The Left Intellectual Opposition in Britain 1945 – 2000: the Case of the Alternative Economic Strategy

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The failure of the left intellectual opposition to have a major impact on British political and economic life in the post war world is largely due to underlying weaknesses in its conceptual framework. As can be seen in this group's critiques in the 1970s and 1980s of Labour's Alternative Economic Strategy, much of the economic analysis was objectively incorrect and the policy prescriptions inoperative. The broad-based rejection of left policies by the public was based on an intuitive grasp of these inadequacies, rather than to any explicit `turning to the right' of the population or to shortcomings in the political tactics of the left.

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I *Introduction*

This paper is a study in failure. The post war world in Britain produced a left intellectual opposition, a group that appeared to have a substantial following among young and politically active individuals. Yet this weighty collection of men and women failed to have a substantive influence on public policy, most especially in the second half of the period under study. Indeed, so weak has been the long term sway of the radical left within the British Labour Party that by the early years of the new century, the Labour-led British government has often found itself to the right of even conservative and Christian Democratic regimes in the European Union on social and economic issues. By contrast, Anthony Crosland was the most influential voice on economic and social matters in the Labour Party for much of the post war period, though his writings lack a detailed and rigorous analysis of the state of the British economy and society. Perhaps the influence of the politically perspicacious Anthony Crosland is only to be expected. But how do we account for the utter political failure of the left intellectual opposition?

This turn of events is a remarkable one. As Andrew Glyn and Bob Sutcliffe pointed out in their **British Capitalism, Workers and the Profits Squeeze** (1972), Britain emerged from the Second World War in the unique position among large nations in Europe of having a working class undecimated by the War and post war reconstruction[1]. Its intellectual class was equally privileged. There was no counterpart in the Cold War period to the McCarthyist purges in the US; compared to left wing intellectuals in, most especially France and Italy, British left intellectuals were relatively untarnished by association with a Communist Party that was at the centre of political life or, in the case of Germany, an association with a Soviet-dominated regime in the east. Left intellectuals in Britain had none of these difficulties, yet as a group they emerged with less direct influence in political life than in any of these other countries.

While comparisons of the failure and decline of the influence of left intellectuals in Britain with those in other countries will prove a fruitful line of inquiry, the singular aspects of the British case among large nations makes it of especial interest: in contrast to the US, the radical left's standing apart from political involvement was, to some extent, voluntary – an act of strategy. Furthermore, the precipitous decline of left intellectual influence in recent years is not, as on the Continent, linked in any straightforward way to a previous linkage with communism. The British case is a relatively 'pure' one, in which the obvious proximate explanations for the decline of left intellectual influence – repression in the case of the US and communist linkage in the case of the Continent – are relatively weak. Britain may thus be a good laboratory for examining the general decline of the intellectual left in the Western world. Even with the relative absence of the proximate causes for the decline of left intellectual influence, the British intellectual left is exceptional for its complete powerlessness in recent years. The factors that have generated this weakness and decline in Britain may help clarify the causes of the decline of the left in the Western world in general.

There are other reasons for a special focus on the intellectual left in Britain. One is the exceptionally high quality of the work produced by these individuals. In the disciplines of history, politics and economics, a fair proportion of the major contributions to these fields, even in the minds of mainstream practitioners, emanated from left intellectuals (history: Christopher Hill, Eric Hobsbaum, E.P. Thompson; politics: Ralph Miliband and Perry Anderson; economics: Bob Sutcliffe, Andrew Glyn, Bob Rowthorn). The indubitable intellectual eminence of the left opposition, the members of which listed above are only a small sample, merely re-enforces the paradox of the lack of influence of this group on the broader political environment.

The approach taken here may be viewed as a tentative effort to disinter the cognitive aspects of political and economic programmes. Can these programmes be linked to an underlying intellectual structure, and can the success or failure of these programmes be accounted for by their inherent intellectual validity? Following Keynes[2], we focus here on the role of ideas:

what were the intellectual foundations of the approaches taken by the left opposition to key issues of public policy?

In earlier work, we posed the following question: what could possibly have motivated the seemingly irrational decisions of the Soviet government in the late 1920s to proceed with the rapid amalgamation and nationalisation of the whole industrial sector and the simultaneous collectivisation of agriculture, involving, most extraordinarily, the shelling of Ukrainian villages with artillery? These decisions, we concluded, were motivated in large part by rational, if mistaken notions on how best to facilitate economic development in the Soviet Union, based on a long and well-developed intellectual tradition on the nature of *capitalist* development[3]. As we shall see, residual aspects of this tradition were still to be found in the left wing of the Labour Party, as well as in the left intellectual opposition.

The emphasis on ideas taken here is not designed to suggest that political and social movements can be fully explained by their underlying intellectual structures, or that weaknesses in those structures fully account for the success or failure of these political movements. But to relegate historical explanation purely to the personal and political conjunctures of the moment (e.g. the personality of Stalin) is to reduce history to narrative, while a crudely materialist approach suggests an historical fatalism in which human agency and decision-making is of no consequence. By contrast, analysis of the cognitive basis of decision making may yield something approaching a satisfying *explanation* for past events. Thus, the Soviet programme of rapid economic development was linked to the internal dynamics of the Soviet Communist Party and other factors, but the specific forms this policy of development took (forced collectivisation; gigantic industrial structures) were largely a consequence of the particular intellectual tradition from which the programme emerged. Furthermore, this cognitive approach can also help explain the failure of the Soviet programme: it failed at least in part because the ideas upon which it was based were flawed, and not merely because these policies were carried out in an incompetent, inhumane and undemocratic manner.

Here I put forth the hypothesis that the failure of the left intellectual opposition to have a major impact on British political and economic life in the post war world is largely due to underlying weaknesses in its conceptual framework rather than to inadequacies in political tactics. Much of the economic analysis was objectively incorrect and the policy prescriptions inoperative. The broad-based rejection of left policies by the public was based on an intuitive grasp of these inadequacies, rather than any explicit `turning to the right' of the population. A complementary, if uncomfortable conclusion, as we shall see below, is that there were elements in the approach of their opponents, i.e. the Crosland 'revisionist' wing of the Labour Party as well of that of the Thatcher regime which were better suited to the objective realities of the times than the approach of the left intellectual opposition.

We focus here on economic issues. The failure of radical economists to make a substantive historical imprint on economic debates in the post war world has compelled a somewhat artificial focus on a specific historical moment: the response of our group to the Alternative Economic Strategy (AES) of the Labour Party from the mid 1970s to the early years of the Thatcher government. Two obvious objections to the approach taken here must be considered. First, as noted above, the radical left's standing apart from political involvement was, to some extent, voluntary – an act of strategy. We shall see that the economic analysis of many radicals had substantial points of conjuncture with that of the Labour Party AES. However, involvement with the Labour Party in the period under consideration was sufficient to destroy a proponent's radical credentials, and attempts to create new political groupings of a radical kind (e.g. the Socialist Society of the early 1980s) were manifestly unsuccessful. Thus, it could be argued that to explain the failure of radical intellectuals to be of political influence risks falling into tautology, since the radical left by definition has been linked to its political incapacity.

Secondly, one may question the central tenant of the research here, which is that the intellectual left in Britain has had little influence. As Jonathan Israel has emphasised in his recent book **The Radical Enlightenment** (2002), the influence of Spinoza and his followers was pervasive in Europe in the years following Spinoza's death even when explicit reference to the man and his doctrines was considered outside the bounds of legitimate philosophical and political discourse. So too, it could be argued, the influence of radical left intellectuals was manifest in the Campaign for Nuclear Disarmament, the women's movement and other key issues of the post war world, and is still to be seen in the daily reporting of the **Guardian** and even the **Financial Times**, as well as the reports to be seen on **ITV** and the **BBC**.

The above objections have important elements of validity, but the ultimate collapse of *all* left economic strategies, whether emanating from inside the Labour Party or not, signals deeper weaknesses than can be accounted for merely by failures in political strategy. And whatever the continuing influence of left intellectuals on the daily life of journalists, schoolteachers and others in fields such as history and politics, the substantive fact of overwhelming significance is that the policies pursued by the present-day Labour Party of Britain are the most conservative of any left party in western Europe. The radical left opposition has thus failed in Britain and it is most explicitly in the realm of economic ideas where it has suffered its most decisive intellectual failure. This is a fact of critical significance, since the realities of economic life and the contest over economic ideas remain important arenas for determining the trajectory of social and political developments. The failure of the left intellectual opposition in this domain is thus central to understanding its overall failure.

II *The Alternative Economic Strategy: Policies for Regeneration*

The Labour Party took a dramatic turn to the left in 1973 with the adoption of its Alternative Economic Strategy (AES) (the name was given in 1975), rejecting the 'revisionist' political economy epitomised by the Crosland-inspired 1957 party document **Industry and Society**. The AES was eventually put to one side by the Labour Party in 1983. The six key elements of the AES were commitments to reflation, public ownership, planning, price controls, industrial democracy and import restrictions.[4]

The first four of these aspects of the programme were meant to be part of a co-ordinated effort to deal with deficiencies of the economy at both a macro and microeconomic level. Thus, policies of reflation (increases in aggregate demand to promote investment, employment and economic growth), in the absence of changes in the micro economy, would continue to fail: they would inevitably become part of the notorious 'stop-go' cycles that had brought other periods of expansion to a halt. Structural changes in the micro economy were needed so that upswings in business activity were not constrained by bottlenecks in the supply of capital goods resulting from deficient investment, and by inflation resulting from monopolies taking advantage of favourable demand conditions to raise their prices inordinately.

Firms were to be brought under public ownership ('a significant public stake in each sector of the economy'), involving at least two dozen leading companies. It was unclear, and perhaps intentionally so, whether this nationalisation would include foreign-owned firms. Nationalised firms would set standards for the rest of the business sector. First, they would undertake high levels of investment, using funds that these firms, prior to nationalisation might have devoted to dividend payouts and to taking over other firms. Secondly, they would have to show restraint in the setting of prices, most especially since the firms nationalised were likely to be near monopolies or dominant firms in one or more sectors of the economy. Price restraint by the nationalised firm would help create a competitive atmosphere for the rest of the firms in the sector. Furthermore, this restraint in the setting of prices would be coupled with the pursuit of employment policies designed to give a favourable Phillips curve trade-off between employment and inflation.

Planning agreements and price controls would reinforce these standards for the top 100 companies left in private ownership. Targets would be negotiated with firms concerning covering employment, investment, and production over a five year period, covering pricing policy, product development, marketing, and export and import levels. Generalised price controls were not so much an inherent part of the overall economic strategy as an explicitly political gesture. It was the centrepiece of the famous Social Contract with the labour unions by which the government would control price increases and the trades unions would, in turn restrain wage demands.

Import restrictions were perhaps the most controversial element in the AES package. These 'temporary' measures were meant to satisfy two goals simultaneously. On the one hand, it was hoped that they would help mitigate the 'stop-go' cycle – reflationary policies would no longer be brought to a halt by a rapid deterioration in the balance of payments due to the 'sucking in' of imports. The other justification for import controls, however, brings into question what we shall see is a key premise on which the whole AES was constructed – the growing pervasiveness of monopoly in the economy. If the monopoly power of British firms was growing in this period, why was it necessary to use import controls as part of a long term strategy for the recovery of British industry to give it 'breathing space' from ever more destructive international competition?

Industrial democracy, i.e. forms of worker participation in firm decision making were to be introduced for their own sake, but it was also hoped that its introduction, by reducing worker alienation, would reinforce the other reforms designed to re-energise British industry. The introduction of elements of worker participation in the AES programme was the only aspect which in any way could be described as left wing or progressive: nationalisation was only proposed to take place in the context of full compensation to owners, and I am not aware of any left opposition to this notion[5]. Thus, the AES, for all its left wing rhetoric, was largely concerned with the claim that it could improve the *management* of the business sector in Britain through extensive government participation and direction.

The economic context in which the AES was originally enunciated was one in which the British economy had experienced *relative* economic decline compared to other nations, but was not obviously in a situation of crisis. In the period since the Second World War, Britain's rate of economic growth was consistently at the bottom of 'league tables' of major industrial nations, and by the 1970s standards of per capita income were being equalled or exceeded in a range of countries in the Common Market. But even these apparently low rates of growth were higher for Britain than for any other comparable period in the twentieth century in this 'golden age' of world capitalism ending in about 1971. In absolute terms, material standards had vastly improved. With no clear trends present in either direction in the gap between rich and poor, living standards even for the poorest sections of society were rising. Unemployment was low by international and historical standards; inflation, until the oil price rises which emerged in the wake of the Arab-Israeli war of 1973, was low enough to be considered more of an annoyance and an obstacle to macroeconomic expansion than a serious threat to economic stability. Crises in the balance of payments leading to devaluation, though present in other nations, most notably the US in 1971, tended to be treated in Britain as national traumas and symbols of decline. Lastly, British industry, which in the years immediately after the Second World War appeared as the only significant rival in the capitalist world to the US in a range of key traditional industries and 'high tech' sectors such as computers, was now finding it pushed aside by upstarts such as Japan. The 'natural' process of de-industrialisation inevitable in advanced economies as the relative shares of the economy shifted from manufacturing to the tertiary ('services') sector (or, Britain's case, partially into the primary sector with oil being extracted from the North Sea beginning in 1980) was taking place at an inordinate rate[6]. The feeling in Britain that it was undergoing a period of decline was pervasive.[7]

Thus the context in which the AES emerged might have appeared propitious, since the notion that Britain was in a state of decline was widespread. Pervasive as well was a national consciousness of Britain's former magisterial greatness, so that the AES's implicit assertion of the possibility of economic renewal thorough unilateral national action might well come across as plausible, where in most other nations of western Europe a multilateral context and a sense of the constraints of the international economy were emerging as the norm. Furthermore, the measures proposed, with the exception of the proposal for the introduction of elements of workers' control were not inherently left wing. Why then was the AES unable to generate broad-based political support?

The failure of the Labour Party AES in political terms is partially linked to the specific historical conditions which emerged in the mid 1970s. The rise in the price of oil precipitated an inflation so severe that a key element of the AES – the need for reflation - was seen to be inoperative, and a policy of price controls as part of a Social Contract simply broke down. Equally inoperative was the notion that the profits of the 'monopolists' could be directed to better ends: a general acceptance emerged (based on the work of the two eminent members of the left opposition cited above) that there was a long term decline in the profitability of British industry which obviated the question of the redistribution of these profits to better ends.

The AES also failed because of elements that were not specifically linked to specific historical conditions which emerged in the mid 1970s, such as the long term public perception that nationalisation in sectors such as steel and cars had been, in a host of ways, unsuccessful. From a political perspective, Crosland and the 'revisionists' demonstrated political astuteness compared with the proponents of the AES. For Crosland, Keynsian macroeconomic management was within the domain of politicians, but he generally opposed the notion that political involvement, either through nationalisation or planning agreements, could be a vehicle for the improvement of the performance of the business sector. As we shall see, his opponents on the Labour left suggested that his opposition to AES–style micro-management of the economy by government was due to his 'old fashioned' views on the nature of the contemporary British economy. There can be little doubt, however, that Crosland's primary reason for opposing such policies was that government involvement in the business sector evoked little public sympathy.

III *The Alternative Economic Strategy: Theoretical Underpinnings*

The weaknesses embodied in the AES do not obviate the fact that it represented an attempt to put forth a programme for the regeneration of the British economy which was underpinned by a coherent intellectual argument. By contrast, the programme of the mainstream Labour 'right' represented by Crosland's **Future of Socialism** (1956) seemed to be little more than an eloquently worded version of *on s'engage et puis on voit*. Not until several years into the Thatcher era could it be claimed that political actors were motivated by a set of doctrines of such intellectual clarity.

The AES largely emerged from the tireless advocacy and theoretical work of Stuart Holland. His central work **The Socialist Challenge** (1975) dwarfs, in theoretical ambition and detail, any comparable work in the post war world from the Crosland 'revisionist' group or indeed any other assemblage within the Labour Party. The theoretical 'skeleton' may be put forth in the following propositions, some only implicit in Holland's work:

- *There is a growing tendency towards monopoly in the British economy.*
- *The management of privately owned large firms can be readily replaced by state ownership, or supplemented with governmental directives.*
- *'Socialism in one country' is a viable proposition.*
- *Questions surrounding the substructure of the ownership and control of industry have precedence over superstructural issues.*

I will address each of these propositions in turn:

There is a growing tendency towards monopoly in the British economy.

This notion has been, in various forms, a central aspect of the left wing literature of the economics of the twentieth century. What is distinctive in Holland is that he focuses only briefly on the traditional critique of monopoly power – that powerful firms which dominate individual markets can exploit consumers. Rather, for him, the word 'monopoly' is often used in a more metaphorical, populist sense to connote very large, most commonly multinational firms. He measures this phenomenon not by looking at levels of concentration in individual markets, but at aggregate concentration – the share of the 100 largest firms in the British manufacturing sector, which indeed grew substantially over the twentieth century.

This process of the growing predominance of large firms is, however, as in John Kenneth Galbraith's **New Industrial State** (1967), viewed as inevitable and emerging from the exigencies of modern technology: survival of the fittest dictates the prevalence of these giants in the contemporary world. As in Galbraith, management and decision-making in these large firms has become separated from ownership. These managers, substantially freed both from the constraints of traditional competitive forces and from the demands of shareholders, can exercise significant freedom of action in their decisions.

For Holland, there are two main reasons to be concerned with the emergence of these giant, multinational firms. First, their presence and behaviour limits national sovereignty: governments, especially potentially socialist governments, lose control over fiscal and monetary policy, as well as foreign exchange when large, multinational firms pursue tactics to avoid the effects of governmental controls and taxation. The second reason to be concerned with the growth of the predominance of these large firms is that their monopoly power worsens the trade off between unemployment and inflation: governmental attempts to lower unemployment through additional expenditure will be thwarted by the ability of the monopolies to use their market power to put up prices. This first proposition contains the essence of Holland's world-view. It also embodies his critique of Crosland's notion that it is more or less possible to leave governmental policy to the realm of macroeconomic (i.e. monetary and fiscal) policy, and let the business sector 'take care of itself: for Holland, the emergent 'mesoeconomic' economy dominated by large, multinational firms makes such an approach impracticable, if not impossible.

The very premise of the first proposition was false[8]. The problems being experienced by British industry were not those of growing monopoly predominance, but of increasing international competition and relative decline. In the immediate post war world, key elements of British industry cultivated habits of monopolistic sluggishness because of their substantial control over domestic and Commonwealth markets and the scarcity of international rivals. Progressively, British firms had to face unprecedented competition first from Continental rivals, and then from Japan, Asia and other nations. The high levels and rapid rise in aggregate concentration in the UK was largely a *manifestation* of its stagnation in the context of *increasing* international competition and a shrinking industrial base. Mergers in the UK accounted for much of the rise in concentration: managers, with poor prospects for the investment of funds in their own companies, chose to take over other firms than to pay dividends to shareholders. For a host of national economies that grew far more rapidly than the UK such as Italy, the small firm sector has been a key element in its rapid economic growth, putting the lie to the notion that giganticism was an inherent and inexorable part of all modern forms of capitalist development.

The conclusions deduced from the first proposition may also be questioned[9]. It is certainly true that the emergence of giant multinational firms limits national sovereignty: governments, especially potentially socialist governments lose control over fiscal and monetary policy, as well as foreign exchange when large, multinational firms pursue tactics to avoid the effects of governmental controls and taxation. However, to paraphrase Mae West, we may note that monopoly has nothing to do with it[10]. It is rather the growing preponderance of the international dimension in every nation's economy – the dramatic rises in the flows of direct and portfolio investment, international trade and finance which are critical to the thwarting of national sovereignty, not any monopoly power on the part of firms *per se*. Very large firms in a *competitive* environment (in, perhaps, an international context) would be at least as eager as any monopolist to avoid governmental controls and taxation. To the extent that the emergence of the multinational is, as we shall see below, an aspect of a more generalised internationalisation of the economic environment, it is a fact to be faced by all nations and has little to do with monopoly *per se*. As Holland correctly points out, Britain has an exceptionally large presence of multinational activity: if regulation of this mesoeconomic power is deemed necessary, all the more reason to look for it at the supra-national level, rather than rely on the limited resources of a nation state.

The second reason mesoeconomic power is said to be a problem is the worsening of the trade-off between unemployment and inflation. It is indeed true that monopoly power can sometimes cause the price system to act perversely – in a notorious case in the US, the American Tobacco Company was able to raise cigarette prices in the context of general deflation during the Great Depression of the 1930s. But in general, the notion does not even make logical sense: why should a monopolist's pricing policy exacerbate inflation, which is the *rate of change of* prices? There is indeed one case where a monopolist's pricing policy might exacerbate inflation: when the monopolist, unlike the competitive firm, finds the easiest way to a 'quiet life' is to pass on cost increases generated by trades union demands to consumers through price increases. This particular case was not one likely to be emphasised by Holland or the Labour Party.

The management of privately owned large firms can be readily replaced by state ownership, or supplemented with governmental directives.

The transition from capitalist to socialist direction is a smooth one in Holland's Galbraithian world (we note the continuity here with the socialist tradition dating back to Engels)[11]. In such a world, where technology dictates that it is the big firms that are the harbingers of the emergent 'new industrial state', it is sufficient to focus on this small number of large entities rather than the sea of enterprises in the economy as a whole. And since the managers of these large capitalist firms have substantial freedom of action due to monopoly power and their independence from shareholder demands, the re-direction of the large firm's activities in a socialist direction will be a straightforward process. Ownership *per se* it not a critical issue: company managers as specialists can be left to deal with day to day decisions, but now the overall directives will be set by socialist planners.

In the post 1945 context, transfer of ownership from the private to public ownership was unproblematic in sectors that lent themselves to central direction (rail), where there were instances of ‘market failure’ in terms of redundant capacity and barriers to exit (coal) or when the service involved had significant ‘public good’ aspects (the Bank of England). But in a range of other activities such as cars and steel, nationalised sectors – usually administered by the same individuals as in the pre-nationalised days, run into fundamental difficulties, rooted in an inadequate conceptualisation of the notion of competitive behaviour.

This failure to understand competitive processes can be observed as well in the AES, where, as noted above, price restraint by the nationalised firm was to be a key policy tool in the creation of a ‘competitive atmosphere’ for the rest of the firms in the sector. This identification of pricing policy with competitive behaviour is, of course, familiar from standard economics textbooks. The AES policy for creating a ‘competitive atmosphere’ had its likely genesis in the ideas of the socialist economist Oskar Lange in the 1930s. He suggested that the question of ownership is irrelevant in determining whether or nor an economy is efficient: a publicly owned, socialist economy could simulate the efficiency of a competitive capitalist economy by being instructed *to set its prices in a competitive manner*.

Orthodox economists were quite flummoxed by this argument: how could private ownership be defended when competitive prices could just as well be simulated in a socialist context? It took Fredrich Hayek, in this period quite a distaff figure in economics, to come to the aid of capitalism. Competition under capitalism was, according to Hayek, about much more than pricing policy. It involved (following Marx), a continual renewal of the forces of production, risk taking and the introduction of new technology[12]. Thus, while it is reasonable to think that telephone services, like those for water, can be straightforwardly provided by a single nationalised producer, the issue takes on a new light once the telephone sector is transformed into telecommunications. As a nationalised industry, we would have to answer the question – *how much* of the public's money should be invested (risked) in the new goods and services being offered by the telecommunications industry and *in what* new sectors should it be invested? The presumption is, of course, that under capitalism, these questions are simply answered: in a privately owned firm, by virtue of holding the firm's shares, the owners have acquiesced to partake in the risks embodied in new ventures. Investments on the part of the firm will proceed as long as they are perceived to add to the value of the firm and therefore the net worth of the shareholder.

This capitalist decision rule on investment is perfectly coherent. There is no equivalently coherent rule in a nationalised context. Let us concede that when the AES speaks of the need for 'more' investment in industry, it is implicitly invoking a Keynsian criterion whereby aggregate investment must be at a sufficient level to underpin full employment. The question still remains: investment in *what*? Would massive expenditure on capacity in the 1970s and 1980s in the car and steel industries (likely 'key' sectors for expansion under the AES) have been of long run benefit to the British economy? The spectre of massive, Soviet style investment in obsolescent spheres of investment must be coupled with the extraordinarily detailed planning agreements discussed above, covering all aspects of firm behaviour. Besides the obvious costs of administering any such agreements, the multiplicity of goals to be met promised to generate for the economy as a whole the kind of incoherence and lack of direction characteristic of nationalised industries[13].

Furthermore, the viability of the AES programme of planning agreements is linked to a particular view of the modern, large firm, also derived from Galbraith (1967), in which large companies are already self-sufficient islands of planning. For the AES, then, it would be relatively unproblematic to introduce government-directed planning agreements with dozens of large firms as a replacement for existing firm-based planning procedures. But in reality, for even the largest firms, trade with other firms appears to account for about 75% of sales[14]. Meaningful planning agreements would then involve not only a firm-by-firm determination, but a morass of calculations concerning the *interactions between* firms.

The above few paragraphs could, indeed have been written by any paid-up member of Mrs Thatcher's favourite think tank, the IEA. But to observers in the early twenty-first century, the AES programme for the regeneration of British industry involving nationalisation and dozens of detailed planning agreements with firms evokes not so much a right wing hostility as a form of incredulity – how could anyone have believed in such a thing? It would be a shame if the incredulity evoked in response to the AES programme were to generate an uncritical attitude to the rationality of investment in a capitalist economy. That problems exist in a Keynsian, macroeconomic, context are well known. But even in the area of microeconomic decision making, where it was suggested above that capitalist investment appraisal is so rational, there are real problems. Of the five 'leading edge' sectors of the supposed free enterprise US economy in the post war world, three of them – electronics, telecommunications (including the Internet) and aircraft manufacture were created by having government money `thrown at them' during the Cold War[15]; agriculture has received massive governmental subsidies for generations. Only the entertainment industry has emerged through the textbook route of private risk taking. There are thus good reasons, even in a strictly business context, to question the unadorned efficacy of the free market as a vehicle for long term investment and development, even in the context of that supposed bastion of free enterprise, the US. But considered criticisms of free enterprise investment lose their force when the alternative in front of the public is AES-directed nationalisation and its morass of planning agreements.

'Socialism in one country' is a viable proposition.

It is perhaps unsurprising that nations with a great imperial history will view the growing internationalisation of the economy mainly as an imposition upon national sovereignty and a threat, rather than as an emerging, inevitable aspect of world economic development and a new set of opportunities for development. For Holland, the multinational appears out of nowhere – like the monolith in *2001 – A Space Odyssey*, and serves little purpose but to thwart socialist management of the economy. In fact, the multinational is not a peculiar imposition upon the world economy but a by-product of a more general economic internationalisation involving trade, finance and international dealings of all kinds which continues to this day. Western Europe and the Common Market, as it was then known, are treated as problems to be coped with rather than as potential allies in trying to tame international capital. This strikingly national perspective is certainly curious in the context of socialist intellectual tradition, but what is more apposite from the economistic perspective taken here is the gross underestimation of the momentum behind this process of economic internationalisation. Within a few years of the publication of Holland's book, all attempts to control exchange rates and currency movements level were to disappear within major capitalist economies.

Britain did indeed have peculiar problems in an international context. Historically, Britain's own economic development may well have been disadvantaged by the Empire oriented emphasis on overseas investment[16]. In Britain in the 1970s there was indeed a net outflow of foreign direct investment funds, and part of the AES strategy was a set of governmental measures to *control outflows.* Given the likely incentive effects of this and other aspects of the AES on potential inflows, its prospects for improving *net inflow* were clearly dubious. Britain was simply not powerful enough to cause international capital flows to bend to its will. Proceeding more logically, Mrs Thatcher made brilliant use of bellicose patriotic rhetoric as a cover for policies that implicitly conceded Britain's ordinary status in the world economy. At enormous cost to the domestic economy, her administration created an environment of 'sound money' and broken trades unions that acceded to the needs of international capital and made Britain a 'first port of call' for foreign direct investment in Europe by the late 1980s[17].

The last proposition listed above concerns the relationship between the substructure and superstructure. The notion that this proposition is a valid one is shared by both radical supporters and opponents of the AES, and is a key source of weakness for all of them. We will therefore save dealing with it until we consider the reaction of the radical opposition to the AES.

IV *The Alternative Economic Strategy: the Radical Critics*

Responses to the AES ranged from those, such as the 'left Kenysians' who emphasised the need for reflation but without the AES's plans for detailed intervention in industry to radical rejectionists for whom the AES was inadequate because far too timid. We cannot do justice to the full range of views here,[18] but the main lines of response by radical economists can be summarised without undue length.

Support for the AES comes across most straightforwardly from those whose economic world-view emerges from the Galbraithian new industrial state/monopoly capital view which also informed the work of Stuart Holland. For these individuals, conditions are propitious for the implementation of socialism, even in a single country. Britain is already dominated by large, relatively self-contained, planned entities – the great 'monopolies'. The transition to government directed planning in this context could, in an administrative sense, proceed without difficulty. The main obstacle is political: the antagonism of international capital.

A key organisation, which embraced many activists and academics who were otherwise unaffiliated with radical groups was the Conference of Socialist Economists (CSE). Their proposals were along similar lines to those in the AES, but if anything more radical in their commitment to 'socialism in one country'[19]. The programme of the CSE embodies an elaborate programme of import controls as part of a system of 'planned trade', including a reversal of the abolition of exchange controls (pp.86-102;111). (Holland opposed import controls, and they were introduced into the AES somewhat as an afterthought.) The 'EEC' is mentioned solely as a constraint on the implementation of this programme.

What is really distinctive about the CSE programme is its willingness to have a socialist Britain wage war on international capital. Thus, how will planning agreements be implemented in the context of the likely hostility of the large, internationally oriented firms? ' [If] capitalists refuse to buy government debt and shift their capital overseas...this opposition could be overcome… provided the workforce of the companies involved were committed to its implementation' (p.71). Furthermore, in the CSE programme MNEs would be subject to forms of greater democratic control than are envisaged for non-multinational companies: 'That a government implementing a socialist economic strategy would be in a weak bargaining position cannot be doubted. The multinationals have at their command the control of financial resources, often the monopoly of technology, and probably can count on the backing of a significant section of their workforce, particularly those in management roles. It is a problem that can only be solved by mobilising all the sanctions and incentives available' (p.108).

By comparison, support for the AES from the distinguished theorist of monopoly capital, Sam Aaronovitch is of a less heady kind, but is equally strong in its nation-state orientation. He castigates '….the fantasies of most leftist groups …that even breaking through in one country would be in sufficient to start building socialism…Radical change in one country will influence the climate in which other countries operate, but the *focus* of democratic struggle within each country is bound to be its own nation-state'[20](pp.113-114). His most decisive break with the Labour AES programme is the proposal for withdrawal from the 'Common Market' (pp.89-95).

We thus have a set of responses which consistent with the first part of the hypothesis put forth earlier on the dominant role of ideas in the formulation of policy. We can see in the positive responses above to AES-type policies a clear link to the 'monopoly capital' theoretical world-view which would make such policies plausible[21].

Perhaps the most exhaustive critique of the AES from the radical rejectionist perspective can be found in Glyn and Harrison (1980). Their view of the underlying nature of the crisis in Britain is in marked contrast to the monopoly capital view: the precipitous decline in the profitability of British industry is partially due to the exceptional level of conflict between labour and industry[22]. However, they also describe, as was done above in this paper, the post war transition between a Britain secure in its exports to the Sterling area to one faced by international competition of all kinds. In somewhat Aesopian language, an important aspect of the British crisis is the increasing openness and competitive nature of the economic environment faced by Britain. In such circumstances, it is not surprising that they conclude that the AES is '…fatally flawed because it could surmount problems in the production of surplus value only by measures unacceptable to capital. Capitalists would resist immediately it started to bite, and could cause massive disruption because the bulk of production would remain under their control' (p.164). The solution is one which is logically consistent with their view of the present state of British and world capitalism: there can be no half measures – only radical and complete socialisation of the British economy, one involving inevitable confrontation with international capital, can offer a coherent alternative to capitalism[23].

Support for the AES from Bob Rowthorn[24] is somewhat surprising in the context of the schema outlined above, since he has never been identified with the monopoly capital approach to industrial analysis and has always emphasised Britain's interdependency with other nations[25]. Indeed, his major reservation with the AES is that '…the economies of Western Europe are now highly interdependent, and their problems cannot be completely solved by each country acting isolation from the rest. Some form of cooperation is completely necessary' (p.8). Interdependency between nations, however, cannot be taken as an excuse to do nothing[26]. Even though the policies of the AES are likely to excite international antagonism, they should be supported as part of a longer term strategy for the transformation of the economy and society in a socialist direction.

The fortunes of the two parts of the hypothesis whose validity this paper has set out to demonstrate have had divergent fortunes. The first part has had a modest success: it suggests that practical policies have behind them an intellectual framework which acts as the logical basis upon which these policies are formulated. This 'model' has worked well for Stuart Holland and a host of supporters of the AES approach to radical change: in a world already evolving under capitalism towards the hegemony of a few large bureaucratically administered monopolies, the introduction of governmental ownership and direction should be a straightforward affair, especially in a nation such as Britain which is conspicuously dominated by such entities. This part of the hypothesis has also been validated in the case of the radical rejectionists, whose opposition to the AES is at least in part based on their failure to embrace the monopoly capital world view. But it has failed in the case of Rowthorn, whose support for the AES is almost completely motivated by a desire for the *political* revitalisation of the left in Britain, with the economic logic left unclear.

The second part of the hypothesis above is that correct ideas will lead to policies that succeed, while incorrect ideas will generate policies that fail. This notion, one must admit, appears to be rejected by the evidence: *all* policies of the left intellectual opposition, whether they be for moderate 'Keynsian' direction of the economy, support for the AES, or radical and complete socialisation of the economy have failed to have any impact in Britain to the present moment, and there appears little reason to believe that this situation is likely to change in the near future.

But as the reader might have guessed, an attempt will be made here to salvage this second part of the hypothesis. One way of dealing with this dead end for the left is to suggest that *all* these failed policies – those of the AES, as well as those of its radical supporters and critics - share a dubious *theoretical* presumption, the last of the Holland/AES propositions mentioned above:

Questions surrounding the substructure of the ownership and control of industry have precedence over superstructural issues.

For generations, the left has focused on the need for a radical restructuring in the ownership and control of industry as the fundament of social change. I have contested this notion elsewhere:

> …the dominant tradition emanating from [Marxism] has concentrated on the importance of changes in the economic base of society as the mechanism through which it would *then* be possible to deal with questions of human development. Superstructural issues such as education have been perceived as secondary. This tradition is dominant despite the fact that it was precisely failures in aspects of the 'superstructure' that motivated many individuals' radical activity in the first place-individuals for whom superstructural work such as education was often the dominant mode of human and professional activity (I use this awkward phrase to embody not only teachers, but parents as well.) We can see the extreme manifestations of this phenomenon in the example of the Trotskyist, by profession a teacher, who decides to go off and do some 'real' political activity by working and organising in a factory; or in the mutual incomprehension evidenced when a right-winger decides, with a degree of logic, that the concentration of left-wingers on strictly economic forms of inequality must be linked to the politics of envy' – why else would there be such an obsessive focus on the ownership of property and on income statistics?
>
> This 'Marxist', materialist determinist approach to the radical transformation of society has debilitated the politics of the Left and has mystified potential supporters. Much of the Left's energy has been dissipated by industrial experiments in planning. Individuals were distracted and social development was cramped. Perhaps history should not be second guessed, but it seems indisputable now that had the 1945 Labour government concentrated on rewriting the 1944 Education Act and reconstructing the university system, a genuine and lasting transformation of the society might well have been possible. I would go further: a true *cultural* revolution among the population might have created the prerequisites for a transformation in the industrial environment in which genuine elements of industrial democracy – democratic socialism – were present.[27]

Even for Marx, where the idea of the dominant role of the substructure supposedly originates, the ‘mode of production’ encompasses much more than just the ownership and control of the means of production. Properly defined it includes many elements usually identified with the ‘superstructure’ of society. Much of the failure of the left opposition was its choice to fight its battles in the wrong domain.

Let us take a concrete example to demonstrate this point. It has been noted that a fair percentage of the left opposition was made up of individuals who, directly or indirectly, were involved in education. Many of the individuals discussed here were, in fact, academics involved in the teaching of economics in institutions of higher education, either universities or, as they were then, polytechnics. While much of this left opposition in the 1970s and 1980s was engaged in what turned out to be fruitless discussions about the restructuring of industry, a revolution was taking place right under their feet – a vast expansion of business school education in the UK, modelled on the system in place in the US.

As David Noble (1977) has pointed out, the emergence of the business school in the US in the early part of the twentieth century was not merely a device for the imparting of technical knowledge to a group of individuals. A central role played by these business schools was the creation of a self-conscious class of individuals aware of their role in society and within the firm. Class differentiation and an awareness on the part of graduates that they were to be part of ‘management’ and not mere employees were vital aspects of what was being inculcated in the business schools.

In the contemporary world, only business graduates from the most elite institutions are likely to think of themselves as part of a ruling stratum. With present day mass recruitment of students into business schools in the US, we see the social role of the business school greatly expanded: it is now perhaps the key vehicle for the dissemination of the business ethos in society, the realisation of the 1920s slogan that ‘America’s business is Business’. What this seemingly redundant phrase means in practice is that the business school is the institution which establishes the norms of economic discourse in society. We now see a similar development in Britain. Thus, while debates may rage among academics about the causes of present day difficulties in the German economy, the general public is simply informed, on the business section of the morning news on radio, of the 'need' for Germany to restructure its welfare system and make its labour markets more 'flexible'.

The left opposition has permitted the creation of a generation of decision makers, educated in business schools, whose perspective on the economy and society emanates from the calculus of profit. It is no wonder that business schools have had to improvise courses on 'ethics' and 'social responsibility' when so much power is in their hands. Economists and other intellectuals may *debate* changes in society in the pages of the **Guardian**, but the people *making* these changes are business school graduates reading (at best) the **Financial Times**. With the best will in the world, no business degree in Britain can introduce broader considerations into their programmes in any way other than as an appendage. We can now say: 'Britain's business is Business'. In only a few decades, this dramatic change in the structure of higher education has dictated that the norms, 'needs' and even language of business has emerged as the discourse in which key social decision are made. Broader social considerations may be discussed among the academic, left wing 'chattering classes', but real decisions are made elsewhere.

If the attention of the left opposition had not been directed at fruitless attempts to reorganise the whole industrial structure, might not things have come out differently? Instead of American style business courses, British academics, most especially those on the left, could have asserted the necessity for the putative decision makers of the future to receive a broad based academic education. They could have developed, in an imaginative way, applied economics courses in which the substantive technical material of a business degree was integrated with a programme that discussed these matters in an historical, social and political perspective. Needless to say, academic economists, on their side would have benefited from being forced to consider, at close proximity, the real world problems of reading and interpreting a company's annual report, and not just coping with the latest fashion in game-theoretic modelling. If the creation of alternatives to business school courses seems mundane compared to revolutionising the industrial structure, I will simply note that it was a good deal more feasible.

V Conclusions

The AES and the responses to it of the left intellectual opposition encapsulate many of the failures of the left that have lead to its demise in Britain. Much of the left stayed wedded to the theory of monopoly capital because of the ready appeal involved in uniting 'ordinary' people in the fight against the 'big monopolists'. But when acted upon as a basis for public policy, as in the AES, this theory was so at variance with the realities of economic life that it finally ended in disarray. Some radical economists had more realistic views on the emerging trends in the world economy. But they often proposed solutions of a speculative, utopian kind that did not emerge 'out of the womb' (Marx's phrase) of the economic realities and trajectories they had correctly analysed. Their solutions, furthermore, were likely to result in levels of social and political confrontation, national and international, that the public was completely unwilling to support.

The suggestion made here is that more attention should have, and should be directed by the left to so-called superstructural aspects of society than has been the case heretofore. In education at all levels, for instance, the prospects for successful intervention are much higher, and more immediate, than they are in areas governing the fundamental 'relations of production'. Is it being suggested here, then, that the latter issues must be abandoned to the 'logic of the market place'?

On the contrary, correct policies can only be formulated once there is an appropriate understanding of the disposition and trajectory of the contemporary economy. In a world economy which in general grows increasingly competitive, to cry 'monopoly capital' on a regular basis is to evoke the same response as that given to the boy who cried 'wolf'. In sectors such as pharmaceuticals, however, firms possess enormous market power and use it to exploit consumers, most especially those in the poorest countries. Strict discipline must, and can be imposed on these highly profitable companies, with regulation necessarily taking place at an international level, given the multinational functioning of these entities. The claim that these firms will simply wither away and die under such discipline is nonsense.

In general terms, policies for economic change will have to be constructed that go 'with the grain' of emerging economic realities. Those realities, as far as I can see, signal a further intensification of trends which have already taken place. Thus, a recent article in **Business Week** looks at the consequences of the latest developments in the 'outsourcing' of jobs from rich to poor countries. We have become used to this process in the context of manufacturing employment, but this article is considering the implications of an intensifying movement of 'white collar' and professional employment from rich countries to India, China and other countries. I find myself concurring with **Business Week**'s editorial on the matter, which suggests that the appropriate response of rich countries (in this case the US) is not for them to close in on themselves, but to respond to these challenges by improving their own education systems.[28]

There is much work for radical analysts to do in this area: why have rich countries found it so difficult to respond in this 'obvious' way to the emerging challenges of an ever more internationalised economy? What forms are an 'improved' educational system likely to take in the present political and social climate, and what kinds of change would be socially desirable? (Radical responses to the latter question are not likely to coincide with those of the editorial writers of **Business Week.**) Elaborate programmes to complement educational improvements would be imperative in rich countries in the context of these developments in the international economy. Such programmes would include the long term planning and coordination of human capital needs within various sectors of the national economy and policies to reduce the wastage of human resources generated by social stratification. Such major efforts, if undertaken seriously, are likely to necessitate a significant redirection of resources away from luxury consumption and other forms of gratuitous expenditure. Radical policy proposals of this nature might well have a potent and successful political impact when they emerge in response to the actual trajectory of current realities. The real struggle may then just begin: to assure that these ‘radical’ proposals have not lost sight of the initial left opposition vision of human liberation and development.

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[1] See as well Armstrong *et al.* (1991).

.[2] 'Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas' (Keynes, 1936, p.383).

[3] Auerbach *et al.* (1988).

[4] The exposition here of the AES programme owes a good deal to Wickham-Jones (1994), especially chapter 3.

[5] AES supporters and radical commentators were generally in favour of wealth redistribution, but not by way of nationalisation *per se*.

[6] See Rowthorn and Wells (1987).

[7] See (Tomlinson, 1996).

[8] The economic argument here follows from Auerbach (1988).

[9] Pedantic readers may wish to object that in logic, a false premise will always result in true propositions, i.e. if premise *p* is false, than both

$p \rightarrow q$ and $p \rightarrow \sim q$

will necessarily be true.

[10] For those with inadequacies in their knowledge of the culture of the Empire, we offer the following explanation: 'My goodness, Miss West, what beautiful diamonds you're wearing!' She replied 'Honey, *goodness* had nothing to do with it'.

[11] See Auerbach, *et al.* (1988).

[12] See Lavoie (1988). The common identification of Marx's ideas with notions of the inevitable emergence of monopoly is based on some passing comments in the (unpublished) third volume of **Capital** Such an identification is as appropriate as an exclusive focus on Issac Newton's continuing belief in miracles and divine intervention in a consideration of his work on the laws of gravity.

[13] See Rees (1976).

[14] See Auerbach (1992b) and De Grauwe and Camerman (2003).

[15] See, for example, Leslie (1993).

[16] See Cain and Hopkins (1993).

[17] See Ietto-Gillies (1993).

[18] Surveys can be found in Aaronovitch *et al*. (1981), pp.374 – 81 and Wickham-Jones (1994), pp. 521-532.

[19] Conference of Socialist Economists London Working Group (1980), chapters 2 and 3 indicates a standard monopoly capital approach, but unlike Holland and the AES they do not think that lack of competition is a problem in most industries (p.72). Page numbers below refer to this book.

[20] Sam Aaronovitch (1981), pp.113-114. Page numbers below refer to this book.

[21] From a later period, we can find a much more cautious approach being pursued by leading theorists of monopoly capital to industrial strategy, including the prospect of cooperation with the European Community: (Cowling and Sugden,1993). This may be contrasted with the bolder approach implied in Cowling (1982), pp.173-177.

[22] See Glyn and Sutcliffe (1972).

[23] Bob Sutcliffe may also be associated at that time with this position (personal communication).

[24] Rowthorn (1981). Page numbers below refer to this article.

[25] See Rowthorn and Wells (1987).

[26] See Rowthorn (1974).

[27] Auerbach (1992a), pp.9-10. Footnote omitted.

[28] Business Week (2003), and the editorial on p.100.