

The Insiders

A comment on the first impression

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This pamphlet has been prepared on the basis of a series of discussions. The unsigned material has been written up by **Stuart Hall, Ralph Samuel, Peter Sedgwick, Charles Taylor.**

Clive Jenkins' article is based on material for his forthcoming study of the nationalised industries, to be published later in 1958 by McGibbon and Kee.

"This pamphlet is important because it directly challenges *Industry and Society* on matters of fact as well as opinion. It does not deny that a few hundred large corporations dominate the British economy. But, it says, the Labour Party document has concentrated so much on the 'functionless' shareholder that it has misunderstood the real pattern of ownership and control of corporate wealth, that it has failed to assess the role and the interests of the managerial elite, and that it has lost sight of the true centres of power and the social implications of the 'new capitalism.' The result, it concludes, is a formula for marrying the state to monopoly enterprise, not for raising up an industrial democracy.

The Insiders is documented in great detail to suggest that ownership is not divorced from control. While shareholding has become widely dispersed, and while some of these firms have become so big that the small shareholder is powerless, this only means that a minority of shareholders, holding a minority of shares, can dictate policy. Moreover, through interlocked shareholding and interlocked directorates, the big financial and industrial institutions are linked together : at the centre of our economy is a small group of 'insiders' who, behind the complex patterns of incorporated ownership, wield a close and continuous control on behalf of property. Through ties of status, income, 'perks,' social origin and training, and even property ownership, the managers are linked to the oligarchy of corporate wealth.

This analysis leads *The Insiders* to three conclusions. First, if the state buys into these firms it merely becomes a partner in the corporate system : it will not eliminate 'the competitive struggle for gain' because it will be participating in it. (In the special case of firms operating in colonial territories, the profits in which the state will share are often made by methods which run counter to the Labour Party's colonial policy.) Secondly, nothing will be done to break the present owner-manager pattern—it is exactly this pattern which is 'serving the nation well' according to the party document : but in this case, it will be impossible to make 'the exercise of economic power responsible and accountable to the nation,' because economic power will remain where it is now and where, as Arnold Rogow and Peter Shore showed in their book on the Attlee government, it rested between 1945 and 1950. Finally, it wholly commits a Labour government—whatever system of controls it devises, and whatever social reforms it seeks to promote and finance by taxation—to the same definition of 'national interest' as that held by the industrial-financial oligarchy."

NORMAN MACKENZIE

(*New Statesman*, 26/10/57)

A note on the second impression

The Insiders—a critique of the Labour Party policy document *Industry and Society*, an appraisal of contemporary British capitalism—was first published as a pamphlet for the Brighton conference. We are reprinting it in this issue partly to meet a continuing demand (the first impression sold out in under a month) but mainly because we see it as more than an occasional pamphlet. *The Insiders* was designed as a contribution to the debate on the future of socialism. That debate did not end at Brighton. It could not. *Industry and Society* and *Public Ownership* may have been accepted by conference : but as a socialist policy for public ownership they remain unacceptable :

their analysis of contemporary capitalism ignores the men at the top of the economic power blocs ; they ignore—both in analysis and policy proposals—the new concentrations of power and wealth which have grown in the Welfare State ; they are complacent about the achievement of the nationalised industries ; their ultimate objectives are confined within the limits set by post-war boom capitalism ; in their zeal for the managerial society, they are silent about ways to achieve an industrial democracy.

In short, the policy documents evade the critical problems of analysis and reconstruction which face the socialist movement to-day. Abandoning the empirical method in favour of managerialist theory, the authors have totally ignored the real forces at work in the society they purport to describe. The evidence before the Bank Rate tribunal shows just how doctrinaire the documents are.

The Insiders, in reply, tries to show that

The functionless shareholder—of whom *Industry and Society* makes so much—is the shareholder who has few shares with which to function. To ignore, as *Industry and Society* ignores throughout its analysis, the difference in power between the small shareholder in I.C.I. and Baring Brothers, with their £5,542,425 of voting capital, is to ignore the social significance of the giant oligopolies.

Large investors do not have such divergent interests as *Industry and Society* claims. A network of interlocking directorates and connections ensures harmony between the different members of the capitalist power elite, and between the different centres of economic power.

The faceless managers of the giant corporations, enjoying massive salaries and expense accounts, are not the neutral servants of public-spirited institutions "concerned with production as much as with profits." The managers are to-day the caretakers of corporate property : they are concerned with expansion as well as

dividends, because expansion equals dividends and directors emoluments. Top managers, top directors, top shareholders, closely interlocked, are all, equally, the beneficiaries of the power, profits and prestige of the giant corporations.

Large Corporations are " on the whole serving the nation well " only if what is good for Britain is good for, say, Lazard Brothers ; only if a wage freeze plus a dividend boom is " in the national interest."

Labour cannot have a progressive colonial policy and at the same time—"guided by investment considerations alone"—own shares in Unilevers.

The " Public " Sector of our economy is not as public as it should be. Of the total membership of the nationalised boards, some 40 per cent, are company directors, while directors of Trade Union, Co-op, and other Labour Movement origin make up only 17 per cent.

Workers control at the national and workshop level of every industry, combined with democratic control of the economy by means of parliament, are essential to any policy for social ownership.

The Insiders is a first attempt to re-state the socialist critique of capitalism in terms that are alive to the fundamental changes of the post-war period. In future issues of **U.L.R.** we shall carry forward this discussion by means of further detailed analyses.