parliamentary Secretaries. In this way a complete Alternative Government was created to face a real Government across the floor of the Commons. As a result, the phrase ‘Shadow Cabinet’, which at first was, quite wrongly, used to describe the executive committee of twelve, elected by the Parliamentary Labour Party in order to conduct its business, has begun to approximate to the truth. More and more the leadership of the Parliamentary Party behaves as though it were a Shadow Administration. Instead of concentrating on a strategy of attack, exposing topical grievances while crusading continuously for three or four clearly
defined Socialist objectives, the Opposition tends to behave with the cautious responsibility normally associated with a Government.

This shift from the dynamic of opposition to the balanced postures of shadow responsibility is intelligible enough on the assumption that, if nothing is done to upset the normal course of things, the Shadow Cabinet will become the real Cabinet after the next election. If 'the swing of the pendulum' accurately describes the rhythm of British politics, then it is natural that a party out of office should present itself not as an 'irresponsible' Opposition but as a staid Alternative Government. It is also clear that, if it is to play this role, the Labour Party must be prepared to abandon the claim that it is the party of radical change. What it must become, in fact, is not the anti-Establishment party but an alternative team of management inside the Establishment—a party not unlike the Democrats in the United States. And this is precisely the change in the Labour Party image which the Revisionists recommend.

2. The Fallacy of the Swing

It will be convenient to consider separately the theory of the swing of the pendulum and the concept of the Opposition as the Alternative Government. Taking 'the swing of the pendulum' first, I suggest that, at least since the coming of democracy, it has not operated in British politics. Last October, for example, there was no sign of it. Even if the Tories had fought the election badly and the Labour Party had not made a single mistake, there is no reason to believe that we should have seen a change of Government. Mr. Macmillan was able to ride back to office on a wave of universal complacency, and nothing the Labour Party said or did had more than a quite secondary importance. The most that a faultless Labour campaign could have achieved was the election of a Labour Government without a mandate for change and based on an inadequate majority. So far from profiting from a desire for a change of Government, the Opposition had to deal with an electorate strongly prejudiced in favour of the status quo.

Nor can we find any evidence in history for the swing of the pendulum. Those who believe in it usually quote electoral statistics starting from the great Reform Bill of 1832. It is true enough that, if we count years of Coalition in the figures for both Left and Right-wing parties, we reach a total of 71 years of Labour/Liberal rule and 77 of Conservative rule. When we break these figures down, however, we discover that whereas—after a period of Whig rule—the swing of the pendulum did operate in the middle years of the last century, when the middle class were first admitted to power, it was replaced by a very different electoral rhythm as the country moved towards universal suffrage.

If we take the year 1884—the introduction of universal household suffrage—as our starting point, we find that, in the course of the 75 years up to 1959, there have been only two Left-wing Governments with outright majorities, the Liberal Government elected after the Boer War
and the Labour Government elected after World War II. Moreover, within five years each of these Left-wing Governments had lost most of its popular support: at the succeeding election Mr. Asquith and Mr. Attlee only just scraped back to office—without effective power. Indeed, the most obvious characteristic of these first 75 years of British democracy has been the success of the Conservatives in retaining working-class support and either keeping effective power for themselves or rapidly denying it to the Left-wing parties whenever they do attain office. There have been two lengthy periods dominated by the Tories. The first lasted from 1884 until 1905—with the exception of the three years of Gladstone’s last Government. The second covered the inter-war years, from 1923 to 1940—from the break-up of the Lloyd George war coalition until the formation of the Churchill war coalition. During these 17 years there was almost continuous mass unemployment, as well as the disasters of appeasement. Yet the Conservatives retained control—apart from the brief and ill-fated interludes of the two minority Labour Governments, headed by Ramsay MacDonald.

Those Socialists who rely on the historical evidence for the swing of the pendulum should pay particular attention to the election of 1935. After the anti-Socialist landslide of 1931, this was an occasion when the electoral pendulum, if it existed, should have made itself evident. Yet the Labour Opposition made only modest gains and there is no evidence to suggest that the next election—bound to take place before 1940 if the war had not intervened—would have ended in a Tory defeat. Throughout the ‘years of the locusts’ a large majority of the British people remained staunchly anti-Socialist.

What lesson can we draw from the history of these 75 years, during which we passed from household suffrage in 1884 to full adult suffrage in 1928? The first thing a Socialist should observe is the failure of Mr. Asquith in 1910 and Mr. Attlee in 1950 to retain the momentum of change. Both had been given a clear mandate for a big leap forward. Both lost that clear mandate in a very few years. We should learn a lot about the role of Left-wing parties from a detailed study of their failures.

Office without Power

Meanwhile we can point to the danger into which a Left-wing leadership falls once it surrenders to the temptation to cling to office—without effective power. That was the situation of the Liberals after 1910 and it was the situation of the two minority Labour Governments. The 1931 debacle, which nearly destroyed the Labour Party, was largely due to the eagerness with which not only Ramsay MacDonald but a majority of the Labour leadership seized the chance of office, even though they knew that, as a minority Government, they had neither a mandate for radical change nor the power to carry it out. It seems to be a rule of British democracy that parties of the Left can retain their strength and enthusiasm through extended periods of Opposition, provided the leadership remains committed to radical change. But that strength and enthusiasm rapidly ebbs away if ever the leadership becomes obsessed by electoral consider-
ations and succumbs to the temptation to jettison its radical policies for the sake of office.

The study of history, in fact, refutes the theory of the swing of the pendulum and suggests that there are two preconditions which must be fulfilled before a Left-wing Government is elected with an adequate majority. (1) The country must have been through troubles sufficiently serious to destroy confidence in the Tories. (2) The Opposition party must have won the confidence of the voters by opposing the Government, even when it was popular, and putting forward its own radical remedies when they were ridiculed by the Establishment.

A Left-wing Government is required only where the change must be radical and involve a repudiation of orthodoxy; and the occasion for it will be a crisis in which the people, shaken out of its complacency, loses confidence in its traditional rulers, berates them on the ground that they have betrayed the nation and quite deliberately insists that what the country needs are new men and a big step forward.

The Role of Opposition

If this, and not the swing of the pendulum, is the true rhythm of British political development, it follows that the prime function of the Labour Party, as of the Liberal Party before it, is to provide an ideology for nonconformist critics of the Establishment and a political instrument for interests and social groups which are denied justice under the status quo.¹ So far from trying to show that its leaders can manage capitalism as competently as the Tories and reshaping itself in the image of the American Democratic Party, the Labour Party, if it is ever to return to power with a mandate from the people, must remain a Socialist challenge to the established order.

A Labour Party of this kind is likely to be out of office for much longer periods than the Tories. I have heard it said that such an admission is defeatist and that, if it is publicly made, most of the talent and ambition will be forced off the Opposition front bench, since gifted political leaders cannot be expected to be content to be deprived of office and responsibility for the best years of their lives. I find this a quite astonishing argument. No doubt it is frustrating for those who have held high office to sit for years on the Opposition front bench as mere members of a Shadow Administration. No doubt it is true that the effectiveness of our democratic

¹ The following anecdote suggests that the rhythm of American political development is much the same: "Roosevelt told Robert H. Jackson that he had once suggested that Wilson withhold part of his reform program for his second term. Wilson replied in substance: We do not know that there will be a second term, and, if there is, it will be less progressive and constructive than the first. American history shows that a reform administration comes to office only once in every twenty years, and that its forward impulse does not outlast one term. Even if the same party and persons remain in power, they become complacent in a second term. "What we do not accomplish in the first term is not likely to be accomplished at all." (When Roosevelt told this story to his press conference in the first year of his second term, he lengthened the period of possible accomplishment from four to eight years.) (The Coming of the New Deal, by Arthur M. Schlesinger, Jr. Heinemann, 1960.)
checks on the Executive would be endangered if the electorate began to rate the Labour Party as a permanent minority and to feel that there was no prospect of ever getting rid of the Tory Government. To be effective, an Opposition must be a genuine threat to the Government and that means that it must have a genuine will to turn it out. Nevertheless, those who assert that the sole object, or even whose main object, of the Labour Party today should be to regain office seem to me to misconceive not merely the nature of British Socialism but the workings of British democracy. For politicians whose sole object, or even whose main object, is to regain office tend to be opportunists, to hedge and to equivocate in order to appease the voter. The Conservative Party, with the clear purpose of retaining power for a traditional ruling class, is fully justified in abandoning established policies, extricating itself from its promises and betraying the pledges to large groups of its supporters, if by so doing it defends the Establishment. Appeasement and equivocation are tactics essential to the great Tory tradition by which the British ruling class has adapted itself to changing circumstances. But a Left-wing party which adopts such tactics destroys itself.

3. Opposition or Alternative Government

The most important decision we have to take is which role the Labour Party shall play in the three or four years before the next election—a Fighting Opposition or the Alternative Government? Of course, the roles are not completely exclusive. Both the ‘Shadow Cabinet’ and the National Executive consist of a mixture of Right-wing administrators, who feel themselves at home as members of an alternative Government, and Left-wing crusaders, who want to lead a fighting Opposition. During the three years before the general election, it was the Right-wingers who mainly had their way in rethinking Socialist policy, in formulating the election programme and, most important of all, in creating the new image of the Labour Party in the press, in radio and on television. Under the personal leadership and with the personal inspiration of Mr. Gaitskell, the image of a crusading Socialist Opposition was suppressed and the Labour Party presented itself as a humane, decent and business-like alternative to the Tories. Since the election the Revisionists have argued that the concessions made for the sake of unity to the traditional Left proved fatally expensive and that the only way of wooing the modern electorate is to remove the last traces of ‘Leftism’ and present the Labour Party quite uncompromisingly as an alternative board of management for the Affluent Society. These Revisionist demands have provoked an equal and opposite campaign, insisting that the Labour Party should break with the Establishment and present itself as a fighting Opposition. Now there is a real danger that the net result of this conflict will be a flabby compromise, irrelevant to the problems with which the Government, Tory or Labour, will have to cope in the next decade.

How, then, can unity of purpose be re-established? The truth is that there is no principle by recourse to which the eternal conflict between
Right-wingers and Left-wingers, between administrators and crusaders, between professional ex-Ministers and professional Oppositionists can be settled in the abstract. The only rational way to settle it is to examine the kind of problems we shall face in the 1960s and to ask ourselves what kind of Labour Party will be capable of dealing with them.

I believe that, in posing the problem in this way, I shall win cordial assent from Mr. Crosland, Mr. Jay and Mr. Jenkins. Their proposals for changing the image of the Labour Party and eradicating many of its radical traits are all based on certain assumptions about the nature of the post-war world and the prospects of the British economy in the next decade. Both in his book, The Future of Socialism, and in the occasional writings which have succeeded it, Mr. Crosland has consistently maintained the view that the inherent contradictions in capitalism, which formed the central feature of the old-fashioned Socialist analysis, are now outmoded myths, since we have developed an economy so different from 19th-century capitalism that it merits a new name. So he looks to the United States as the model of the new, managed capitalism, in which it is possible permanently to avoid mass unemployment and to achieve a steady and satisfactory rate of economic expansion without falling into inflation. Of course, each of these post-war Affluent Societies still shows grave imperfections — here too slow a rate of growth; here headlong growth alternating with indiscriminate restriction; here injustice committed to a whole social group; here an imbalance between the private and the public sector. But none of these imperfections, in his view, is inherent in the system and most of them could be evened out by a sensible, moderate Left-wing Government, led by men who both understand the management of modern capitalism and feel an urge to remove its injustices and inequalities. A Labour Government, in fact, once it can persuade the electorate to give it an adequate majority, will, if Mr. Crosland’s analysis proves correct, be able to plan and control the economy without any radical change in its structure and, in particular, without any drastic enlargement of the public sector.

Let me say at once that, if I agreed with this picture of our post-war economies and accepted Mr. Crosland’s optimistic predictions about the way the world will move during the 1960s, I should at once accept his political conclusions as well. But with one difference. If I were as convinced as he is that modern capitalism is a workable, sensible economy and so successful that sooner or later the Communist States are likely to remodel themselves on the American pattern, I should decide that the Labour Party as such had no further role to play and the time had come to reconstruct the Liberal Party as the main alternative to Conservatism. It may be replied that the revival of Liberalism would be a formidable task, but surely it would be no more formidable than the job of persuading the Labour Party that its critique of capitalism and its belief in public ownership as the central tenet of its creed are both entirely obsolete. And that, after all, is what the Revisionists have set themselves to do.

1 Published by Jonathan Cape, 1956.
4. The Reaction Against Socialism

I NOW turn to an examination of the basic assumption on which the Revisionists rest their case. Are they right in assuming the stability of the Affluent Society? Are they correct to anticipate—if it is properly managed—a satisfactory rate of economic expansion? Is their confidence justified when they believe that the contradictions of pre-war capitalism have been removed? Or does our new post-war capitalism contain within it new contradictions, which cannot be resolved so long as the 'commanding heights of the economy' are privately owned and controlled?

I realise, of course, that the optimism of the Revisionist analysis is shared by the vast majority of the opinion-makers throughout the Western world. Most of them, indeed, are reluctant to admit the strength either of their war-time fears that peace would bring a return to mass unemployment or of their post-war sense of relief as, year by year after 1945, the 'inevitable' slump was postponed. At the end of the war, even John Maynard Keynes himself assumed that the American economy would drift into a crisis that would probably engulf Britain as well. In the United States, where fear of unemployment is much less acute, uncritical confidence in free enterprise was rapidly restored. In Britain, on the other hand, this swing of opinion away from Socialism back to free enterprise was postponed during the period of office of the Attlee Government, who were able to convince the electorate that they had averted a return to unemployment by the application of Socialist planning and controls. Actually the Labour Government did very little planning, in the strict sense of that word, i.e. the settling of social priorities in terms of a long-term plan. True, they transferred to public ownership a number of basic industries and services and this enabled them to control investment in the newly created public sector. But, so far as over-all planning is concerned, all the Attlee Government did was to retain the cumbersome system of wartime controls and apply it—not unsuccessfully—to the increase of exports, the prevention of a post-war collapse of agriculture, the stimulation of private investment and the maintenance of full employment. Inevitably, as the war receded into the past, these wartime controls became more and more unpopular; even worse, they became more and more irrelevant as wartime shortages disappeared and the terms of trade unexpectedly improved. Already by 1950 the Attlee Government was uncertain whether to liberalise the economy or to substitute a new system of Socialist peace-time planning for the war economy it had taken over in 1945.

The irrelevance of wartime controls, however, was not fully realised until after the Tories just scraped home in 1951 and proceeded to 'set the people free'. In the 1951 election, the Labour Party piled up the biggest popular vote in its history, largely as the result of predicting that the return of the Tories would lead not only to war but also to mass unemployment, and it was the falsification of these predictions that made the British electorate react so violently against nationalisation. And so
when the Election came in 1955, British public opinion had swung from a fatuous pessimism about the prospects of Western capitalism into an equally fatuous complacency.

Throughout the 1950s that mood persisted. Less than a decade of expanding prosperity has been sufficient to erase from the voter's mind the doubts and anxieties about Western free enterprise which were still so powerful when the war finished; and to engender a complacent optimism which dismisses nationalisation as an obsolete concept, with no relevance to the second half of the 20th century. It is worth noticing, however, that these bland assumptions are challenged as soon as one leaves the North Atlantic area. Whatever doctrinal differences there may be between the Communists of Russia and of China, of Poland and of Czechoslovakia, they all agree on the premise that, outside agriculture, old-fashioned nationalisation is the prerequisite for the kind of national planning necessary to achieve a balanced economic development.

The Communist Achievement

Which of these assumptions, the Western or the Eastern, is justified by the facts? The best judges, surely, are the leaders of the uncommitted peoples. Though their preference may be for the Western way of life, they have little doubt who, in the last decade, has been winning the peaceful competition between East and West. They can see that, in a Western democracy today, life is far freer and far more comfortable for far more of the citizens than ever before in the history of the human race. Given a free choice between living in capitalist West Germany or Communist East Germany, for example, a majority of Germans opt for the West.

Judged in terms of that individualistic 'pursuit of happiness' which the American founding fathers laid down as the aim of their Republic, Communism is still an inferior way of life compared to that of the Affluent Societies of the West. But this does not alter the fact that, in terms of military power, of industrial development, of technological advance, of mass literacy and, eventually, of mass consumption too, the planned Socialist economy, as exemplified in the Communist States, is proving its capacity to outpace and overtake the wealthy and comfortable Western economies. What strikes me about the Revisionists is their parochialism. Their eyes are so firmly fixed on the mood of the British electorate, the tastes of Western consumers and the problems of the North Atlantic area that they have scarcely noticed that the enormous lead held by the West in 1945 is being narrowed by two factors. The first of these factors is the contrast between the economic use of resources possible under the planned economies of the East and the wastefulness of the artificially induced obsolescence which is the motive force of our Affluent Societies of the West. The second reason why the Communists are overhauling us is the fact that whereas, in their planned economies, inflation can be brought under control by planned income distribution, it is still the scourge of our managed Western capitalism.

Reading the writings of the Revisionists, however, one would hardly be aware that the combination of these two factors has already set in motion a historic shift in the balance of world power which may well,
before the 1960s are out, have demonstrated in the most decisive way possible the victory of nationalisation over free enterprise. At first the technological and economic achievements of the Communists were blandly disregarded. Now that it is impossible to deny their reality, three arguments are employed in order to depreciate their importance and allay the alarm they have caused. We are told (1) that, while the ‘great leap forward’ is natural enough in backward economies, starting on the early stages of industrialisation, this rate of increase is bound to slow down as the absolute strength of the Communist States approaches that of the West; (2) that the Russian sputnik and other achievements in rocketry are the results of quite abnormal concentration of effort, such as a totalitarian State can always make and from which no conclusion can be drawn about the general efficiency of the system; and, finally, (3) that, as living standards improve and education spreads, a new public opinion will be created in the Communist States, with liberalistic demands for extensions of freedom and a shift of balance from production to consumption industries. Provided, therefore, that nuclear war can be avoided, we are assured that we can look forward for the next fifty years to a period of peaceful competition, in which the intrinsic differences between Communism and Western capitalism will become less and less marked as the backward Communist nations gradually find fulfilment in a Western ‘pursuit of happiness’.

5. A New Challenge

I AM not surprised that, with the change in the balance of power, the fulminations against the wickedness of Communism and the aggressive menace of the Kremlin’s designs have been replaced, in Washington as well as in London, by such comforting predictions. But what does surprise and alarm me is that some Socialist economists should have joined in peddling these complacent illusions. For one of the main objectives of a fighting Socialist Opposition must be to expose the false assumptions of our Affluent Society and so force the British people to face honestly the challenge that confronts them. Far more than the revision of its constitution or of its electoral programme, the Labour Party needs today a new Socialist critique, applied both to the Western and to the Eastern economies, which would enable us to foresee and prepare for the ‘creeping crisis’ that will confront the West before the end of this decade.

Britain’s Special Danger — The Common Market

We can be sure that this crisis will not repeat the pattern of the 1930s and present us once again with spectres of mass unemployment and under-consumption, spreading from the United States to engulf the whole world. Indeed, we should be wise to assume that, in the kind of Affluent Society which is now common to Western Europe and North America, the masses will from now on be provided with an ever wider choice of consumer goods—but only at the cost of neglecting each nation’s long-term interests,
scamping vital public services and imposing gross injustices on the weaker sections of the community—particularly upon the sick and the old, who rely so heavily upon State benefits. 

Unfortunately Britain is likely to prove the weakest member of the Western community, since the inflation and over-consumption inherent in the Affluent Society are aggravated in this country by the deep conservatism displayed by both sides of industry. The employers’ insistence on quick profits and the demand for annual wage rises forced upon the unions in a free-for-all economy have combined to keep capital investment down to a dangerously low level. As a result, this country, in the race for higher productivity, has not merely fallen far behind Russia but has been beaten by Western Germany, France and the United States. Moreover, our foreign trade is now seriously threatened by the emergence of the Common Market, whose threat has been consistently underrated by successive Governments. Squeezed between three giants—the United States, the Common Market and the Communist bloc—there is a risk that, while the rest of the world is improving its material conditions, the British people may suffer an actual cut in their living standards.¹

How can a people as politically mature as the British be so blind to these dangers? How can the electorate give a third vote of confidence to the Conservative Party, which has so consistently sacrificed long-term national interests in order to provide short-term improvements in living standards? No objective observer will deny that, since 1951, there has been a scandalous neglect of many of the essentials of a healthy community—capital investment in industry, pure and applied scientific research, technological training, the expansion of higher education, the extension of hospital services and improved retirement pensions. Public connivance in this neglect has been obtained by two methods. (1) A mass demand for profitable but inessential consumer goods and luxuries has been stimulated by extravagantly expensive mass advertising and satisfied at the cost of the public services, but at a satisfactory rate of profit to private industry. (2) The commercialised media of mass communication have been systematically used to dope the critical faculties which would normally have been stimulated by the improvement of popular education since 1945.

By the continued application of these methods it may well be possible to

¹ Anyone who thinks these statements too gloomy should remember that Germany, France—and even the much poorer Italy—are devoting a larger share than we are of their national income to production investment and increasing their industrial efficiency much faster. Whereas our output since 1953 has increased by 28 per cent, theirs has increased by 70 per cent. The inferiority of our economic performance to that of the Soviet Union is even more striking. Russian production per head is likely to surpass ours in the early 1960s, and that of the U.S. by the late 70s. Moreover, a large part of our affluence during the 1960s was due not to our own efforts but to the cheapening of our imports. A 10 per cent. worsening of the terms at which we exchange our industrial exports for food and raw materials would be sufficient to condemn us to material stagnation. Nor should it be forgotten that Russia, owing to the very high cost of producing food and raw materials at home, may well enter these markets and start exporting manufactures in order to import food and raw materials. By forcing up the price of sugar, meat and maize, she could benefit herself and these producers of raw materials at our expense.
keep the British people complacently apathetic, while the social and moral sinews of the national organism are rapidly weakened by fatty degeneration.

What will finally confront us as a result of this decline will not be a return of the mass unemployment of the 1930s but a shrinking of the frontiers of democracy as the world balance of power shifts and the uncommitted peoples of Asia and Africa accept the economic aid and political leadership of the Communists in the modernisation of their communities. If the Kremlin were manned by Cold Warriors determined to overrun the West by a display of aggressive brinkmanship, the decline of Western power which we are now witnessing might well result in a series of international crises. In terms of military strength, it is now within the capacity of the Russian and Chinese Communists to force a showdown on such issues as Berlin, Persia and Formosa and to confront the Western powers with a choice between nuclear suicide and a series of Munich-type surrenders. Committed to the defence of a whole series of positions which have been rendered indefensible now that we have been overtaken in the nuclear arms race, we could do little to protest if the Russians were barbaric enough to call our bluff — by proceeding to mop up three key positions which we now hold only by the tolerance of Mr. Khrushchev in West Berlin, Quemoy and Teheran. By signing a peace treaty with the East Germans, instigating a revolution in Persia or providing the Chinese with nuclear weapons, the Russians could now make each of these positions untenable.

Why We Are Losing

No one can exclude the possibility of a series of surrenders of this kind. Nevertheless, I am not convinced that this is the main danger which the West now faces. It seems to me probable that the Communists have taken our measure fairly accurately. Unlike Stalin, Khrushchev probably appreciates that the only thing which can rally the West and force it to mobilise its strength is a repetition of the kind of strong-arm action which we saw in the Berlin blockade and the attack on South Korea. In an actual war, or under direct threat of military aggression, the Affluent Societies of the West can be persuaded to cut back their ostentatious spending and accept a degree at least of national planning and international co-operation. Though Mao Tse-tung may be tempted to follow a Stalinite line, it seems to me unlikely that Khrushchev will commit the mistake of saving the Western powers from the comfortable process of peace-time degeneration on which they have now begun. For the Kremlin is now convinced that the only thing which could prevent the ultimate victory of world Communism is nuclear war. Their determination to practise peaceful co-existence, therefore, is a sign not of weakness but of confidence. When they challenge us to disarm immediately and enter into peaceful competition, they do so because they are sure they will win the contest.

Which system is best equipped for rapidly modernising the underdeveloped territories, raising their living standards and helping to provide mass education — the Western Affluent Society or Eastern Communism? The Kremlin is sure that, in the course of the next twenty years, the North
Atlantic area will become a prosperous backwater, while vast areas of Asia, the Middle East, Africa and, finally, South America—which at present still accept some of our ideals of freedom and still look to us for assistance—are absorbed into the Communist bloc. Recent history supports their confidence. Anyone who suggested ten years ago that the new Aswan dam would be financed by Russia and constructed by Russian engineers would have been dismissed as either a fellow traveller or a defeatist. Even five years ago it would have been difficult to take seriously the prediction that a Cuban Government in 1959 would be entertaining Mr. Mikoyan and considering the possibility of buying Russian arms with which to defend its freedom from mainland interference. The fact that these two ‘absurdities’ have become sober truth illustrates the shift in the balance of power, and they will be followed throughout the 1960s by even more humiliating examples, unless we are prepared radically to transform the nature of our Affluent Societies and, in particular, their economic relations with Asia and Africa.

It has often been stated that the whole future of Western freedom depends upon the amount of aid which the Western democracies are prepared to give to the Indian nation in its effort to modernise and industrialise itself while retaining the political forms of Western democracy. What is not so often stated is that the chances of the Indian Government succeeding in this attempt depend very largely upon the role which the nationalised industries are permitted to play in the Indian economy. If the price of large-scale Western aid is that the Indian Government should increase the proposed size of the private and decrease that of the public sector of the economy, then the aid we give may actually decrease the chances of success. Political democracy, in fact, can only be assured in this overpopulated and underdeveloped sub-continent in the kind of Socialist planned economy which would be condemned by Top People in London, Washington, Paris and Bonn as totalitarian.

Nor can we assume that public opinion in these countries will always prefer Western democracy to the Communist way of life. For whereas we can still claim that life in Western Europe is much more comfortable and much freer for the masses than it is in Eastern Europe, the same is not true when we compare Eastern Europe with, for example, the Middle East or South East Asia. Many Poles who visit both London and Moscow are deeply envious of our way of life; but an Iraqi, Egyptian, Burmese or Siamese who makes the same two-way trip could reach a rather different conclusion. Instead of preferring Western freedom to Communist totalitarianism, he may well feel he has more to learn in Moscow, East Berlin and Prague than in Washington, London or Bonn about the task of rapidly modernising a backward country and raising the living standards of the masses. The luxuries, gadgets, entertainments and packaged foodstuffs which so many workers enjoy in our Affluent Societies may strike him as irrelevant and even vulgar and immoral, compared with the solid respectability of the Communist way of life. It is, indeed, a most dangerous assumption that, even if they could be given a truly free choice between the ‘Roundhead’ standards of Communist collectivism and the ‘Cavalier’ luxuries of Western individualism, all the peoples of Asia and Africa would
be bound to prefer our Restoration. And, anyway, such a free choice will not be given them. In the next twenty years the big decisions will be taken in these countries not by mass electorates but by eager, educated elites, to whom the enthusiastic certainties of Communist dogma make a much stronger appeal than the sophisticated scepticism of our Western democracy.

It is possible, therefore, to predict with a good deal of assurance that, until and unless there is a fundamental change in the structure of our modern managed capitalism, the peaceful competition which has now begun between East and West must result in a series of Communist successes.

Good Intentions Not Enough

True enough, the peoples of the West have recently recognised the evils of colonialism and at long last begun to realise that the principles of democracy—equality as well as liberty and fraternity—must be applied between nations as well as within each nation. In Britain, for example, there has been national approval for the decision of the Conservative Government to abandon Empire throughout Africa and to make it clear that the white settler cannot rely on British support in maintaining his ascendancy. But good intentions—even mass good intentions—are not sufficient. What matters in relations with Asia and Africa is not what ordinary people think and feel but what economic policies our Governments adopt. Our Western way of life may seem tolerable to the non-political worker in the British or American motor-car factory. It may at first sight seem heaven on earth to a visitor from East Germany or Poland. But the colonial peoples are bound to view it more suspiciously, and they will regard us as enemies if our Governments decide that our economic relations with those countries should for the most part be conducted by private financial and business interests, whose sole concern it must be to buy cheap and sell dear. It is not sufficient merely to wind up colonialism, in the sense of ending the direct administration of these territories by European officials. What is even more important is to end indirect colonialism, and that can only be done by subordinating all private enterprise in our trade with these ex-colonial areas to strict public control. Until that is done, no British Colombo Plan or American programme of economic aid, however ambitious, can halt the advance of Communist influence in Asia and Africa. This advance has already begun and will proceed even more rapidly in the course of this decade.

How will the Western people react when they are confronted with what will seem to them a shameful and inexplicable series of diplomatic reverses and withdrawals? There are some who will claim that public opinion will not be stirred out of its complacency. Why should anyone in Düsseldorf, Birmingham, Montreal or Detroit be disturbed by the shrinking of Western world influence, provided his own standard of living is not affected? If the peoples of the North Atlantic area can be assured, they say, of their material well-being and national security, they will be only too ready to give up the 'white man's burden' and leave his civilising mission and world leadership to Moscow and Peking.
Personally I have sometimes been tempted by the arguments for a Little England policy, and I have never doubted that there are a very large number of Americans who would also be content with a ‘Little America’ policy. It is by no means irrational to hold the view that our Western civilisation has had its day, that the cultural leadership of the world is rapidly moving eastwards and that our role in the next hundred years is to be not the sun in the centre of the system but an unambitious outer planet, placidly rotating in the reflected light of the new, Communist world civilisation. Nevertheless, it would be self-deception to base our policies on the assumption that the Affluent Societies of the West can so easily opt out of their world responsibilities and surrender leadership for the sake of material comforts.

Once Again—Guilty Men

It is far more likely that, when the trend of world development becomes clear and the Communist victories are undeniable, a deep revulsion will set in. Gradually our peoples will be shaken out of their comfortable affluence. Gradually their eyes will be opened to the threat to democratic values which for years has been concealed from them by Governments systematically appeasing the private profit-makers at the cost of public service and public enterprise. And one day anger will replace complacency. There will be a return of that sense of betrayal and that readiness to repudiate the ‘guilty men’ with which the British people, in November 1938, awoke to the crimes of appeasement.

In those days, however, once the spell was broken, the Churchillian way of salvation was blessedly clear. In 1940 Britain had to make good the damage caused during the ‘years of the locusts’ by fighting alone and so giving the Americans and Russians time to win a war that need never have grown great if we had dealt with the disease in good time. In the nuclear age, however, war will provide no solution of our crisis. We shall have to drag ourselves out of the comfortable sloth of the 1950s—without blowing the world to pieces. Churchill could enjoin a policy of blood and sweat and demand a suspension of free enterprise and the rights of property in order to produce the weapons with which to defeat the enemy. In the crisis which lies ahead, we shall need a leadership that enjoins just as arduous a sacrifice of material comforts and insists just as sharply on the subordination of private property to the national interest.

But this time there will be no enemy to fight and the object will be to make the community capable not of winning a war but of holding its own in a peaceful competition, which will decide whether the pattern of World Government will be democratic or totalitarian Socialism. In 1940 Mr. Churchill asked only for a temporary subordination of private profit-making to the public interest, and five years after that war was over he himself headed the Government which reasserted the primacy of the private over the public interest. This time the ‘commanding heights of the economy’ must be captured and held permanently for the public interest.

It is, I believe, for this creeping crisis of the 1960s and 1970s that the leadership of the Labour Party should hold itself in reserve, refusing in any way to come to terms with the Affluent Society, warning the electorate
of the troubles that lie ahead and explaining why they can only be tackled
by ensuring that public enterprise dominates the whole economy and
creates the climate in which private enterprise works. By starting the job
now, when the public still retains its blind trust in the Tory Government,
the Labour Party may incur a temporary unpopularity, but it will be
creating the conditions for gaining the confidence of the electorate when
its harsh predictions come true.

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'When its predictions come true? By what right,' it may be asked, 'can
the future be anticipated with such gloomy confidence? Is not the Socialist
who bases his political strategy on this kind of prediction falling into the
mistake of those Marxists who discredited their theory of capitalism by
demonstrating that its inherent contradictions would inevitably lead to its
breakdown?' It would be folly indeed if we failed to learn from this sad
example. But, as Aneurin Bevan and John Strachey have pointed out in
two remarkable and sadly underestimated books, the failure of Marx's
predictions was largely due to his rigid assumption that capitalism could
not modify itself. What he failed to recognise was not only that the
entrepreneurs' survival instinct would stimulate them to evolve a modern,
managed capitalism, but also that democracy was a dynamic force in its
own right. Mr. Strachey's greatest contribution to Socialist thinking has
been his subtle and perceptive demonstration of the revolutionary changes
in the economy produced by the workings of Western democracy. So far
from remaining a mere superstructure, wholly conditioned by economic
forces, our democratic institutions have revealed a potent power of social
and economic change and in so doing have resolved one of the inherent
contradictions that Marx attributed to capitalism. On his theory, the
capitalist system must break down owing to an ever growing unbalance
between an exaggerated production of capital goods and an equally exag-
gerated dwindling of consumers' demand. But in fact, as a result of dem-
ocracy, the development has gone in exactly the opposite direction, so that
now the prevailing characteristic (which is also the greatest weakness) of
the Western economies is that they consume too much of their resources
and reserve too little for public services and capital development. Ironical-
ly enough, the nations which do show the true Marxist contradiction are
those of the Communist bloc, where consumption is nearly always starved
for the sake of rapid capital development.

The actual developments of the last hundred years, therefore, have
completely falsified Marx's central prediction. But the lesson we should
draw from his failure is that which both Mr. Bevan and Mr. Strachey
draw. Marx was not wrong to insist that Socialists must base their policy
and strategy on the best available analysis and anticipation of how the
political economy will develop. The errors he made and which we must
seek to avoid were, first his refusal to admit that in social change politics
may be as dynamic a force as economies; and, secondly, his failure to

1 In Place of Fear, by Aneurin Bevan, Heinemann, 1952. Contemporary
Capitalism, by John Strachey, Gollancz, 1956.
foresee the strength of the survival instinct and the powers of adaptability which would be revealed by the Conservative forces that control capitalism. These forces, as we now know, are ready to accept even radical changes, such as those recommended by Keynes, in orders to preserve their power. As a result, just a hundred years after the writing of Das Kapital, the Western world has resolved the central contradiction of pre-war capitalism. But this has only been achieved at the cost of producing a new and equally dangerous contradiction. This new contradiction can be resolved, as its predecessor was resolved. Indeed, the main function of the Socialist in the 1960s is to explain how this can be done, and the main function of the Labour Party is to do it. For once again it is perfectly possible to cure what looks at first sight like an inherent and incurable weakness in our economic system by political action, designed to adapt our democratic institutions to the needs of the times.

6. Capitalist Contradiction

There is an urgent need for political economists and sociologists to follow up Professor Galbraith’s brilliant initiative by driving his analysis to its real conclusion and also by describing in detail the British variant of the Affluent Society. All I can hope to do here is to list in summary form the main features of the central contradiction that now confronts us; to indicate why that contradiction, unless it is resolved, will inevitably make us the losers in peaceful competition with the East; and finally, to suggest the measures necessary to get Britain out of her special impasse.

Our analysis must start by noting two central features—one a strength, the other a weakness—which all the Western democracies, despite the differences between them, have in common and which separate them from Communist governments. The strength of the democracies is the existence of civil and political liberties as organic parts of the State structure. Their weakness is the complete failure to subject irresponsible economic power to public control. One of the most alarming symptoms of Western decadence is the modern tendency to treat the liberties of the citizen as a “weakness” of democracy and to explain the successes of the Kremlin by pointing to the “obvious” advantages any Communist leader has as the unquestioned head of a totalitarian State. The reverse, of course, is true. All the weaknesses of Communism derive from the crude brutalities of the one-party State and the absence of the institutions of civil liberty—an independent judiciary, an independent civil service, independent organs of public opinion and truly voluntary organisations, including trade unions. Those who imagine that Russian Communism would be weakened if Khrushchev

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1 This work has already been begun by Dr. Thomas Balogh. I should like to acknowledge here the debt I owe not merely to his occasional writings but even more to the stimulus of his conversation. I have also profited greatly by reading, in advance of publication, some chapters of his forthcoming book The Political Economy of Co-existence (Weidenfeld and Nicolson, 1960).
succeeds in liberalising the system and encourages the growth of these free institutions are under a grave delusion. If the Russian Communists could really add these democratic strengths to the strength of a Socialist State which has already conquered irresponsible economic power and subjected it to public control, they would make their system irresistible.

Planning — the Strength of Communism

What enables the Communist States to achieve their successes — despite all the inefficiencies and brutalities perpetrated by their totalitarian rulers — is the fact that their governments possess (1) the power to take vital decisions and the knowledge on which to base them, and (2) the political and social instruments by means of which those vital decisions can be put into effect. A Communist government, for example, can allocate the national resources according to a system of priorities, allotting so much to producer goods, so much to consumer goods, so much to health, education, defence, thereby reducing the hazards of investment and accelerating development. In contrast, the government of a Western democracy, even under the post-war system of managed capitalism, cannot even begin to draw up a national resources budget of this kind, far less put it into effect. Whereas it can impose its will on the small public sector of the economy, it has only the crudest instruments for regulating the development of the dominant private sector. This is the reason why growth is retarded in comparison with that achieved by the Communists.

But the difference goes even further. The motive forces which regulate the development of a Communist economy are the five-year plan and the instruments for putting it into practice. The motive force which drives a modern capitalist economy is neither the Government nor the Government Departments but the decisions of those who direct the great combines which now dominate the private sector. In dealing with the oligopolists, the Government in Britain today is in a position not unlike that of the luckless King John, when confronted with his feudal barons. Like him, our modern Executive has been constrained to concede a Magna Carta, which lays down the rights not of the ordinary citizen but of an oligarchy, deeply divided against itself but united in its determination to resist domination by the political Executive. More and more decisions which determine our development have been removed from Westminster and Whitehall. Then where are they taken? The truth is that normally they are not taken at all and the determination of some of the greatest issues of our national economy is left to the free interplay of the great concentrations of power. Occasionally, however, a decision is forced upon the Government by the pressures of the democratic system. If the absence of national planning threatens serious injury to organised labour, to the farming interests, to the Catholic Church or to any other of the well organised and powerful pressure groups that operate in our society, then the Government may be forced to intervene — even to curb the activities of the oligopolists.

An example of this process is to be found in the Government’s reactions to local unemployment. Strictly speaking, a modern managed capitalism
is not harmed by local unemployment; indeed, the competition on which it depends may be discouraged by governmental action which seeks to bring jobs to the workers instead of compelling the worker to move to the job. Since, however, the British electorate is still quite unusually sensitive to the threat of unemployment, the Government has found it expedient to induce prosperous industries to move into hard-hit areas — Merseyside and the Glasgow area, for example.

It is worth noticing, however, what happens in such cases. There is no question of the Government ordering Fords or Vauxhalls or the Rootes Group to establish their new factories in a particular area. It might, like King John, like to do so, but it lacks not only the will to give a command of this kind but the instruments with which to put it into effect. So what happens is a long-drawn-out negotiation between the Minister and the oligopolists in question, after which they graciously agree to stretch a point and help the nation — provided the Government gives them a suitable reward.

This explains one odd contradiction in the Affluent Society. The ordinary citizen feels that he is living in a community where the State grows ever more powerful, remote and arbitrary; and, from his point of view, this description is correct. But, in its relations with the oligopolists, the 'all-powerful' State behaves very differently, negotiating agreements instead of issuing edicts. The ordinary citizen must pay his taxes or go to prison; the oligopolist negotiates an annual tax agreement, in which he can often set his own terms.

A hundred years ago, when the scale of industry was small, it was at least rational to argue that, by reducing the power of the State over the economy and substituting the working of free competition for governmental decision, a society might develop more healthily and achieve more human happiness than under a paternal and interfering government. But in our age, with its tendency for ever greater concentrations of economic power and ever more centralised control of commercial mass communications, the relationship between free enterprise and individual freedom or consumer's choice has, as Galbraith shows, become exceedingly remote. Democratic constitutions, therefore, which were traditionally evolved in order to check the power of the Executive and prevent central despotism, are now employed mainly to preserve the irresponsible power of oligopoly from any kind of popular control.

The Retreat from Government

In his Fabian Lecture,1 Professor Richard Titmuss carried Galbraith's analysis of modern oligopoly one stage further by applying it to a single and apparently relatively harmless segment of the British economy. He showed how, since 1945, an immense new jungle of irresponsible power has been created by the growth of pension schemes, stimulated by lavish tax concessions and financed partly by insurance companies and partly by

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trustee funds. Professor Titmuss declared that the creation of these huge pension funds constitutes

'a major shift in economic power in our society. It is a power, a potential power, to affect many important aspects of our economic life and our social values in the 1960s. It is power concentrated in relatively few hands, working at the apex of a handful of giant bureaucracies, technically supported by a group of professional experts, and accountable, in practice, to virtually no one.'

He showed how these private pension schemes did something to fill the vacuum created by the failure of the State to provide an adequate subsistence pension. But he also showed how this mushroom development has created gross inequalities as between those inside and those outside the schemes. Even worse, it tempts the Government to renego on its responsibility for providing security in old age and leave it to Big Business, at its own discretion, to build up its own 'private-enterprise welfare state'.

As the scale of organisation gets larger and as the concentrations of power grow ever greater, there should be a corresponding increase of public service and democratic control. But in fact what we see is a dwindling role for Government. 'This is retreat from Government', he concludes; 'a retreat into irresponsibility'.

At first sight it is surprising that this retreat from Government has been greeted with enthusiasm by the voter in all the countries of the West. When the war ended, public opinion, in North America as well as in Western Europe, still dreaded the return of mass unemployment and was ready to welcome great extensions of public ownership, of State control and interference in the private sector and of State provision of social services. Now, fifteen years later, public opinion has turned not only against nationalisation but against extensions of the Welfare State; and most of the European Labour movements have either abandoned their Socialism already or begun to consider the possibility of doing so. The reason for this extraordinary reversal is clear. Together with the rapid movement towards irresponsible oligopoly, there has proceeded a rapid, if uneven, improvement in living standards. Since World War II, throughout the West, democratic institutions have been used with even greater success than before the war to create effective consumer demand. The constant trade union pressure for higher wages, the success of farmers' organisations in extracting huge subsidies from their governments, and the favour shown by the woman voter to any politician who promises to increase her spending power—these and other factors, when combined with full employment, have obtained huge concessions for the masses and given them the feeling that they 'have never had it so good'.

The oligopolists, moreover, once they had learnt the Keynesian doctrine, were quick to see that it was in their interest to ensure that the volume of private spending was constantly increased, while the volume of public expenditure was kept as low as possible. During the war and the immediate post-war years, a gigantic volume of pent-up popular demand for consumer goods, household goods, gadgets and luxuries had been created. Instead of having plenty of money in our pockets and little to spend it on except cheap rationed essentials, we all wanted a world in which rationing was replaced by the widest range of consumer choice. And when our natural
desire to make up for wartime scarcity was further stimulated by enormously expensive and sophisticated advertising campaigns and the temptations of hire purchase, the consumer demand swelled even further.

At the very moment, however, when each of us wanted to re-stock our homes, the community had equally urgent needs for repairing the damages of war, for building not only the houses but roads and railways, the hospitals, schools and universities and — most important of all — for re-equipping our basic industries. Thus a tremendous conflict developed between the demands of the community and the individual consumer, and between those of the public and private sectors of the economy.

It was a conflict, however, in which victory for one side was predetermined. Whether, as was done under the Attlee Government, the attempt was made to exert direct control on the private sector or whether control was limited, as under the Tories, to fiscal sanctions made surprisingly little difference. For the dynamo which keeps our modern Affluent Society moving is the big consumption industries, particularly the motor-car industry. It is only by permitting a constant increase in the size, profitability and political importance of these industries that an old-fashioned slump is avoided. The prosperity of America, it has been ironically observed, and with it the security of the whole Western world, depends on whether the American people can be persuaded each year to consume six million new cars. If, in any year, that figure falls to four million, there is a sharp recession; if to two million, a (non-Communist) world slump.

There is one important deduction from Professor Galbraith’s analysis which British Socialists have been extremely reluctant to make. If the health of the Western economies depends on artificially creating an ever more extravagant demand for increasingly unnecessary consumer goods, then the maintenance of public services must always take second place to the satisfaction of private consumer needs. For the money to pay for these public services derives from taxation, whose level, so long as the private sector dominates the economy, must depend on the profitability of industry. How many schools we can have, how many roads we can build, how much of our resources we can allocate to scientific research — the answer to these questions depends, under our system of managed capitalism, on the number of golden eggs that are laid by these oligopolistic geese.

The Limits of Fiscal Socialism

Theoretically, of course, these deficiencies in the public service could be made good over a period by imposing taxation heavy enough to raise all the revenue required. A Socialist Government, it is often argued, would be able to finance the huge extensions of welfare education and other public services to which it is committed by encouraging a much faster rate of development in the private sector of industry and then taxing away a sufficient amount of the profits. This was the policy put forward by the Labour Party at the October election and in the short run any Labour Government would have to attempt it. But experience should have taught us that the run might be very short indeed. In the Affluent Society no Government is able to give orders to Big Business. After one Budget a
Labour Chancellor who tried to squeeze private industry too hard would soon discover that he was not master in his own house and that there is a relatively low level above which taxation rates, whether on the individual or on the company, are only raised at the cost of provoking tax evasion and avoidance so widespread that revenue is actually reduced. If the motive force of your economy is the profit-making of large-scale modern private enterprise, a Labour Chancellor must be prepared to allow very large profits indeed and to admit that the number of golden eggs he can remove is extremely limited.

In recent months we have seen remarkable evidence of resistance by Big Business to public spending, even where national security is involved. When faced with clear evidence that the Russians are rapidly overtaking it in the nuclear race, many of us assumed that the Eisenhower Administration would feel itself compelled to allocate enough of the national resources to nuclear warfare in order to keep ahead. No doubt the White House would have liked to do so, but it proved impossible. Although he knew that the present levels of American defence spending would permit the Russians to forge ahead, Mr. Eisenhower has preferred to accept defeat in the nuclear race. As a Socialist, I do not myself believe that, by accepting Russian dominance in nuclear weapons, the Americans subject themselves to any very acute military risks. But the American politicians and Big Businessmen who refused to increase the defence budget did so though they were convinced that they were thereby putting their country in the deadliest peril. Nothing could demonstrate more clearly than this the inherent contradiction which ensures that, in our Affluent Society, while the individual grows rapidly more comfortable, the community becomes even more rapidly weaker and weaker. For the inherent inability of the system to allocate sufficient resources for national defence is repeated in relation to education, scientific development, health and welfare services. The price which the modern, managed capitalism pays for avoiding the old-fashioned crisis of mass unemployment is the continuous sacrifice of public service, community welfare and national security to private profit.

7. The Case for Public Ownership

That is why we can predict with mathematical certainty that, as long as the public sector of industry remains the minority sector throughout the Western world, we are bound to be defeated in every kind of peaceful competition which we undertake with the Russians and the Eastern bloc. It is not that our workers are less skilful and energetic, that our managers are less competent, or even that our politicians do their job any worse. The truth is that, whatever our intentions, wishes or individual capabilities, the nations of the Western world will be unable to strengthen themselves by developing adequate public services until the public sector becomes the dominant sector in our economies.

The idea that we can achieve the same ends by leaving the great concerns in private hands and controlling their development from Whitehall is as illusory as the concept that their profits can be taxed to pay for the
Welfare State. We are faced with a sharp choice. Either we accept the Affluent Society as we know it, including the limitations on State activity and public spending that it implies. In that case there is everything to be said for permitting the Labour Party to die away and building in its place a Liberal Party as an alternative Government within the Establishment. Alternatively—if we are not prepared to see the Labour Party wither away—we must be prepared to reshape its policies so as to present an outright Socialist challenge to the Affluent Society and give warning of the coming crisis. In so doing we should make it unambiguously clear that, if we are given a mandate, we shall overcome this crisis by deliberately reversing the balance of the economy and ensuring that the public dominates over the private sector. For only in this way shall we make it possible to work out a true national resources budget, which strikes the proper balance between production and consumption goods and ensures that community interests are given their proper priority over individual consumption.

Transfer of Power

A Socialist programme of this kind will involve transferring gigantic powers, which are now dispersed among the oligopolists, to the central Government and the planning authorities which it would have to establish. Of course there would be dangers to freedom in this process of subjecting irresponsible economic power to public control. The increased power of the Executive which Socialist planning must bring will be in danger of degenerating into the kind of totalitarianism we have seen in Eastern Europe unless it is counter-balanced by a revival of the challenge which Parliament used to make to the Executive. Since the war we have watched a dreary process by which the House of Commons has been progressively deprived of effective authority until it is in danger of becoming one of the ceremonial aspects of the Constitution, alongside the Monarchy and the House of Lords. But this draining away of the power of decision which used to reside in Parliament has not brought an increase of Cabinet or Ministerial authority. On the contrary, the power of decision which Cabinet, before the era of oligopoly, used to possess, at least within limited spheres, has been steadily decreased, until today, as Professor Titmuss has shown, we are witnessing a retreat from Government. Democratic control of the forces which determine social and political development is steadily declining and with it the ability of the nation to act as a nation and of the people to exert a free democratic will. If the Western world is free, as it certainly is, from the terrible evils of totalitarianism, it is the victim of an even more debilitating disease—the emergence of a modern feudalism, which is strangling our democracy before it has had time to grow up.

Five years ago I pointed to the danger of this 'new despotism' and indicated the dilemma with which the modern Socialist is faced. "Since the abuses of oligopoly," I wrote, "cannot be checked by free competition, the only way to enlarge freedom and achieve a full democracy is to subject the economy to public control. Yet the State bureaucracy itself is one of those concentrations of power which threaten our freedom. If we increase

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1 Socialism and the New Despotism. Fabian Tract 298, 1956.
its authority still further, shall we not be endangering the liberties we are trying to defend?" And I suggested that this dilemma could only be resolved by ensuring that the necessary extensions of public ownership should be counter-balanced by expanding the constitutional and judicial safeguards of personal freedom; by reviving Parliament's traditional function of controlling and checking the Executive; and by curbing the oligarchic tendencies both in the trade unions and in the party machines. It seems to me that, in the five years since this lecture was published, the case has been strengthened by events. The oligopolists have increased their power; the authority of the Executive has been correspondingly weakened; and the vitality of Parliament has even further declined. That is why I still believe that 'constitutional reform, designed to enlarge freedom and stimulate an active democracy, is at least as important as the extension of public ownership and a redistribution of wealth'.

But this is really the subject for a separate study. In this pamphlet I have limited myself to the single issue of Revisionism, as propounded by Mr. Crosland, Mr. Jenkins and Mr. Jay. In my view the kind of Labour Party which they would like to see would fail even in its narrow object of winning the next election. But, much more important, it would be incapable of fulfilling its role as the saviour of our democratic freedoms which may be forced upon it by history before the 1960s are out. What is wrong with the Revisionists is that they misjudge altogether the times in which we are living and, in particular, the stability and strength of the Affluent Societies in which we have lived for under a decade. I am convinced that the kind of Keynesian managed capitalism which has evolved since the war is intrinsically unable to sustain the competition with the Eastern bloc to which we are now committed. Of this inability we shall see some devastating examples before the end of this decade. I believe that the choice with which the nations will soon be confronted will be between a purely authoritarian regime (there is an ominous example in de Gaulle's France today) and a Labour Government which undertakes a radical Socialist reconstruction, while preserving civil liberties and reviving Parliamentary democracy. But we shall not get a Labour Government of this kind unless we start warning the people now of the coming crisis and preparing the party for the tremendous test that lies ahead.