



*A Statement on Social Ownership, by the  
National Committee of the Co-operative Party*



*The People's  
Industry*



*To be considered*

***POLICY***

*at the 1952 Annual Conference*

***STATEMENT***

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# *The People's Industry*

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# *Introduction*

**1** The terms of reference for this statement were set out in the following resolution passed unanimously at the New Brighton Conference of the Co-operative Party held at Easter, 1951:—

“That this Conference calls upon the National Committee to consider the relationship of the Co-operative Movement to Nationalisation and Public Ownership generally, and to submit to next year’s Conference a statement on the means of applying Co-operative methods and principles in appropriate services and industries, and of making full use of the Movement’s experience and personnel with special reference to giving the consumer an adequate voice in the conduct of publicly owned enterprise.”

**2** The problem thus broadly stated has been much discussed by the Co-operative Movement since the coming to power of a Labour and Co-operative Government in 1945. That Government was elected with a clear mandate for the nationalisation of the Bank of England and of a number of basic industries, namely coal, transport, gas, electricity, iron and steel. It carried out its mandate in a determined fashion, first nationalising the Bank of England in February, 1946, and then one by one the basic industries up to February, 1951, when the taking over of the iron and steel industry completed the programme of nationalisation outlined in “Let Us Face the Future.”

**3** The number of workers engaged in the newly nationalised industries is 2,600,000 out of a total working population of 23,000,000. Thus, in terms of **manpower**, about one-ninth of the country’s economy has been nationalised. In terms of **output** this sector comprises about one-fifth of the national economy.

**4** The National Committee recognises that the New Brighton resolution is not concerned solely with this section of the nation’s industry. The terms of reference are broader than that and include also the impact of nationalisation on the Co-operative Movement itself and the question of extending social ownership beyond its present limits though not necessarily in the forms we have hitherto known,

**5** These are still early days in our experience of nationalisation. The problems facing the new Public Corporations—for example, the need for greatly increased investment—are such that they cannot be solved in a mere five years.

**6** However, we have now had sufficient time and experience to assess certain aspects of nationalisation, particularly the degree to which the nationalised industries have become more democratic in comparison with privately owned industry.

**7** Such an assessment is now going on in the Labour Movement as a whole. It has been expressed during the last two years in the Co-operative Party's Policy Statement of 1950 "Building the New Britain," the Labour Party's "Labour and the New Society," the Co-operative Union's Policy Statement "The Co-operative Movement in a Collectivist Economy," in debates at Annual Conferences of the Trades Union Congress and of Trade Unions (particularly those concerned with nationalised industries). "Power for the People" and "The Socialisation of Coal Mining" (Co-operative Party), the Fabian 1950 Autumn lectures, correspondence in "The Times" during May and June, 1951, and Professor G. D. H. Cole's book "The British Co-operative Movement in a Socialist Society" deal with the same range of problems.

**8** Two main questions emerge from this discussion. Firstly, is nationalisation, as we have known it hitherto, conferring too much power upon central agencies of the state, and giving too little power to the workers in the nationalised industries and to the consumers of the products and services? Secondly, there is the question of extending the area of socialisation and the method by which it shall be achieved. Is there further scope for the public corporation method? Or are other methods more appropriate within all or some of the remaining sector of industry?

**9** The Co-operative Party believes that Co-operative experience, ideas and policy are applicable to both these questions. The application of co-operative principles to nationalised industries can make these better examples of industrial democracy; the development of co-operative forms of ownership is the most valuable method of extending socialism while avoiding too much centralisation.

**10** "Labour and the New Society" frankly recognised consumer, producer and agricultural co-operative Societies as important agencies for the democratic control of economic power. It also reflected co-operative thinking about the significance of consumer economics. This was in welcome contrast to some earlier statements of

the Labour Party, for example, "The Old World and the New Society"<sup>3</sup> (1942), in which there was but one non-committal reference to the Co-operative Movement, and "Let us Face the Future" (1945), in which there was no reference at all. This changing attitude in Labour Party statements is one aspect of the greatly improved relationship which is being established between the Co-operative and Labour Movements. There is a growing awareness of the significance of the Co-operative Movement, not merely in terms of economic power, but also in political ideas and organisation.

**11** Three more general introductory remarks are necessary. Firstly, the Co-operative Party believes in social ownership. The Party is the political wing of a movement which is itself a positive form of such ownership.

It therefore does not approach the question of social ownership merely as the champion of the existing co-operative institutions. We believe that our co-operative institutions of all types are a movement of which co-operators and the nation as a whole can be rightly proud. They embody principles which are socialist in the best and fullest sense. They are human institutions and therefore imperfect. Co-operators are as conscious of the imperfections as any outside critics. What is more important is our firm conviction that the co-operative idea is one which is capable of a far wider recognition and application than it has yet received. It can help to solve social problems well beyond the scope of the existing trading and social institutions of the Co-operative Movement.

**12** Secondly, it must be stressed that "nationalisation" and "socialisation" are not necessarily the same thing. Though nationalisation is often a necessary instrument for achieving socialist purpose, it is possible to have a very great deal of nationalisation without achieving socialism. There are other forms of economic and social organisation, notably the co-operative form, which are as much socialist instruments as is nationalisation. There is a tendency, for people at both the red and blue ends of the political spectrum, to think that socialism always means nationalisation; that to advocate more and more nationalisation is to advocate more and more socialism. "Nationalisation" may be only a convenient slogan to avoid the necessity for new thinking. The economic basis of Socialism is to be found in the extension of social ownership of all types, not just of one type. Indeed, the wrong form may result in a weakening, not a strengthening, of Socialism.

**13** Thirdly, it must be made quite clear that the Co-operative Party has supported and will continue to support nationalisation in those industries for which it is the best form of social ownership. This, we believe, was clearly the case in those industries covered by the 1945 programme.

**14** Opponents of social ownership are only too anxious to be critical of our brief experience of nationalisation. They include those who are unaware of, or wish to forget, the inadequacies of the private enterprise regimes which were replaced; and those who failed to assess correctly the size of the problems to be faced and, in consequence, expected too much too soon. We believe that nationalisation of the basic industries has already proved, and will increasingly prove, its worth as a major element in Britain's post-war industrial progress. Important criticisms and suggestions for improvement can certainly be made; but they should be made, and in this statement are made, within a general context of approval and continued support. It is a poor tribute to Democracy if the people of Britain are to be judged incapable of devising suitable forms of organisation to make democracy effective in industrial as in political life.



# *Economic Democracy— The Co-operative Example*

**15** Nationalisation, or any other form of social ownership is not an end in itself. It is good or bad insofar as it serves, or fails to serve, the purposes of economic democracy.

**16** Economic democracy should invite a high degree of participation from the man at the bench and the woman with the basket in the making of economic decisions. They should share fairly the benefits and the burdens of these decisions.

**17** There are, of course, other valid tests, which a democratically organised industry should satisfy, of which efficiency is not the least; but our view is that the proper distribution of economic responsibility is an objective of prime importance. It can become the source from which flows the satisfaction of all other tests, including that of technical efficiency.

**18** Just as political institutions must be judged by the test of whether they give the ordinary citizen the fullest opportunity of exercising political power, social ownership must be judged, in our view, by the test of whether it gives economic suffrage to the ordinary man and woman.

**19** The achievement of economic and social democracy was the task which the British people set itself in 1945. The year 1945 will become a landmark on the journey to economic democracy comparable with the year 1832 on the road to political democracy. Not until 1928, 96 years after the Reform Act, was complete adult suffrage achieved. It was not till 1945 that complete adult suffrage for local government was attained. Similarly, no doubt, some decades must elapse before we shall see in the economic and social spheres the final consummation of the hopes which were raised by the political change of 1945.

**20** It must be the urgent task of democrats to speed that consummation. First, we must discuss the forms that our economic institutions are to take if they are to be more fully democratic, and then put into effect the results of our discussion. This statement has as its aim the stimulation of both these processes.

**21** The Co-operative Movement is itself a triumph of the principle of social ownership. Its shops, warehouses and factories are owned not by a comparatively few shareholders as is the case with most private enterprise concerns, for nearly 11,000,000 people (representing with their families, nearly half the country's population) are linked together in the joint ownership of the Co-operative businesses of Britain. And with ownership goes the right of control.

**22** The management committees of the thousand retail societies are elected freely by the members of these societies. Each member who has the basic and very modest shareholding in the society, has the right to vote. Voting power cannot be enhanced through an increased shareholding. The rule of one person, one vote, is fundamental in retail societies.

**23** The members control the management committee not only through their power to vote them into or out of office, but also through the statutory society meetings to which the committee's report and balance sheet are presented.

**24** There are many of these opportunities for the Co-operative member to exercise an influence upon the Society. Side by side with the statutory organisation of the members in the Society itself, there are the voluntary organisations of members in guilds, political, educational and cultural bodies through which members can express their views collectively. As an individual, a member can exert a direct influence through correspondence, by interviewing committee members or asking questions, promoting resolutions, or contributing to discussion at the society's meeting.

**25** Federation exemplified in such organisations as the Wholesale Societies, the Co-operative Press and Federal Bakeries, Laundries and Dairies is another distinctive feature of the co-operative method. Where each separate unit has insufficient resources for a particular purpose or may operate more efficiently in association with other units it joins with them in doing collectively much which separately they cannot do. In these federal societies, as in the primary societies, control comes from below, and participation in them is voluntary. Moreover, the surplus which accrues from trade done by any society with the federation is distributed to its members in proportion to the use they make of the federal society's services or products. This method of federal organisation is a supremely important constitutional device which enables the advantages of mutual trading and of democratic control to be carried through to the stages of wholesaling and production.

**26** The Co-operative Movement also has a considerable experience of the means by which workers in an enterprise may play a part in its management. The position varies from society to society, according to its particular rules and experience.

At the one extreme and on a modest scale are the Co-operative Co-partnership Societies in which the workers may be shareholders with the right to elect and to serve on the management committee and to share in the distribution of profits. In certain of these societies the management committee is entirely composed of worker representatives.

**27** At the other extreme are certain retail societies from the management committees of which employees are barred. Whatever may be the practice in particular societies, throughout the Movement as a whole there is a wide collective experience of the participation of workers in management. This is greatly in excess of anything known in any other sector of the economy. Since worker-participation is a problem of great importance in the sphere of nationalisation, co-operative experience is relevant to any general examination of it.

**28** We are conscious that the Co-operative Movement as an example of an economic democracy has its weaknesses and defects. Not the least of these is the reluctance of a great section of co-operative membership to play an active part in exercising its democratic rights, thus exposing societies to the possibilities of control by some sectional interest. Two things should be noted. Firstly, there is full and open opportunity for participation. No barrier is raised to entry into a society's affairs other than the member's own unwillingness to participate. Criticism should not be of the system, nor of the minority who exercise their rights, but of those who do not. Secondly, though the number of co-operative members who take part in the active control of their society is small, it is very much in excess of those who participate in conducting the affairs of either private or nationalised industry. By comparison with the ideal, co-operative democracy is sluggish; by comparison with other sectors of commerce and industry it represents a real diffusion of power. If only the same degree of participation prevailed in the other sectors of the economy, we should have made important progress towards economic democracy.

**29** In the sections which follow we seek to show how co-operative experience of **mutual aid, control from below, consumer and worker participation, social equality, self-supply and federal organisation**, can be of great importance within nationalised industry and in extending social control of industry well beyond the present range of nationalisation.

## *Nationalisation— What Should be Done?*

**30** In this section we propose to make some major criticisms of nationalisation as it has operated in the last few years, and suggestions for its improvement.

It is therefore necessary to underline a point made in the introduction. Opponents of nationalisation eagerly seize upon any co-operative or trade union criticism and magnify it into the threat of a split between the major sections of the Labour and Co-operative Movement. Any attempt to read into this report anything of that kind is wide of the mark. The Co-operative Party continues to support the broad outlines of Labour's industrial policy. Whilst we believe that mistakes have been made in the nationalised industries, and that certain improvements ought to be made, we are firmly of the opinion that without nationalisation of the basic industries the great post-war increase in output would not have been possible. Britain would have failed to make the economic recovery which she has made.

**31** Since these industries have been transferred from private to public ownership the following increases of output have been effected: Coal nearly 20 per cent. (i.e., from an average weekly output of 3,646,000 tons in 1946 to an average weekly output of 4,346,000 tons in the first six months of 1951); electricity about 45 per cent. (i.e., from 3,548,000,000 kilowatt hours per month in 1947 to an average of 5,132,000,000 kilowatt hours for the first six months of 1951); gas about 20 per cent. (i.e., from a weekly average of 8.58 thousand million cubic feet in 1948 to a weekly average of 10.25 thousand million cubic feet in the first six months of 1951); and freight transport 11 per cent. (i.e., from a weekly average of 400,000,000 ton miles in 1947 to a weekly average of 444,000,000 ton miles in the first six months of 1951). These are significant achievements for which the policy of nationalisation can claim credit. Difficulties which the country continues to experience, such as load-spreading in the electricity industry, are due much more to greatly increased demand (itself an index of the country's economic progress) than to shortcomings on the side of production. The maintenance of full employment since the war has greatly increased demands upon these industries as upon others.

**32** Our first main suggestion is concerned with the method of controlling services such as gas, electricity, water, passenger transport and hospital services. These are services which in the past have been operated by municipalities with a great deal of success.

**33** It was comparatively simple to take such services as gas, electricity and hospitals out of the hands of the local authorities and private concerns and to put them under national or regional Boards appointed by the Minister, in order to integrate the services of the small units and make them more uniform. For this purpose, larger units of administration were necessary. Thus, in the case of the gas industry the Heyworth Committee recommended that "the direction of the required change is clearly marked, namely towards grouping into larger units." The Committee anticipated that this could lead to a reduction of production costs, improvement in labour conditions, economy in capital charges, and a levelling up of consumer service, particularly in rural areas. Similar considerations were applicable in the other services.

**34** It is probable that in the early stages of nationalisation the type of Board that has been set up was the best. Its first job was to take over a very mixed assortment of undertakings and reorganise them into larger units. It is not necessarily the case, however, that the type of authority most suitable for this preliminary task is the most satisfactory for the permanent organisation of the industry.

## Restore the Link with Local Government.

**35** It is, in our view, already evident that the machinery of administration in the "public utility" group of industries is too remote from the people it exists to serve. In seeking to facilitate large scale planning (highly necessary though this is) centralisation removed something which existed in municipal enterprises, namely, the sense which the elected councillor had of direct responsibility to an electorate, and the feeling which the citizen had of being able to seek a remedy for a grievance through the intercession of his elected representative.

**36** We believe that steps should be taken to restore that link between the citizen and the administration of those services.

**37** Direct election of regional boards for each of the specific services is not at present feasible without straining overmuch the capacity of the public for participation in elections. On the other hand we believe that elected representatives of the people should

play a much fuller part in the control of socially owned industries than is possible under the existing arrangements. It would be retrogressive to attempt to restore to all local government authorities the full functions they fulfilled in many areas before nationalisation. That would undo the work of co-ordination and integration which is now well advanced. On the other hand, we are convinced that the well-tried machinery of local government can and should be used for the more effective and democratic control of public utilities, and in order to bring this about we have in mind the following:—

(1) Wherever possible the productive and distributive functions should be divided, as, for instance, in the cases of gas and electricity, and the two functions separately fulfilled by separate boards.

(2) Production should be the responsibility of boards constituted along much the same lines as the existing boards though a proportion of the members, say, one-third, could well be elected by and from the distributive authorities.

(3) The function of distribution should be entrusted to boards formed of representatives of the local authorities.

(4) The Government should grasp the nettle of the reform of local government.

(5) The larger local authorities could themselves become main distributive units.

(6) Elsewhere the method would be that of federation, or joint boards, representative of the smaller local authorities.

**38** We suggest that the above arrangement would be flexible and adaptable to the varying geographical and technical conditions of the different services. It would solve the problem, mentioned earlier, of the remoteness of the administration from the consumer, and make possible a realistic and powerful consumer's impact upon the monopolised productive undertaking. The distributive authority would itself become in large measure the consumers' champion in negotiations with the producer board.

## Consumer Representation.

**39** We do not visualise, however, that the above suggestions would do away with the need to give separate and organised expression to the consumer interest. Indeed as much as possible should be done to make the existing consultative machinery much more effective than it is at present.

**40** Although the acts of nationalisation have in all cases provided for the establishment of consumers' councils or consumer consultative committees, progress in this respect has been disappointing. There is a facade of consumer representation without really effective consumer influence upon the undertaking as a whole.

**41** The consumer committees are not sufficiently independent of the Boards and are not enough in touch with the consumers they are supposed to represent. The result is a one-way traffic of information and ideas, from the Board to the committees rather than the other way round.

**42** The lack of contact between members of the committees and the general public is not due to any fault of the committees, nor of the legislation under which they are established. It is due rather to the fact that consumers, outside the Co-operative Movement, are almost completely unorganised. There is a distinct consumer interest in the operation of all nationalised undertakings; but it is diffuse, not easily identified, and not easily organised and expressed.

**43** The contrast with the organisation of producers is, of course, striking. The producers of coal, for example, are much more easily identified, organised and represented in negotiations than are the consumers of coal.

**44** Nevertheless, although the problem is difficult it is not beyond solution. We must look for, and encourage by all possible means, the growth of a consumer consciousness in relation to all the products and services of nationalised industries. It is probable that, in the long run, this consciousness will need to have an institutional expression in the same way that producers are organised in trade unions and professional organisations.

**45** It is not yet the time to be precise as to the form which the new institutions will need to take. We have in mind, however, the recent development of Community Associations which bring together individual citizens and representatives of a great variety of cultural, social and political organisations. Such associations as these, in addition to continuing their social and cultural functions, could well develop as the means whereby ordinary men and women would pool their ideas and become more informed about the working of national and local economic enterprise. From such associations also would come the personnel most aware of consumer problems, and able to serve the community as members of the regional and national consultative committees.

**46** At the moment the consumer committees of nationalised industries do not operate at all levels in all industries. It is desirable to move forward as soon as possible to build as intimate

a relationship as practicable with local communities. At this level, of course, the work would be almost entirely of a voluntary kind, though there is no reason why the State and local authorities should not encourage and sponsor desirable developments as in the case of Community Associations. It would be important, however, to ensure independence from the authorities responsible for the running of the socialised industries.

**47** At present endeavours are being made, not with any conspicuous success, to establish specialist consumer organisations, industry by industry. In our view it may well prove more profitable, certainly at the local and regional levels, to set up independent councils of a more general kind to represent consumers vis-à-vis all the nationalised industries.

## The Role of Parliament.

**48** There is another sense in which we believe popular control over nationalised industries is defective. This concerns the role of Parliament. At present the Parliamentary review of a nationalised industry is confined to a day's debate upon the annual report. When allowance is made for principal speeches from the front benches it is clear that all too little time, not more than four or five hours, is available for the private member to make suggestions or criticisms about the running of the industry during the previous year. Moreover, the freedom to ask questions about the conduct of nationalised industries is very considerably restricted by the Speaker's ruling of 7th June, 1948. This limitation of Parliamentary time is unavoidable when sittings of the whole House are involved. It is a problem which will get worse as and when more industries are nationalised.

**49** It is very desirable, in our view, that Parliament should have a fuller opportunity of scrutinising the nationalised industries.

**50** We, therefore, support the view that there should be a series of Standing Committees for the nationalised industries. They should meet periodically, and subject nationalised industries to a much closer scrutiny than the House can now give them.

**51** Such Committees would, we suggest, perform two functions. In the first place the responsible Minister would be a member of the Committee and be called upon to answer questions of a more detailed kind than are at present dealt with at Question Time in the House. It would, of course, still be necessary to define certain



limits to the subject matter which questions would cover, for it should not be forgotten that one of the main reasons for setting up public corporations to run nationalised industries is to avoid the hampering influence of too much departmental, or Parliamentary control. It is, however, quite feasible to define a set of principles which would enable the proposed Committees to steer a course between the twin dangers of too much and too little Parliamentary supervision. At present there is too little.

**52** Secondly, the Committee would have a special duty in connection with the annual report. It would devote to this as many sessions as were necessary to give it thorough consideration. It would be empowered to call for written evidence and witnesses. It would afterwards report to the House in time for the annual day's debate on the industry. We might then expect a more effective and streamlined review as a result of the preliminary examination which the Committee had made.

## Financial Adjustment.

**53** There are two financial matters upon which we ought to comment. The first is the question of interest payments to those who were shareholders when the industries were privately owned. We believe that there should be a re-examination of the capital position of nationalised undertakings in order to ensure that the financial position of workers and consumers is not prejudiced by unjustified capital charges upon the industry. We are not, of course, seeking to raise the question of whether or not the community paid too heavy a price to the former owners. **We take the view that the various bargains having been entered into and having been approved by Parliament should be honoured.** The question we are raising is whether the nationalised industry should be expected to bear the full burden of the compensation charge irrespective of whether it represents a just charge for the capital which by public decision the industry is using. Moreover it may well be, as in the case of the railways, that an industry is required, perhaps for reasons of defence, to carry more capital than it otherwise would. Strategic considerations may outweigh the purely commercial and prevent the adoption of policies which on their merits would be remunerative. If in any case it can be shown that an industry is unfairly burdened in respect of its capital payments, steps should be taken to relieve it of the excess charge which should become the responsibility of the Exchequer:

**54** Subject to the adoption of adequate public safeguards, we see nothing wrong in principle with the subsidising of a nationalised industry which efficiently produces a basic commodity or service, such as fuel or transport. If privately run agriculture can attract a subsidy, then state run coal mining or transport should be able to qualify as well.

## Salary Scales.

**55** Secondly, we are concerned about the level of salaries paid to the members of the Boards and officials in nationalised industries. The social success of a publicly-owned industry requires progress towards equality between the various grades engaged in the industry, as compared with the situation in privately-owned industry. We see no signs of this, and we believe that steps should be taken to bring it about. If the skill and endurance of a miner are considered to be suitably rewarded by present wage standards, then no man in the industry is worth £150 a week, however great his ability and however rare his qualifications. We believe that too little recognition has been given to the adverse psychological effect of contrasts such as this.

**56** We do not accept the argument that it is necessary to pay them high scales in order to attract from private industry people with the requisite capacity. The desire for public service and the wish to do a job commensurate with one's capacities are powerful incentives, and we believe that men and women of the necessary quality would be available at a lower scale of payment. The levels of salaries paid to members of the Government and to the high level Civil Service would be a better yardstick than that of privately-owned industry. It is not merely at the level of Board membership that this question arises. There is evidence that salary requirements among local government and civil service officials are sometimes higher than they need be because they are related to the salaries offered for similar posts on the over-generous scales of the nationalised industries.

# *Diversity in Social Ownership*

**57** It has perhaps been inevitable that in the preparation and carrying out of the 1945 industrial programme emphasis has been laid almost entirely upon state ownership and control of industry. The first task was the reorganisation of a series of industries for which nationalisation was the method accepted by very wide sections of public opinion.

**58** Even within the formula of nationalisation, however, it has been found possible and desirable to introduce a fair measure of diversity according to the needs and circumstances of particular industries. There is a marked contrast, for example, between the degree of centralisation in the organisation of the coal industry and the iron and steel industry.

**59** We believe that the stage has now been reached when thought and attention must be concentrated upon the variety of methods which can be used to achieve desirable social change. There is no one road along which all social forces must be obliged to travel.

**60** There are four main categories of socialised enterprise, namely those run by the state, by the municipality, by association of consumers and by association of producers. We wish, in this section, to indicate the broad outline of their respective spheres.

## **The Sphere of Nationalisation.**

**61** Ownership by the State is necessary in a wide range of industries to which the following criteria apply:—

(a) In the case of the extractive industries the whole nation is concerned in the efficient exploitation of national material resources. The long term balancing of the interests of one generation with another and the close connection between the operations of the extractive industries and town and country planning make it desirable that the State should be the controlling authority.

(b) In the case of common services such as water, power and transport the product has a large degree of uniformity, the demand is universal and, for technical reasons, the optimum area of operation is a large one. Monopoly control at certain stages is a technical necessity and the state is the best authority to ensure that the monopoly is conducted in the general public interest.

(c) State ownership is desirable in certain industries, vital for national defence, such as in the manufacture of aeroplanes, where direct co-ordination with the defence ministries is necessary.

(d) In order to ensure their own future development certain industries make such heavy demands on the national resources that only the State can guarantee the requisite investment. Moreover, State planning for full employment is intimately bound up with the investment plans for such industries.

(e) Certain industries produce goods or services the price of which enters into the price of almost everything else. This is true, for example, of transport, coal and steel. State control of these industries can therefore be a powerful and valuable instrument for controlling the cost of living.

**62** The industries already nationalised clearly come within the above set of criteria. Several of them qualify under a number of heads; for example, transport qualifies under all except the first (It does not follow however that the area of operations decided upon for the nationalised industry is the most appropriate, particularly in the case of some of the transport services.)

**63** Public ownership in one form or other will, or should, in our view, ultimately be extended to an additional range of industries. Shipbuilding, the chemical industry, certain branches of engineering, the cement industry and the manufacture of other building materials, all come under one or more of the above criteria. Meantime, public control over the operation of these industries is desirable. In some cases this can be secured by purchasing an interest through the acquisition of shares in existing undertakings or by the appointment of directors representing the public interest.

**64** Although we envisage a wider range of industry coming eventually within the embrace of State ownership, we emphasise the need for a considerable variety in the methods of control. There needs to be flexibility and scope for experiment, not only in connection with industries yet to be nationalised, but in those which the State already owns. We have already indicated how local authorities and consumer organisations might play a conspicuous part. It is also necessary to be much more boldly experimental in finding ways to enable the worker to share more fully the responsibility for the running of industry in which he works. The possibility of one such experiment has been outlined in a Co-operative Party discussion pamphlet "The Socialisation of Coal Mining." The suggestion there made lends itself to the

technique of the pilot scheme, thus avoiding committing the whole industry at one stroke. It is only through taking steps such as this, even on occasion along untried paths, that we shall find the best type of democratic industrial organisation.

## The Sphere of Municipal Enterprise.

**65** We are not here concerned with a great deal of activity which it is, by common consent, appropriate for the municipality to undertake, namely its welfare, educational, cultural and public health services. We need rather to consider the relationship of the municipality to enterprises of a more clearly commercial kind. Educational and cultural work, however, merges into the commercial in the sphere of entertainment. In this connection the new powers granted to local authorities by the Local Government Act of 1948, are, in our view, very desirable, and we regard the sphere of popular entertainment as particularly appropriate for the extension of such municipal experimentation.

**66** Distribution of basic foods such as milk and bread has been traditionally the subject of contentious debate between the advocates of municipal trading and the defenders of voluntary consumers' co-operation. We are, of course, undoubtedly in the second category if that is the issue; but we doubt whether a debate set in the old terms is really appropriate to the conditions of to-day. On the one hand, local government boundaries now have no necessary relation at all with the most economical areas for the delivery of bread and milk. Rural areas are increasingly dependent upon deliveries from the towns. Municipal boundaries would be found to run directly counter to the natural radial extension of such services. Moreover, the appropriateness of the co-operative method in this sphere of trade has received increasing recognition, not only commercially in the growth of its sales, but officially by the Perry Report, and in the rationalisation scheme during the war.

**67** Any scheme for the socialisation of the distribution of basic foods must allow for the free expansion of co-operative trade which is socially the most desirable and commercially the most efficient form of trading in these commodities. A municipal monopoly would prevent this, and is, therefore, quite unacceptable. Before such a scheme could be established it would be necessary for Socialists to persuade a majority of citizens of the value of collective trading. It should surely not be beyond their capacity to persuade such a majority of the advantages of a distinctly co-operative service run by themselves for their own good.

**68** Co-operative service is not, however, uniformly provided throughout the country. The Co-operative Movement should be encouraged to establish an efficient and economical service. It should itself create appropriate national or regional machinery, and have the facilities it requires to fill the gaps. Existing restrictions upon the building and equipping of efficient services are at present retarding the rate of co-operative progress, but as soon as conditions allow it should be permitted to expand well beyond its present boundaries of achievement. This should quite frankly be an early objective of co-operative and socialist policy.

**69** There is, in our view, a part to be played by municipalities in production. They are large-scale consumers of a wide range of goods and services, such as stationery, printing, school furniture, building requisites and catering equipment. On the basis of the co-operative principle of self-supply, the manufacture of such articles for their own use is a perfectly legitimate sphere for municipalities to enter. Sheffield, for instance, offers its very successful printing works as an example which other towns might follow. In many cases, of course, the requirements of a single town, say for school furniture, would not be sufficient to justify the running of a factory, but groups of towns could join together, on the federal principle, and run a factory jointly in the same way as groups of Co-operative Societies run their federal bakeries, dairies and laundries. Moreover, there is a field of self-supply which might be efficiently exploited by joint organisation of all types of public body using standardised commodities or services.

**70** We, therefore, do not visualise municipal enterprise and co-operative enterprise as rivals, each inimical to the healthy growth of the other. We believe that there are yet great spheres for each to conquer, not in conflict one with the other, but jointly, to the social benefit of the consuming public.

## The Sphere of Consumers' Co-operation.

**71** The area of commerce and industry most fitted for the development of consumers' co-operation can be determined in accordance with two main principles.

**72** Firstly, wherever the consumer is intimately concerned with the nature of the commodity or service, where, that is, the range, design and quality of consumer goods is a major consideration, there is a strong presumption in favour of direct consumer control of the enterprise as against control by a public authority. The socialisation of the distributive trades and the manufacture of consumer goods can therefore best be achieved by the development of consumers' retail co-operative societies, and by productive organisations controlled by them in accordance with the federal

principle. This development in the production of consumer goods and services can be along three lines:—

- (a) The extension of the existing Wholesale Societies.
- (b) The multiplication of federal societies in the traditional spheres of baking, dairying and laundering and their extension into other appropriate spheres of local joint enterprise.
- (c) The establishment of new national federal societies for special purposes where this need cannot be met by existing co-operative organisations.

**73** Secondly, the principle of self supply is fundamental. There is nothing in principle, and there should be nothing in practice to prevent the vertical control by consumers of the whole chain of production and distribution from the raw material to the finished product. Historically, consumers organised in the Co-operative Movement have carried their operations further and further back. Starting with the elementary process of eliminating profit from the transactions of the retail counter, they have done the same in wholesaling, in the production of consumers goods, in international trade, in the production of primary commodities and in banking and insurance.

**74** To some socialists this vertical organisation of consumers seems to conflict with the horizontal organisation of a particular service or line of production, under the aegis of a public authority. In our view this conflict is by no means inevitable provided that Consumers' Co-operation is recognised as being as much socialist and as much democratic as any conceivable form of state or municipal organisation. There is nothing wrong from the socialist viewpoint if the State takes over an industry and leaves Co-operators free to organise their own sector and integrate it vertically with the other units under co-operative control.

**75** As this principle is not always readily grasped in the abstract we wish to illustrate it by the case of flour-milling. A strong case can be argued for bringing flour-milling under some form of social ownership and for the setting up of a Public Board to take over what is, apart from the 15 per cent. in the Co-operative sector, a private profit-making monopoly. The Co-operative flour-mills, on the other hand, are already socially owned and run on a non-profit making basis. They are integrated with co-operative bakeries, biscuit factories, and retail shops, so that at no point is the consumer of co-operative bread or flour the victim of capitalist profit-making. There seems to us no wisdom in disturbing this arrangement and no reason why the co-operative mills should not continue to supply Co-operative Societies even if profit-making undertakings were brought under national ownership.

## The Sphere of Co-operative Co-partnership.

**76** Side by side with factories owned by the consumers' Co-operative Movement there are Co-operative Co-partnership Societies which though small are successfully engaged in a wide variety of trades. This is another form of industrial organisation, socialist in content, which can play an important role in the socialisation of the industries catering for consumer needs.

It is not, however, an appropriate form of organisation wherever monopoly control is essential unless it is prepared to work within publicly prescribed limits which safeguard the public interest and prevent sectional interests over-riding public amenity.

**77** So far as future development of such societies is concerned the provision of the initial capital for acquiring buildings and plant is a difficulty. Indeed, in the case of existing societies, capital has in large measure been subscribed by retail societies by way of supplement to the capital subscribed and accumulated by the workers.

**78** The principle has already been accepted in the Development Areas, of supplying the capital for the building of factories to be leased to private firms. If this can be done to assist private enterprise it is surely possible to build factories and to lease them to groups of workers and/or consumers who are willing to organise production on co-operative lines. It is, of course, recognised that public money so used would call for proper public safeguards.

**79** It is worthy of note that the most recent developments in Co-operative Co-partnership are not in the consumer goods industries where the amount of capital needed may be comparatively large, but in services where capital requirements are less heavy and where labour and professional skill are the dominant factor. Co-partnership groups of architects, commercial artists, film technicians, dockers and builders provide recent examples of further development in this direction. It is our view that Co-operative Co-partnership is a valuable method of organising professional and artisan services of this kind, and that encouragement should be given to such development.

## Diversity within an Industry.

**80** There is a powerful case for diversity in social ownership. It is not only true that different industries need dealing with in different ways; there is also room, **within** an industry, for diverse forms of social ownership. The building industry illustrates this point.



**81** A strong case can be put forward in favour of socialising the building industry. Its operations are intimately related, at every turn, to those of public authorities, national and local. The State to-day concerns itself closely with public works, housing, education, health, employment, town and country planning, defence and the cost of living. The building industry comes very much into the picture in relation to each of these important spheres of policy. Moreover, experience shows that the normal driving force of private enterprise, namely the quest for profit, by no means ensures that the industry will, of its own volition, serve the public interest efficiently. Indeed the reverse is the case. During and since the war it has been necessary to maintain a complex system of controls and licences to ensure that that kind of building is done which is socially good, instead of that which is most profitable. Working-class houses, factories, schools and hospitals are needed in the right place. These are by no means always the most profitable projects. Public control and public subsidy are necessary to make the privately-owned industry do what the community most needs at prices it can afford to pay.

**82** The need, therefore, is strong for a building industry not guided by the profit motive, but much more readily attuned to the social policies in the carrying out of which it is necessarily a main instrument.

**83** The privately-owned industry itself presents a picture of very great diversity. The size of firms varies greatly. There are well over 100,000 firms employing less than ten men each. At the other end of the scale there were, in 1950, four very large firms employing between them over 33,000 operatives. The character of firms is also very varied. There are those engaged solely in jobbing and repair work, there are general builders, there are many specialist firms (scaffolding specialists, shopfitters, etc.), and there are the large contractors equipped to deal with the biggest building and civil engineering contracts.

**84** To some extent the fragmented nature of the industry is due to the lack of plan which characterises so much of private enterprise; but to a large extent also it is due to the varied nature of the jobs that have to be done. The demand for the services of the building industry is so widespread and so diversified that a multiplication of small units throughout every town and village must exist side by side with the huge organisations necessary for the major projects.

**85** It is therefore a mistake, in our view, to seek to devise a policy of socialising this industry by methods similar to that employed for the mines, or the railways, or fuel and power. Instead there should be the maximum decentralisation of authority and flexibility of organisation combined with social ownership and the elimination of private profit-making.

**86** There exists already a number of examples of socialised units within the building industry.

(a) The Mobile Labour Force of the Ministry of Works. (This is being disbanded, but has employed over 5,000 operatives and has therefore ranked in numbers employed, with the largest units in the industry.)

(b) The Direct Labour Departments of many local authorities.

(c) Co-operative Co-partnership Societies. (In Leicester, Chesham, Sunbury and Kettering.)

(d) The Works Department of the Wholesale and many retail Co-operative Societies. In one case (Burslem), the department builds houses for the local authority.

(e) Co-operative Planning Limited—a Co-partnership Society of architects.

(f) Co-operative Housing Associations.

In addition to the above forms of organisation, successful examples of which already exist, there are also the following possibilities:—

(a) Public Corporations to take over the very large firms.

(b) Federal organisations of the smaller local authorities, and other public bodies, as suggested in the previous section.

(c) Federal building departments of Co-operative Societies.

**87** The above types of enterprises, actual or projected, provide us with ample instruments for bringing the whole industry under social ownership and control. Some plans for dealing with the industry are limited in their scope, and too rigid in their conception. For example, that of the N.F.B.T.O. which advocates nationalisation, leaves the vast bulk of firms alone.

**88** We believe there is no need for such limitations provided there is flexibility in organisation. The large firms are suitable for direct State ownership. The intermediate units are suitable for municipal or co-operative organisation. The numerous small units are suitable for transformation into Co-operative Co-partnerships. The State should afford loans to groups of workers willing to buy out the small firms employing them and to re-organise them as co-partnerships. Also specialist services can be organised on co-partnership lines, following the example of Co-operative Planning Limited.

**89** Each section of the industry could thus be dealt with in the way most suited to its needs. In addition, it would probably be necessary for a single Government Department to have powers of supervision over the industry as a whole for purposes of national planning, information, research and the encouragement of schemes of mutual assistance (e.g., in the matter of hiring equipment) as between the various units engaged in the industry.

**90** As these units of varied character become established in their various spheres they will find it practicable to federate or associate in some other way for the manufacture of the industrial goods they consume. Developments on such lines would preserve initiative without protecting anarchy. They would foster diversity without encouraging fragmentation; they would achieve social ownership without unduly concentrating social power; they would promote planning without creating bureaucracy. In such ways as these we may extend social ownership and control to many industries to which the more familiar patterns of public ownership could not be reasonably applied.

### Diversity not Uniformity.

**91** Social ownership, then, is capable of assuming a great variety of forms, and it is healthy that this variety should be encouraged. A community which organised all its social and economic processes according to one centrally determined pattern would be a drab and inefficient affair. It would fail to evoke enthusiasm and initiative from its members. We believe that, instead, we should build a society in which the forms of ownership are diversified and in which each of the four main forms dealt with above finds an adequate area of development.

All four categories, it should be noted, have certain important features in common. Ownership of the enterprise is diffuse—it is not concentrated in the hands of a few. Profit is either eliminated or is socialised by being distributed among those from whose work or purchases it arises. Control is democratic because it is placed

in the hands of the representatives of many people rather than in the hands of a few people privileged by their wealth. These are the tests which socialists and co-operators need to apply to economic enterprises. If these requirements are fulfilled, then the variety of forms of enterprise which fulfil them must be equally acceptable and their development encouraged. They should be given pride of place and a priority of claim upon the community's resources as against those forms of enterprise which do not satisfy these basic social conditions.

**92** Secondly, although it is possible to delimit the best spheres for each type of socialised enterprise, there can be nothing rigid or unchanging about the boundaries. There can, without danger, be some overlapping, and parallel and emulative development of the different forms of organisation. Socialism does not seek to eliminate all forms of competition. It seeks only to ensure that it serves desirable ends and promotes the good of the whole, where hitherto it has been a weapon of economic aggression.

**93** Thirdly, the approach to the problem of social change must be experimental rather than dogmatic. Change is not necessarily good in itself, though it is all too easy to develop the habit of mind that seeks change almost for its own sake. Where (by socialist standards) a social institution is doing a satisfactory job, it should not be swept aside or altered merely in order that it may fit more tidily within the framework of an all-embracing scheme. It may be better to adapt the framework to the needs of proved institutions than to risk social loss for the sake of uniformity.



## **Procedure at Annual Conference**

*This Statement will be discussed at a duly designated session of the Annual Conference. After its adoption has been moved and seconded by representatives of the National Committee, reference back of any or the whole of the Statement may be moved by any delegate*



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