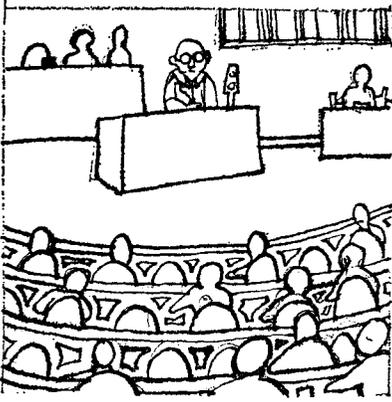


Aspects of Contemporary Socialism: 1

The Future of British Socialism



PRESENT-DAY SOCIALISTS IN GREAT BRITAIN face the prospect of immediate power, as the Macmillan Government is completely discredited—particularly by its ridiculous antics in trying to join the so-called “European Common Market”—and a General Election is quite probable during the course of the year. Therefore British Socialists are thinking in very practical and immediate terms, and I believe it is more useful to discuss social-democratic policies in this light.

I have never thought that long words such as “revisionism,” “collectivism,” “capitalism,” “reformism” and all the rest of this sort of jargon meant very much or did much more than muddle already confused minds. Therefore, I shall omit such verbiage, and seek to explain in plain English what British Socialists mean to do.

We start, first, with the basic belief that laissez-faire economic policies produce a bad apportionment of any country’s national income. Theoretical economics would lead one to expect this, because the uncontrolled price mechanism does not compare to the real needs or sacrifices of different individuals at all. More important, practical experience shows that this always happens. Whether you look at the apportionment of incomes in nineteenth century Britain or America, or in largely unplanned laissez-faire countries today like Japan, Brazil, Argentina, Persia, Spain, or Italy, you see the same result—luxury and affluence on the one hand, and a great deal of extreme poverty on the other. Laissez-faire means inequality. And the richer a country becomes, the greater will be the inequality within it, in laissez-faire conditions; and the greater will be the inequality between the richer and poorer nations. Only purposive control of economic life, and sharing out of the nation’s income, can avoid this.

That, I regard, as the unassailable truth at the root of socialist policies, though it has been confused in the past by much Marxist nonsense, reactionary propaganda, general confusion of

mind. The fact is that private economic enterprise is reasonably successful in producing goods, but is a hopeless failure in distributing fairly the resulting national income. Attempts to distribute the national income by laissez-faire methods produce the grotesque inequalities I have already mentioned, which you will find in South America, the Mediterranean countries, and non-Communist Asian countries today. On the other hand, the attempt to abolish all private trade and production, particularly in agriculture, has been a failure in the Communist countries. If only the Communists would have the sense to admit it, surpluses of food in Western countries, and the continued food shortages in China and Russia show that, particularly in agriculture, private greed is an effective way of getting goods produced.

Secondly, modern experience has proved that although governments are not always very efficient at producing goods, they are highly efficient at redistributing income and wealth. Since the time of the Roosevelt New Deal in the U. S., and the 1945-51 Labor Government in Britain, substantial progress has been made through the powerful instruments of taxation and social service benefits toward re-distributing the national income far more justly. During the subsequent Conservative Government in Britain, and the Eisenhower period in the U.S., there has no doubt been some relapse toward inequality in both countries. Bad housing and poor old-age pensions are still a major injustice to an underprivileged minority in Britain. The absence of a proper National Health Service is, in British eyes, a major scandal in U.S. society. But this simply means that there is a very great deal more to be done by the effective methods which we have already discovered. It does not mean that the job is impossible.

Meanwhile, a better understanding in the social-democratic countries of the economic forces at work, I believe, enables the old problems of unemployment and cyclical depression to be largely overcome, if only the new methods of control are intelligently and energetically used. A modern democratic community, by controlling the flow of money incomes, can insure—within a not too great margin of error—that its resources are fully employed. It can do this by adjusting taxation and social expenditure in such a way that incomes flow at the optimum rate. The British Labor Government, by these means and by credit policy, maintained almost complete full employment and steadily rising production from the years 1945 to 1951. President Kennedy during the last two years has at least tried to do the same thing, though in my view he has been too timid in increasing Federal social expenditure. Even so, he has kept production on a rising curve, even if unemployment by British standards remains deplorably high. The British public nowadays would never stand for unemployment of over 2½ per cent.

But the very success of full employment and growth policy in the modern social-democratic State, paradoxically sets in motion a new tendency toward inequality. If production and incomes are steadily rising, and a section of industry is in private hands, then the holders of equity shares will tend to receive continuing windfall capital gains, as well as gradually rising dividend incomes. Their incomes do not necessarily rise, nor the value of their shares go up, *every year*. But over any long period of years they will almost certainly show a gain. In Britain a group of equity shares bought in 1920 would today be worth eightfold its original value, and one bought in 1945 four or fivefold. Dividends would have risen every year since 1945 without any reinvestment of income.

This tendency is basically due to the well-established practice among well-managed firms of reinvesting a major part of their profits year by year. Inevitably, this means, in most cases, rising income and so rising share values. It matters little that these are partly offset by falling values of money; because this tendency affects all other incomes, and in any case cancels only part of the gain. Therefore, without any positive public intervention, the lucky few who hold equity shares will gain relatively to the rest of the community. Relatively, the rich will get richer and the poor poorer. Inequality in property, even if not in income, will grow, even though general living standards are rising.

This basic truth affords the clue to one main line of advance of socialist policy in the future. No doubt the basic battle for equality will have to be sought through the proven successful weapons of taxation in social services, including taxation on personal capital fortunes through inheritance and other taxes. But, in addition, while leaving a good deal of freedom for actual trade and manufacture to the energies of the ablest private managers, the social-democratic State should, I believe, pursue as a future long term strategy the aim of steadily purchasing equity shares in private business for public ownership. This, without direct interference in production, will bring increasingly into public hands, *as an investment*, a growing share of the unearned income accruing by way of interest and dividends. Future capital gains will also benefit the community instead of private persons.

There are many ways in which this major aim could be achieved; and they will no doubt vary from one country to another. In Britain, the easiest way to start would be to invest a proportion of the investments held by the National Insurance fund in equity shares instead of Government securities. Like the Federal security scheme in the U.S., the British Insurance fund holds billions of pounds worth of Government bonds. With much greater advantage to all, a portion of these could be invested in industrial shares. This, however, is only one example of the manner in which the

community might acquire ownership, as it were “painlessly”—i.e. without compulsory purchase of a widening range of industrial property.

Public ownership would thus advance on two fronts simultaneously. As an investment, and with a view mainly to *ownership rather than control*, industrial shares would be steadily acquired. They would be bought, as an insurance company invests, for the sake of income and capital appreciation rather than control over individual firms or so-called “industries.” Secondly, where a specific economic or industrial argument applied, such as the need for large-scale economies or protection against monopoly, a certain firm or group of firms, would be brought specifically into public ownership if necessary by compulsory purchase—e.g., utilities, electricity, natural monopolies, city transport, etc. Here the need would be for *control*, and the case would have to be made out ad hoc. Not very much reliance would be placed on the argument that “power” had to be secured by the State over industry. A lot of fashionable nonsense seems to me to be talked about “power.” If high taxation is levied on profits, if monopolies are curbed, if trade unions are strong, if full employment is maintained, if company law is vigorous, and if the State has a big part share in industry, then the so-called “power” in the hands of industrial managers is pretty effectively hedged around.

These aims would provide enormous scope for an active and progressive social-democratic government such as I would like to see in Britain and the U.S. It would be actively seeking full employment and growth by expanding purchasing power. It would be extending the share of the public services in the national income by stepping up essential expenditure on housing, education, pensions, health, and the rest. It would be redistributing drastically through taxation and social spending the incomes thrown up by private enterprise. It would also be steadily steering over the long period a growing slice of industrial property into public hands; so that public authorities would enjoy an expanding flow of investment income, which would enable them to increase social benefits without raising personal taxation.

This strategy is, I believe, the true line of socialist advance for the future. It would certainly give quite enough to do to any radical government in Britain, the U.S., the Commonwealth or Scandinavia for the next ten years; since any such government is also likely to be struggling with the problems of controlling its own balance of payments and easing the Cold War at the same time. But I believe we ought to make the effort, if we are going to prove that democratic government can really operate powerfully in the modern world for the benefit of the ordinary man.

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New Social-Democratic Reformism



THE THESIS OF THIS ARTICLE is that the ideology of the dominant wing of the European social-democracy has, since the end of World War II, visibly become something different from the traditional reformism of the Second International; it has entered a new stage and demands a new analysis, a tentative sketch of which is offered here.

“New” is always relative, of course; there is no doubt that the new ideology is an organic outgrowth of the old, as it claims to be; but it continues so far

along the lines implicit in the old that a qualitative change must be registered.

By traditional reformism I mean the political ideology which assumed clearest self-consciousness in the form of Fabianism in England and Bernstein’s “revisionism” in Germany. It looked to the gradual transformation, or metamorphosis, of capitalism into socialism by an inherent process working out through patchwork changes, however minute but cumulative in effect, which would eventually mean that capitalism itself grows into socialism, without any visible break in the continuum of change. Capitalism would not be “abolished,” let alone “overthrown;” it would *become* socialism. The movement toward socialism was simply the sum of collectivist tendencies immanent in the present system. Reformism’s perspective was the inevitable collectivization of capitalism itself, its self-socialization from above, rather than its change by action from below.

Hence the reformists’ equation was: *collectivized capitalism equals socialism*. To the extent that statification was one important form of such collectivization, though not the only one, they had a second equation: *statification equals socialism*. (There is a generation of socialists today who associate this formula only with the Stalinist ideology: this deprives the old reformists of their proper historical credit.) The reformists, both Fabian and Bern-