

# Corporatism In Britain: Why Protecting Industry Need Not Mean More Bureaucracy

NEW YORK, April 3 (IPS)—The following article is reprinted from the editorial page of the March 26 London Times.

Its authors R.E. Pahl, and social science director at the University of Kent, England and T.J. Winkler, of the Industrial Sociology Unit at the Imperial College of London, first surfaced with a November 1973 article in the liberal fascist British magazine, *New Society*. The article, entitled "The Coming Corporatism," advocated fascism with a human face. The article was reprinted and circulated in the United States by the Initiatives Committee for National Economic Planning (ICNEP) which includes among its members United Auto workers President Leonard Woodcock and Brown Brothers, Harriman investment banker Robert Roosa. ICNEP executive coordinator Myron Sharpe admitted in an interview last week that ICNEP was now involved in the reshaping of the Humphrey-Hawkins legislation. ICNEP co-thinkers Winkler and Pahl provide an indication of the direction of these revisions.

## Corporatism in Britain; why protecting industry need not mean more bureaucracy

The recent exchanges among *The Times*, Mr. Michael Foot and others show how difficult it is to maintain a distinction between corporatism as a type of economic system and notions of totalitarianism. Yet it is important to do so because the word can be used in a precise way to describe fundamental changes in our political economy. There is currently a serious academic debate about whether the British economy is in the course of transformation from some form of mixed, liberal, managerial capitalism towards corporatism that is of direct, practical relevance. This debate is engaging the attention of sociologists and lawyers, especially the latter, who are increasingly visiting this country to explore corporatism at first hand.

We see corporatism as a comprehensive economic system in which the state directs and controls predominantly privately owned business according to four principles: unity, order, nationalism and success. The crux of corporatism concerns the role the state plays in the economy, the nature of state intervention, even more than its extent. Recent governments have gradually been assuming a directive role by establishing national goals controlling the distribution of rewards, coordinating the supply of some major goods and services (eg, energy, oil, equipment, machine tools) and allocating resources (eg, land towards community development and capital towards 30 priority manufacturing activities). The planning agreements system, if ever fully implemented, would give the state some leverage over most of the other variables a private owner or manager may manipulate in the conduct of his business. Corporatist state control, therefore, means control over the internal decision-making of privately owned businesses.

The first operating principle of corporatism is unity, the idea that economic goals are best achieved through cooperative effort rather than competitive processes.

Whether it be through "joint consultation", "co-determination", a "social contract" or "tripartism", working together as "one nation" is now seen by Conservative and Labour alike as the way out of our collective travail. The active, successful pursuit of individual or group interests is now labeled "sectionalism" (when it involves workers) or "unacceptable capitalism" (when businessmen). In practical terms, those in industry as well as politicians see little merit in price competition or competing sources of supply. They increasingly favour a system of price control and state-organized cartels with, perhaps, some industrial reorganization.

The second corporatist principle is order. Market economies are seen as inherently liable to unintended fluctuations and instrumental disruptions. In order to guard against latent anarchy, submission of the particular interest to the general will is a corporatist principle, collaboration at work a duty. The corporatist value is discipline, not liberty: the corporatist vice is licence, not compulsion.

Corporatism is nationalist in a dual sense. First, it is a collectivist system, not an individualistic one. National economic performance has moral primacy over personal affluence or mobility. "Individualism" is a label for stigmatizing recalcitrance, not eulogizing freedom. Second, it is economically nationalistic towards the rest of the world, involving the aggressive protection and furtherance of corporatism was started in the early 1960s by the Conservatives

The final corporatist principle is success, that is, effectiveness in the attainment of national goals. This also has two aspects. First, corporatism is an ends-oriented system, rather than a means-oriented one. It seeks results, not efficiency: it puts greater value on achieving targets than on the maintenance of legal rights or processes. This rejection of the rule of law has been considered separately by one of us in an article in *The British Journal of Law and Society* (current issue).

Additionally, corporatism is a mobilization system. It operates through the purposive organization of collective effort rather than trusting to spontaneous private responses to perceived opportunities. Concretely, this means a corporatist regime would attempt to establish control over the investment process (an allocative function) and assume some responsibility for economic coordination (a planning function).

Historically, times of economic crisis are often times of increasing state intervention. But the trend towards corporatism was started in the early 1960s by the Conservatives and will, we think, be continued by whatever party is in power because it is an attempt to cope with deeper structural changes in the economy. It is emphatically not a short-term aberration of a Mr. Benn or a Mr. Foot.

The increase in industrial concentration is a far more potent cause of corporatism. In 20 of our 22 major industries, an average of only three firms control half or more of the market (Monopolies Commission Report). Such a level of concentration is technically oligopoly and has two consequences: the state cannot let such giant firms fail, because

they are essential in meeting the nation's needs, and it cannot let them succeed, in the traditional profit-maximizing sense, because their market power would hold the nation to ransom. Hence, the state is now the regulator of major firms' profitability through price and margin controls.

The declining profitability of British manufacturing industry is a second long-term cause of corporatism, which goes back at least 25 years. Last month's NEDO report documented how spectacularly it has fallen in the past decade. Hence companies have generated no real retained earnings in any year since 1967, save one. The consequence is to increase their vulnerability to Government controls over their liquidity. The liquidity crisis of 1974 demonstrated that we must rethink the traditional notion of price control as possibly the most powerful and specific instruments for the control of the private sector. The Government is now hinting that it will bargain price relaxations for individual firms against all manner of "agreements". That, in essence, is the corporatist financial strategy: state direction of private firms through modulation of their revenues.

Other structural changes contribute to corporatism. The increasing cost and potency of certain forms of high technology not only forces the state into the role of protecting and controlling the environment. It also involves the state in providing the capital and guaranteeing the markets for investments that would otherwise be too large and risky for private interests. Finally the increasingly adverse shifts in world trade and incursions of multinationals have also involved the Government in the active protection of British industry.

State intervention in the economy is usually taken to mean more bureaucracy. However, we think that corporatism in Britain will operate more subtly: it will not need to be bureaucratic. When half of our national output is produced by only 100 firms (Prais) the state can potentially control aggregate national performance by controlling only a limited number of companies. This has the side effect of leaving the great mass of smaller firms unregulated.

For dealing with the few major firms (and the major unions), a massive administrative apparatus is superfluous. Control may be exercised through regular, informal negotiations. The outcomes of this bargaining will not always be what the state wants. Countervailing private power is substantial. Thus, corporatism is a bargaining system. And once the deals have been struck the private economic groups will be expected to carry them through themselves. That is, enforcement will be delegated, not supervised, from Whitehall.

More importantly, any success-oriented regime must retain the capacity to make prompt and flexible decisions in response to changing problems. Formalised bureaucratic rules introduce rigidity: they constrain the state as well as the subject. A corporatist state will retain adaptability by simply not codifying its procedures, by making its powers discretionary (as with the Industry Act financing, development grants), and by using an enabling Act model of the law (what Mr. Edward Short called "framework Bills" in a recent Commons debate), that is statutes which describe broad purposes not specific instruments. Such a style is not bureaucratic. On the contrary, it represents fundamental evasion of the rule of law. The visiting lawyers certainly find what they come to discover.

We are not suggesting here that Britain is already corporatist, or that state control will ever be absolute. What we are saying is that, despite protestations by politicians that they are building socialism or reforming capitalism, there is an internal logic to the economic policies of British governments over the past 15 years which is essentially corporatist. We see our task as the seeking out and explication of that logic. Clearly, one may approve or disapprove of the type of economic system we have described here. Personally, we reject it. But we would argue strongly that less pejorative and emotional discussion and more calm and objective analysis would help us to understand more clearly the society that we are all seemingly obliged to live in for the next decade or more.